NEW ISSUE – BOOK-ENTRY ONLY **RATINGS: See "RATINGS" herein**

In the opinion of K&L Gates LLP, Bond Counsel, assuming compliance with certain covenants of the State, interest on the Notes is excludable from gross income for federal income tax purposes under existing law. Interest on the Notes is not an item of tax preference for purposes of either individual or corporate alternative minimum tax. Interest on the Notes may be indirectly subject to corporate alternative minimum tax and certain other taxes imposed on certain corporations. Interest on the Notes is not included in taxable income for purposes of the Alaska income tax imposed on corporations. Interest on the Notes may be indirectly subject to the Alaska alternative minimum tax imposed on corporations to the extent that interest on the Notes is subject to the federal alternative minimum tax on corporations. See "TAX MATTERS" herein for a discussion of the opinions of Bond Counsel.

$149,645,000
STATE OF ALASKA
General Obligation Bond Anticipation Notes
Series 2013C
(Non-Callable)
Interest Rate: 1.75%
Yield: 0.09%
CUSIP No.: 0117702E3

Dated: Date of Delivery **Due: March 25, 2014**

The State of Alaska (the "State") $149,645,000 General Obligation Bond Anticipation Notes, Series 2013C (the "Notes") will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers of Notes will not receive physical certificates representing their interest in the Notes purchased. DTC will act as securities depository for the Notes. Individual purchases of interests in the Notes will be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof. The principal of and interest on the Notes shall be paid at maturity. The Notes are ***not*** subject to redemption prior to redemption.

The Notes shall bear interest at the rate annum set forth above, calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year. The principal of and interest on the Notes 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 Notes (the "Bond Registrar"). Upon receipt of payments of principal and interest, DTC is to remit such principal and interest to the Direct Participants (as such term is defined in Appendix E hereto) for subsequent disbursement to the purchasers of beneficial interests in the Notes, as described herein.

The Notes will be general obligations of the State and the full faith, credit and resources of the State are pledged to the payment of principal of and interest on the Notes. See "THE NOTES – Security for the Notes" herein.

The Notes will be issued pursuant to the Alaska Constitution, Alaska Statutes 37.15.010 through 37.15.220 (the "Bond Act"), Sections 1, 3, 4 and 5 of Chapter 18, SLA 2012 (HB 286) (the "State Transportation Bond Act") and the Resolution (as defined herein) for the purpose of paying the costs of design and construction of state transportation projects. See "THE NOTES – Application of Note Proceeds" herein.

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

The Notes 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. Acacia Financial Group, Inc. is serving as Financial Advisor to the State. It is expected that the Notes in book-entry form will be available for delivery by Fast Automated Securities Transfer, through the facilities of DTC, on or about March 27, 2013.

The date of this Official Statement is March 14, 2013

STATE OF ALASKA
Sean Parnell, Governor
Mead Treadwell, Lt. Governor
P.O. Box 110001
Juneau, Alaska 99811
http://www.alaska.gov[1]

STATE BOND COMMITTEE

Susan Bell, Chair
Commissioner
Department of Commerce, Community and Economic Development

Bryan Butcher, Secretary
Commissioner
Department of Revenue

Becky Hultberg, Member
Commissioner
Department of Administration

Daniel Patrick O'Tierney, Delegate for Department of Commerce, Community and Economic Development
Deputy Commissioner

Angela Rodell, Delegate for Department of Revenue
Deputy Commissioner

Mike Barnhill, Delegate for Department of Administration
Deputy Commissioner

Deven J. Mitchell
Debt Manager, State of Alaska
Department of Revenue
P.O. Box 110405
Juneau, Alaska 99811-0400
Telephone: (907) 465-3750

STATE DEPARTMENT OF LAW
P.O. Box 110300
Juneau, Alaska 99811-0400

Christopher Poag
Assistant Attorney General

FINANCIAL ADVISOR TO THE STATE
Acacia Financial Group, Inc.
Anchorage, Alaska

BOND COUNSEL
K&L Gates LLP
Seattle, Washington

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

[1] The reference to the State's website is not a hyperlink and the State's website, by this reference, is not incorporated herein.

The information contained in this Official Statement has been obtained from the State of Alaska and other sources the State deems 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 no representation is made by the State as to the completeness or accuracy of such information.

No dealer, broker, salesperson or other person has been authorized by the State or 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 Notes, 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 Notes 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 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 Notes. All summaries of bond resolutions, 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.

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

THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE 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 NOTES IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH NOTES 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 NOTES OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

OFFICIAL STATEMENT

Relating to

$149,645,000
STATE OF ALASKA
General Obligation Bond Anticipation Notes,
Series 2013C
(Non-Callable)

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 $149,645,000 aggregate principal amount of the State of Alaska General Obligation Bond Anticipation Notes, Series 2013C, (the "Notes"). The Notes will be issued pursuant to Resolution No. 1 (the "Resolution"), adopted by the State Bond Committee (the "Committee") on February 20, 2013. See "THE NOTES" herein for a description of the Notes and the security therefor.

The Notes will be general obligations of the State and the full faith, credit and resources of the State will be pledged to the payment of the principal of and interest on the Notes. See "THE NOTES – Security for the Notes" herein.

The Notes are being issued for the purpose of paying the costs of design and construction of state transportation projects, as more fully described under the caption "THE BONDS – Application of Bond Proceeds" herein.

The audited general purpose financial statements for the State for the fiscal year ended June 30, 2012 are attached hereto as Appendix B. These financial statements reflect historical performance. The financial performance of the State reflected in these financial statements cannot be relied upon as a reliable indicator of subsequent performance. Historical trends cannot be used to anticipate results or trends in future periods.

This Official Statement includes brief descriptions of the Notes 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 Department of Revenue. 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 "APPENDIX E – INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY."

The forms of opinions of Bond Counsel are attached hereto as Appendix C.

THE NOTES

Authority for Issuance

The Notes will be issued pursuant to the Alaska Constitution, AS 37.15.010 through 37.15.380 (the "Bond Act"), Sections 1, 3, 4 and 5 of Chapter 18, SLA 2012 (HB 286) (the "State Transportation Bond Act") and the Resolution for the purpose of paying the costs of design and construction of state transportation projects. On November 6, 2012, a general obligation bond authorization was passed by a majority of the qualified voters in the State who voted in the election authorizing the issuance of $453,499,200 of general obligation bonds for the purpose of paying the costs of design and construction of state transportation projects.

Security for the Notes

The Notes will be general obligations of the State and the full faith, credit and resources of the State will be pledged to the payment of the principal of and interest on the Notes. The Notes will be paid from the next succeeding sale of bonds or from the proceeds of new notes issued by the State. The amounts required annually to pay the principal of, interest and redemption premium on all issued and outstanding general obligation bonds of the State are appropriated each fiscal year to the Committee to make all required payments of principal, interest and redemption premium.

For the payment of principal of and interest on general obligation indebtedness, including the Notes, 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 Notes

The Notes are being issued for the purpose of paying $149,645,000 to fund an estimated $149,645,000 of paying the costs of design and construction of state transportation projects pursuant to the State Transportation Bond Act. For a further description of the Notes, see "THE NOTES – Application of Note Proceeds."

General Description of the Notes

The Notes will be issued solely as fully registered Notes without coupons (initially in the book-entry only system) in denominations of $5,000 or any integral multiple thereof. The Notes shall bear interest at the rate as set forth on the Cover, calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year. The Notes will be dated as of their original issuance and will mature on March 25, 2014. The principal of and interest on the Notes shall be paid at maturity.

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

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 Notes in the form of bond certificates, new Notes are required to be issued and registered.

Application of Note Proceeds

Money derived from the sale of the Notes shall be allocated and expended as follows: (1) A portion of the Note proceeds shall be used for the payment of the allocable costs of issuance of the Notes and (2) remaining proceeds derived from the Notes shall be allocated among the authorizations contained in Sections 3, 4 and 5 of the State Transportation Bond Act. The proceeds deposited in the 2012 State Transportation Project Fund, are expected to pay all or a portion of the costs of the following projects:

Department of Commerce

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

Department of Transportation

Glenn Highway, Hiland Road to Artillery Road Reconstruction	$35,000,000
Glenn Highway/Muldoon Road Interchange Reconstruction	15,000,000
New Seward Highway MP 75-90 Bridge Repairs	26,000,000
New Seward Highway/36th Avenue Reconstruction	10,000,000
O'Malley Road Reconstruction	15,000,000
Elliott Highway MP 108-120 Reconstruction	6,500,000
Old Steese Highway to McGrath Road Reconstruction and Extension	24,000,000
Wendell Street Bridge Replacement	14,400,000
Glacier Highway MP 4-6 Road Improvements	5,500,000
Mendenhall Loop Road Improvements	6,000,000
Kenai Spur Road Rehabilitation	20,000,000
Ketchikan - Shelter Cover Road Construction and Improvements	19,000,000
Matanuska-Susitna - Fairview Loop Road Reconstruction	10,000,000
Matanuska-Susitna - Knik Goosebay Road Reconstruction	15,000,000
North Pole - Plack Road Improvement	5,000,000
Platinum Airport Runway Extension	3,100,000
Richardson Highway - Ruby Creek Bridge Replacement	11,000,000
Sitka - Katlian Bay Road Construction	14,000,000

Redemption of the Notes

The Notes are ***not*** subject to redemption prior to maturity.

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 Notes 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 for the payment of the principal of and interest on the Notes so provided for, and such Notes 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 Notes shall be deemed to be no longer outstanding.

Book-Entry System

When issued, the Notes 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 Notes. Individual purchases will be made only in book-entry form through DTC, and purchasers will not receive physical certificates representing their interests in the Notes 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 Notes, 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 Notes. For information about DTC and its book-entry system, see "INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY" in Appendix E.

INFORMATION CONCERNING THE STATE OF ALASKA

General

Alaska 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. Most of the State's revenue is derived from resources owned by the State itself, including petroleum and minerals extracted from State-owned lands and securities in funds owned by the State.

State Government

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

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 "Legislature"). The executive power of the State is vested in the Governor. The judicial power of the State is vested in a supreme court, a superior court and the courts established by the Legislature. The jurisdiction of courts and judicial districts are prescribed by law. The courts constitute a unified judicial system for operation and administration.

The State provides 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.

State Bond Committee

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

Overview of the Economy of the State

The key drivers of the Alaska economy include natural resource development, federal (including national defense) and state government, seafood and tourism. While petroleum extraction accounts for approximately 90 percent of the State's revenues, more than 25 percent of the State's employment is derived from government. Tourism provides 11 percent of the State's employment with seafood providing 10 percent. The State's population continues to grow, increasing 13 percent from 2000 to 2010 (April 2010 Census). The State's major exports are oil, natural gas, seafood (primarily salmon, cod, pollock and crab), coal, gold and zinc.

For more information regarding the economy of the State, see "APPENDIX A – SUMMARY INFORMATION REGARDING THE ECONOMY OF 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 Statehood Act, 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 13 percent of Alaska lands, the State owns approximately 26 percent and the federal government owns approximately 60 percent, with less than 1 percent of Alaska lands owned by private, non-Native owners. As described below, the State obtains significant revenues from companies that lease State-owned lands for extraction of oil, natural gas, coal, gold, 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.

Article 8, Section 1 of the Alaska Constitution provides that, "it is the policy of the State to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest." The Department of Natural Resources ("DNR") oversees all activities that occur on the 100 million acres of State upland, 60 million acres of submerged lands and 40,000 miles of coastline. DNR's mission is to "responsibly develop Alaska's resources by making them available for maximum use and benefit consistent with the public interest." As such, DNR has the stewardship and public trust responsibility for all State-owned land, water and resources in addition to certain regulatory responsibility on private lands. DNR manages the State's mineral, coal, oil and gas, geothermal, timber, material and water resources, provides land use authorizations for surface activities on State land, receives title from the federal government in accordance with the Statehood Act and the Alaska Land Transfer Acceleration Act and conveys land to private purchasers. DNR manages and distributes a large volume of technical data, public records, land records and geospatial information.

Oil and Gas Reserves. The 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 south-central Alaska, was completed in June 1977, enabling the production and transmission from the North Slope of Alaska of more than 16.6 billion barrels of crude oil between fiscal years 1978 and 2012. 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, Kuparuk, the State's second largest oil-producing area, and from the Endicott and Lisburne satellite fields. Currently producing oil fields face declining rates of production as production continues beyond field peak performance. Oil producers attempt to replace this depletion by finding, developing and producing new oil.

The Alaska North Slope has experienced new oil being produced at additional fields and new developments that will bring future production. New production on the North Slope has helped to offset some of the decline since 1988, with total production estimated to be 579,000 barrels per day in fiscal year 2012. In its Fall 2012 Revenue Sources Book, the State forecasted that crude oil production on the North Slope would continue to decline over the 10 year forecast period to 338,500 barrels per day by 2022. The forecast oil production in 2022 estimates 88,000 barrels of oil per day will come from projects currently under evaluation or under development. This estimate is a weighted average of many potential new projects coming on line at various times and production rates over the forecast period. In 2012, the Alaska Department of Revenue ("DOR") began reporting future production as a risk-weighted value in order to account for the risk involved in bringing new projects online as an appropriate measure to prepare the State's budget. While this ensures conservative financial planning further into the future, there is a reasonable expectation that production could be as high as 436,000 barrels of oil per day by 2022 under the right economic conditions. That number could be more than twice as high with technological breakthroughs or major changes in current conditions. Oil production from the smaller fields within the Cook Inlet Basin, in south-central Alaska, has increased for the last two years as new participants enter the Alaska market. Production was almost 11,000 barrels per day in 2012 and is forecast to be at least 5,000 barrels per day in 2022, despite entering its 63rd year of production at that time.

Although crude oil production is decreasing, State revenues have been increasing as a result of changes to the State's oil-related tax structure and general increase in price for oil. In addition, the potential for future production from known (discovered but undeveloped) and unknown (undiscovered) hydrocarbon resources in northern Alaska is considerable. In August 2007, the U.S. Department of Energy ("DOE") released "Alaska North Slope Oil and Gas: A Promising Future or an Area in Decline?" – a report that assessed the potential for Alaska to remain a major producer of oil and gas under various development scenarios. The report examined near-term potential (2007-2015) and long-term potential (2015-2050), mostly under a major gas sales scenario. According to the report, the North Slope is a relatively underexplored petroleum province that may provide oil and increasingly, natural gas, for years to come.

The 2007 U.S. DOE report evaluated geologic and commercial viability of future oil and gas production from five areas or provinces: 1) the central Arctic area between the Colville and Canning Rivers (and adjacent State waters), 2) the 1002 area of the Arctic National Wildlife Refuge, 3) the

National Petroleum Reserve in Alaska ("NPR-A"), 4) the Beaufort Sea Outer Continental Shelf ("OCS"), and 5) the Chukchi Sea OCS. Under the most optimistic scenario, DOE reported mean technically recoverable oil resources of 38.2 billion barrels and mean technically recoverable gas resources of 186.5 trillion cubic feet ("TCF") from these five areas. The State benefits from the production of federal oil within the State (especially in the NPR-A, where the State is entitled to 50 percent of all royalties, bonuses and rents) and benefits to some extent from the production of federal oil from non-State lands shipped through TAPS. These estimates are not included in the DOR's projections of oil production from the North Slope.

In the next ten years, the State anticipates new developments on State and federal lands, both of which benefit the State. Most of the opportunities to add production from State lands are from expanded heavy/viscous oil development, shale oil, continued satellite development at Alpine, and continued developments at Oooguruk and Nikaitchuq. Production from the Oooguruk field began during the summer of 2008 and is progressing as expected. The Nikaitchuq field began production on schedule in February of 2011. The Point Thomson field, 20 miles east of the existing Badami development, together with three known satellite fields, is estimated to hold more than eight TCF of gas reserves and more than 500 million barrels of liquid hydrocarbons. Production at Point Thomson is currently forecast based on a gas cycling production profile consistent with recent publicly available statements on the project. Another new field expected to begin production is Umiat, first discovered in the late 1940s by the U.S. Navy. It is estimated to have one billion barrels of oil in place with approximately 200 million recoverable barrels. It has not been developed due to its remoteness, but production at the Umiat field is expected to begin within approximately six years.

The State has also seen renewed interest in the bidding on leases of State land for oil and gas exploration and production. On November 7, 2012, the State received 132 bids on 122 tracts from 13 different bidding groups, encompassing approximately 310,500 acres. Bidders included the major producers on the North Slope as well as familiar smaller companies and at least two new entrants to the Alaska market. Winning bids totaled $14.2 million, $11.5 million of which came from the North Slope sale. This makes this recent North Slope area lease sale the fourth largest by dollar amount since area-wide lease sales began in 1998. The Beaufort Sea sale netted the State almost $1.8 million, making it the fifth largest by dollar amount in that area. The North Slope Foothills area, which had not seen any bidding in the past three years, received eight bids, the fourth best result ever by bonus bids for that area. A year earlier, on December 7, 2011, the State received more than 300 bids from more than 15 bidders for oil and gas lease tracts on the North Slope and the Beaufort Sea, totaling more than $21 million. Earlier, in June 2011, the State received 100 bids for 613,690 acres in Cook Inlet. The total $11.1 million in high bids made it the fourth most lucrative Cook Inlet lease sale in State history.

Natural Gas Pipeline Developments. Natural gas development on the Alaska North Slope has been limited because a pipeline to transport recovered natural gas to market outside Alaska has never been constructed. As a result, natural gas produced in conjunction with oil production on the North Slope is not yet sold commercially in significant volumes. Most of the produced gas is re-injected into the North Slope oil fields for use in enhanced oil recovery projects at the Prudhoe Bay field or at the Kuparuk field while some is used on site or is sold to the TAPS and used to heat field camps, run electrical generators or power the TAPS pump stations. Although there are currently an estimated 35 TCF of known 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.

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 as oil production declines. See "State Revenues—Oil and Gas Revenues" herein. To spur commercialization of Alaska natural gas, the Legislature enacted the Alaska Gasline Inducement Act ("AGIA") in 2007. In August

2008, following an extensive application and evaluation process, the Legislature authorized the State to award an AGIA license to TransCanada Alaska, a wholly-owned subsidiary of the TransCanada Corporation ("TransCanada"). TransCanada has partnered with ExxonMobil, one of the three major North Slope producers, on the pipeline project. Pursuant to the AGIA license, TransCanada commits to initiate pre-development activities and to obtain necessary permits to build a 1,715-mile natural gas pipeline from a natural gas treatment plant at Prudhoe Bay to the Alberta Hub in Canada. Under AGIA, the State agreed to provide matching funds of up to $500 million to reimburse TransCanada for a portion of the development costs of the proposed pipeline. The AGIA license obligates TransCanada to complete certain predevelopment and regulator steps but does not require them to proceed with construction. The project conducted its initial open season in 2010, receiving multiple bids from potential shippers. In 2012 TransCanada, ExxonMobil, ConocoPhillips and BP formally agreed on a work plan under the AGIA framework and pertinent milestones to explore and develop a concept for a liquefied natural gas project and associated pipeline to southcentral Alaska. The group is expected to announce a concept selection in the first half of 2013 and determine whether or not to proceed to the preliminary front-end engineering and design phase.

Since the award of the license, substantial natural gas supplies have been discovered and developed in the continental U. S. Further, a competitive pipeline project – the "Denali Project" – was undertaken in 2008 by ConocoPhillips and BP. Work on the Denali Project was subsequently suspended in 2011. The State is continuing to meet its obligations under the AGIA program while reviewing market developments which may impact the form and timing of an Alaska natural gas commercialization project.

Currently**,** the natural gas price differential between North American and Asian markets has meant that a project that exports Alaska natural gas as LNG is considered preferable over an overland North American project. As of Fall 2012, the major leaseholders of natural gas (Exxon, ConocoPhillips and BP), along with the AGIA license holder TransCanada, are undertaking early work toward concept selection of a potential LNG export project.

In addition to efforts to develop a project to bring Alaska gas to markets outside the State, in 2009, the Alaska Gasline Development Corporation ("AGDC"), a subsidiary of the Alaska Housing Finance Corporation, was formed pursuant to AS 38.34.010, et seq., as amended. The primary purpose of AGDC is to review and present options to the Legislature regarding a smaller pipeline project designed to bring gas from the North Slope to the Alaska 'railbelt' (the region between Fairbanks and the Kenai Peninsula where a majority of the State's population and economic activity are domiciled). AGDC is continuing to evaluate project costs, approaches to development and financing and how the various gas development efforts may impact each other. There can be no assurance that any of these or any other commercialization effort will result in a project moving forward.

Mineral Resources. 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.

The seven major Alaska mines are:

- Red Dog Mine, a surface mine and mill that produces zinc, lead and silver in concentrates in the Northwest Arctic Borough. It is a joint venture between Teck and an Alaska Native Corporation (NANA Regional Corporation). Red Dog is one of the largest zinc mines in the world, both in terms of production and reserves.
- Fort Knox Mine, owned by Kinross, has been the largest gold producer in Alaska since production began in 1996 and is located 25 miles northeast of Fairbanks.
- Pogo Mine is an underground gold mining operation that began producing gold in 2006, operated by Sumitomo Metal Mining.

- Usibelli Coal Mine, a family-owned mine located outside Healy, in the interior of the State, is the only operating coal mine in Alaska.
- Greens Creek Mine, located on Admiralty Island, in southeast Alaska near Juneau, is an underground polymetallic mine producing silver, gold, zinc and lead. It is owned by Hecla and is one of the world's top 10 silver producers.
- Nixon Fork Mine, located 35 miles northeast of McGrath in the interior of the State reopened in 2011 to produce gold and copper.
- Kensington Gold Mine, located on the east side of Lynn Canal about 45 miles north-northwest of Juneau, is owned by Coeur Alaska. It began production in 2010.

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. As of the end of calendar year 2010, 3.6 million acres of State land are subject to mining claims.

In calendar year 2011, the cumulative value of Alaska's mining industry was approximately $4.4 billion, divided between exploration and development investments, and the gross value of the mineral products. At the same time, the value of large mine mineral production for 2011 was estimated at $3.8 billion, compared to $3.1 billion for 2010. The industry spent an estimated $300 million in Alaska mineral exploration in 2011, up 13 percent from the previous year. The industry spent $175 million on mine construction on developing and existing mines. Exploration spending in Alaska accounted for a large percentage of the total exploration monies spent in the U.S. each year. In 2011, there were 30 projects in Alaska that spent more than $1 million each. Alaska's mining industry provided nearly 9,500 mining industry jobs in Alaska in 2011. Mining companies serve as the largest taxpayers in the City and Borough of Juneau, the Fairbanks North Star Borough, the Denali Borough and the Northwest Arctic Borough. Minerals are the State's second largest export commodity. Mineral exports accounted for 31 percent of the State's export total and consist primarily of zinc and lead from the Red Dog Mine. Relatively strong prices for zinc have helped to sustain the high level of mineral export values over the past several years, as have the historically high prices received for lead.

Prospective mineral projects for Alaska include:

- The Donlin Gold Project in southwest Alaska, a gold deposit.
- The Chuitna Coal Project, located in the Beluga Coal Field of south-central Alaska.
- The Pebble Project, an initiative to develop a copper, gold and molybdenum deposit in the Bristol Bay region of southwest Alaska.
- The Livengood gold project north of Fairbanks, currently undergoing a feasibility project.
- The Niblack prospect in southeast Alaska, on Prince of Wales Island, for the production of gold, silver, copper and zinc.
- The Bokan Mountain project, a rare earth minerals deposit in southeast Alaska, on Price of Wales Island.

As described below, the State's revenues from mining are derived primarily from mining license taxes, corporate income taxes, annual rentals and production royalties. Production is expected to end over the next decade at many of the seven mines that currently contribute most of the State's mining-related revenue. Overall, mining-related revenues to the State were approximately $76 million in fiscal year 2012. 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. See "State Revenues—Mineral Revenues."

Alaska has a number of deposits of rare earth elements, which are used in magnets, batteries, refining and other metallurgical applications. Finished products in which they are critical include smart phones, hybrid cars, military hardware, advanced consumer electronics, fiber optics and windmills. Bokan Mountain, which is located in Southeast Alaska, on Prince of Wales Island near Ketchikan, has inferred resources of between 1.0 and 6.7 million metric tons. While Bokan Mountain is the only project that is likely to be developed in the near future, there are three other known deposits located on Prince of Wales Island that are currently under evaluation, as well as deposits near Nome and Fairbanks. The Alaska Division of Geological & Geophysical Surveys is currently engaged in a major project to detail Alaska's potential to develop rare earth elements.

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

State Revenues

The State does not currently impose personal income taxes and has never imposed general sales taxes. The State does, however, impose a number of business-related taxes that, together with rents and royalties and fines and fees, represented nearly 100 percent of unrestricted non-investment General Fund revenue and about 7.0 percent of unrestricted non-investment total revenue in fiscal year 2012. Grants, contributions and other revenue from the federal government and interest and investment income represent the remaining portions of State revenue.

From time to time, the State has implemented changes to its tax regime and/or tax rates. The State is currently considering changes to certain of its taxing systems, including the oil tax regime. There can be no assurance what, if any, changes may be implemented and, if implemented, what impact such changes may have on the near- and long-term revenues of the State.

The imposition of 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 legislation imposing a tax. Such tax then would have to be approved by a majority of the voters voting on the referendum. 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.

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

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

Oil and Gas Property Tax. The State levies an oil and gas property tax on the value of taxable oil and gas exploration, production and pipeline transportation property in the State at a rate of 20 mills (two percent) of the assessed value of the property. This is the only centrally assessed Statewide property tax program in Alaska. Oil and gas reserves, oil or gas leases, the rights to explore or produce oil or gas, and intangible drilling expenses are not considered taxable property under the statute. The most notable properties that are subject to this tax are the TAPS (including the terminal at Valdez) and the field production systems at Prudhoe Bay. The assessed value of all existing properties subject to this tax as of

January 1, 2012 was $24.5 billion compared with January 1, 2011, at just over $23.0 billion, $24.0 billion as of January 1, 2010, and $22.0 billion as of January 1, 2009.

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

Local governments also may levy a property tax on oil and gas properties at 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 $490 million of property taxes collected in fiscal year 2012 on oil and gas property in the State, the State's share was approximately $111.6 million.

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

Corporate Income Tax. Alaska levies a corporate income tax on Alaska taxable net income of companies doing business in Alaska (other than insurance companies that pay premium tax and other than S corporations and limited liability companies). 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 are deposited into the Constitutional Budget Reserve Fund.

Oil and Gas Production Taxes. The State levies a tax on oil and gas production income generated from production activities in the State. 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 onshore oil and gas production except for the federal and State royalty shares, and on offshore developments within three miles of shore. A hazardous release surcharge (the revenues of which are for deposit to a restricted response fund) is levied only on crude oil production. 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, 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. 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, to be taken 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. Figure 1 is a graphical depiction of the ACES tax liability calculation.

Figure 1. ACES Tax Liability Calculation

ACES Tax Liability Calculation

ACES Tax Liability = [Production Tax Value * Tax Rate] – Credits

The terms used in the equation are defined as follows:

Production Tax Value = (Value - Costs)

Value = Volume of Taxable Oil & Gas Produced * Wellhead Value

Costs = Operating Expenditures + Capital Expenditures

Tax Rate = 25% + 0.4% for every $1 per barrel that this "net income" exceeds $30, up to $92.50, then 0.1%

Credits = (20% * Capital Expenditures)[(1)] + (20% * Eligible Transition Expenditures)[(2)] + Small Producer Credit[(3)]

(1) Spread over two years

(2) Limited to those credits earned while the PPT was in effect and could not be used

(3) Credit is for companies producing less than 100,000 bbls/day. Available up to $12 million for North Slope and/or Cook Inlet Producers, and $6 million for production outside of North Slope and Cook Inlet annually. Small producer credits cannot be redeemed for cash certificates or carried forward.

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 against which to apply credits available under the ACES tax may apply for a refund of the value of most of the credits. In fiscal year 2012 the State paid $353 million to 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 that companies provide to the DOR semiannual best estimates of future oil production and lease expenditures.

Before April 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 April 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. The PPT was replaced by ACES in 2007. As shown in Table 2 below, the PPT and ACES resulted in an increase in production tax revenue to the State as compared to the earlier tax system.

All unrestricted revenue generated by the oil and gas production taxes ($3.1 billion in fiscal year 2009, $2.9 billion in fiscal year 2010, $4.5 billion in fiscal year 2011 and $6.1 billion in fiscal year 2012) 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.

Oil and Gas Royalties, Rents and Bonuses. Approximately 99 percent of all current oil production in the State, 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 fiscal year 2012, the State took approximately 34,500 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 below, a portion of the State's oil-related revenue, including oil and other royalty and bonus payments, is restricted revenue and is not available for general appropriations. See "Government Funds." The State Constitution requires that a minimum of 25 percent (and State statutes currently require 50 percent for certain leases) of all mineral and oil and gas lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State be deposited to the Permanent Fund. 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 uses of oil and other petroleum-related revenue for fiscal years 2003 through 2012.

Table 2

Sources and Initial Applications of Oil and Other Petroleum-Related Revenue Fiscal Years Ended June 30, 2003 - 2012
($ millions)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Oil Revenue to the General Fund										
Property Tax	$48.7	$47.3	$42.5	$54.5	$65.6	$81.5	$111.2	$118.8	$110.6	$111.2
Corporate Income Tax......................	151.1	298.8	524.0	661.1	594.4	605.8	492.2	446.1	542.1	568.8
.Production Tax (1).......................	599.0	651.9	863.2	1,199.5	2,208.4	6,822.6	3,112.0	2,871.0	4,552.9	6,146.1
Royalties (including bonuses, rents and interest) (2)..	840.3	1,056.1	1,419.9	1,784.1	1,613.0	2,446.1	1,465.6	1,477.0	1,843.3	2,031.7
Subtotal..................	$1,639.1	$2,054.1	$2,849.6	$3,699.2	$4,481.4	$9,956.0	$5,181.0	$4,912.9	$7,048.9	$8,857.8
Oil Revenue to Other Funds										
Royalties to the Permanent Fund and School Fund (3).......................	$403.8	$361.8	$486.5	$611.5	$545.6	850.5	$670.8	$707.2	$870.9	$919.6
Tax settlements to CBRF	22.3	8.4	27.4	43.7	101.9	476.4	202.6	552.7	167.3	102.1
NPR-A royalties, rents and bonuses (4)	34.6	2.5	31.6	4.5	12.8	5.2	14.8	21.3	3.0	4.8
Subtotal..................	460.7	372.7	545.5	659.7	660.3	1,332.1	888.2	1,281.2	1,041.2	1,026.5
Total Oil Revenue..	$2,099.8	$2,426.8	$3,395.1	$4,358.9	$5,141.7	$11,288.1	$6,069.2	$6,194.1	$8,090.1	$9,884.3

(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 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.
Source: State of Alaska Department of Revenue

Mineral Revenues. The minerals industry contributed approximately $76.0 million in State revenues in fiscal year 2012, received from corporate income tax, mining license tax, and mining rents and royalties.

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 $41.1 million in fiscal year 2009 to $81.8 million in fiscal year 2011, but dropped to $15.0 million for fiscal year 2012.

Mining License Tax. The State's severance tax on mining, the mining license tax, is based on the net income of individual mines for all mining property in the State, whether or not mining occurs on State-owned land. New mining operations are exempt from the tax for the three and a half years after production begins. Tax rates are scaled from 0 percent to 7 percent depending upon net income, with the 7 percent rate applying to all net income over $100,000. Revenue from this tax was $49 million in fiscal year 2011 and $41 million in fiscal year 2012. Revenue from the mining license tax is deposited into the General Fund; settlement payments received by the State after a tax assessment dispute, however, are deposited into the Constitutional Budget Reserve Fund. See "Government Funds—The Constitutional

Budget Reserve Fund." Beginning in calendar year 2012, sand and gravel, quarry rock and marketable earth mining operations are exempt from the mining license tax.

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 2012, the State received $20.3 million in total mining royalty and rental income. 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 excise taxes, motor fuel taxes, alcoholic beverage taxes, fishery business taxes, electric and telephone cooperative taxes, insurance premium taxes, commercial passenger vessel excise taxes and service charges, permit fees, fines and forfeitures, and miscellaneous revenues. In fiscal year 2012, unrestricted revenue from non-oil and non-minerals sources (including investments) was $560.1 million.

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 $83.5 million of other corporate income taxes in fiscal year 2012. Insurance companies doing business in Alaska pay a premium tax instead of paying corporate income tax. Unrestricted revenues from insurance premium taxes totaled approximately $54.8 million in fiscal year 2012.

Cigarette/Tobacco Excise Tax. The State levies a tax on cigarettes imported into the State for sale or personal consumption. The cigarette tax is paid through the purchase of cigarette tax stamps, which must be affixed to every pack of cigarettes imported into the State for sale or personal consumption. The tax rate 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. $0.76/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 percent of that amount going to the Tobacco Use Education and Cessation Fund, a subfund of the General Fund. In addition, the State levies a tax on other tobacco products imported into the State for sale, at a rate of 75 percent of the wholesale price, which is the established price at which a manufacturer sells other tobacco products to a distributor. All proceeds from the other tobacco products tax go to the General Fund.

Approximately $22.5 million of revenue from cigarette taxes and from the tobacco products taxes was deposited into the Public School Trust Fund in fiscal year 2012 to be used for the rehabilitation, construction, repair and associated insurance costs of State school facilities. Cigarette tax revenue deposited in the Tobacco Education and Cessation Fund in fiscal year 2012 was $3.3 million, and remaining General Fund cigarette tax revenue was $33.6 million. In addition, the General Fund received $12.0 million in other tobacco products tax revenue in fiscal year 2012.

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 is shared with the municipalities (slightly under $150,000 in fiscal year 2012) and is considered restricted revenue. The motor fuel tax generated approximately $40.9 million in unrestricted revenue in fiscal year 2012, for total collections of about $41 million.

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 2011 was $22.8 million and in fiscal year 2012 was $32.7 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 $2.4 billion in fiscal year 2011 and $2.5 billion in fiscal year 2012. It is used 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. The State earns unrestricted and restricted investment earnings from a number of internal funds. Two primary sources of investment income for the State are two Constitutionally-mandated funds, the Permanent Fund and the Constitutional Budget Reserve Fund. The Permanent Fund had a fund balance (principal and the earnings reserve) of approximately $40.3 billion as of June 30, 2012, compared to $40.1 billion as of June 30, 2011, $33.3 billion as of June 30, 2010 and $29.9 billion as of June 30, 2009. The Constitutional Budget Reserve Fund had a fund balance of approximately $10.6 billion as of June 30, 2012, compared to $10.3 billion as of June 30, 2011, $8.7 billion as of June 30, 2010 and $8.3 billion as of June 30, 2009. 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. See "Government Funds – The Constitutional Budget Reserve Fund" and "—The Alaska Permanent Fund."

Although not as significant, the State also receives the earnings on the Statutory Budget Reserve Fund, with a balance of $4.4 billion as of June 30, 2012, and $2.6 billion as of June 30, 2011, and these earnings are considered General Fund unrestricted revenue. See "Government Funds – The Statutory Budget Reserve Fund."

In addition to investment income from the above-described funds, the State receives investment income (including interest paid) from investment of other, unrestricted funds ($107.8 million in fiscal year 2012, $96.3 million in fiscal year 2011, $184.0 million in fiscal year 2010 and $247.6 million in fiscal year 2009). See "Government Funds."

Major Components of State Revenues. Table 3 summarizes the sources of unrestricted and restricted revenues available to the State in fiscal years 2003 through 2012.

Table 3

Total State Government Revenue by Major Component
Fiscal Years Ended June 30, 2003 – 2012
($ millions)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenue Source										
Unrestricted										
Oil Revenue	$1,639.1	$2,054.1	$2,849.6	$3,699.2	$4,481.4	$9,956.0	$5,181.0	$4,912.9	$7,048.9	$8,857.8
Non-Oil Revenue	249.5	281.8	314.5	447.9	537.1	544.4	402.6	414.0	527.7	519.6
Investment Earnings	59.0	9.7	24.7	53.3	140.1	248.8	247.6	184.0	96.3	107.8
Subtotal	$1,947.6	$2,345.6	$3,188.8	$4,200.4	$5,158.6	$10,749.1	5,831.2	5,513.3	7,672.9	9,485.2
Restricted										
Oil Revenue	$460.7	$372.7	$545.5	$659.7	$660.3	$1,332.1	$888.2	$1,281.2	$1,038.2	1,021.7
Non-Oil Revenue	535.6	449.2	514.7	536.5	684.9	604.4	545.8	467.1	473.6	184.5
Investment Earnings	1,151.7	3,516.1	2,773.6	3,173.3	3,737.8	(1,483.5)	(6,894.5)	4,291.9	7,928.5	109.7
Federal Revenue	1,769.1	1,941.0	1,924.9	1,966.2	1,971.9	1,902.5	2,088.4	2,387.9	2,407.9	2,460.3
Subtotal	$3,917.1	$6,279.0	$5,758.7	$6,335.7	$7,054.9	$2,355.5	($3,372.1)	$8,428.2	$11,851.2	4,079.0
Total	$5,864.7	$8,624.6	$8,947.5	$10,536.1	$12,213.5	$13,083.7	$2,459.1	$13,940.9	$19,524.2	13,564.2

Note: "Federal Revenue" includes oil revenue for NPR-A Rents, Royalties, and Bonuses shared by the Federal government. In fiscal year 2012 this constituted $4.8 million.
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 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 by statute to prepare a six-year capital budget covering the succeeding six fiscal years and beginning in fiscal year 2010, is required by statute 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. 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"). 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.

The Governor has the ability to prioritize or restrict expenditures, redirect funds within an operating appropriation to fund core services, and expend unanticipated federal funds or program receipts. Historically, Alaskan Governors have placed restrictions on authorized expenditures during years when actual revenues were less than forecast and budgeted. Expenditure restrictions have included deferring capital expenditures, State employment hiring freezes, and restrictions on allowed non-core operating expenses.

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

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. The amounts required annually to pay the principal of and interest and redemption premium on all issued and outstanding general obligation bonds of the State are appropriated each fiscal year to the Committee to make all required payments of principal, interest and redemption premium. Pursuant to AS 37.15.012, if such appropriation is insufficient to fully pay these amounts, the necessary additional amounts are appropriated from the General Fund to the Committee to make all required payments of principal, interest and redemption premium.

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 fiscal year 2012, the appropriations limit was approximately $9.4 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 $4.8 billion to pay for education, municipal revenue sharing, rural power cost reduction, and retirement system deposits. The fiscal year 2013 education operational budget was funded from prior year revenues.

The General Fund. The 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 State 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 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, are required to be deposited in the Constitutional Budget Reserve Fund. Money in the Constitutional Budget Reserve Fund may be appropriated (i) for any public purpose, upon the affirmative vote of three-fourths of the members of each house of the Legislature; or (ii) if the amount available to the State for appropriation for a fiscal year is less than the amount appropriated for the previous fiscal year; however, the amount appropriated may not exceed the amount necessary, when added to other funds available for appropriation, to provide for total appropriations equal to the amount of appropriations made in the previous calendar year for the previous 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. The Legislature last appropriated funds from the Constitutional Budget Reserve Fund in fiscal year 2005. 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 Constitutional Budget Reserve Fund in fiscal years 2012 or 2013.

The balance in the Constitutional Budget Reserve Fund as of June 30, 2012 was $10.6 billion.

The Statutory Budget Reserve Fund. The Statutory Budget Reserve Fund has existed in the State's accounting structure since 1986. The Statutory Budget Reserve Fund is available for use for legal purposes with a simple majority vote of the Legislature and with approval by the Governor. In fiscal year 2008, the Legislature authorized an initial transfer to the Statutory Budget Reserve Fund of $1.0 billion. Additional deposits have been made to the fund in fiscal years 2010, 2011, and 2012. As of June 30, 2012, the balance in the Statutory Budget Reserve Fund was $5.2 billion. The Legislature did not authorize any expenditures from the Statutory Budget Reserve Fund for fiscal year 2012. Earnings on the Statutory Budget Reserve Fund flow to the General Fund.

The Alaska Permanent Fund. The Permanent Fund was established by a voter-approved Constitutional amendment that took effect February 21, 1977. The amendment provides that "at least twenty-five percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State shall be placed in a permanent fund, the principal of which shall be used only for those income-producing investments specifically designated by law as eligible for permanent fund investments" and that "all income from the permanent fund shall be deposited in the General Fund unless otherwise provided by law."

In 1980, legislation was enacted that provided for the management of the Alaska Permanent Fund by the Alaska Permanent Fund Corporation, a public corporation and government instrumentality within the 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 fiscal year 2012, State revenues deposited into the Permanent Fund were $915 million compared to $887 million in fiscal year 2011. In addition to these constitutionally and statutorily mandated transfers to the Permanent Fund, the Legislature has made special appropriations from the General Fund to the Permanent Fund several times, totaling approximately $2.7 billion as of June 30, 2012.

Pursuant to legislation enacted in 1982, annual appropriations are made from the earnings reserve of the Permanent Fund in accordance with appropriations, first for dividends and then for inflation-proofing. Between 1982 and 2012, $19.0 billion of dividends ($878 per person in fiscal year 2012) were paid to Alaska residents and $14.3 billion of Permanent Fund income has been added to principal for inflation proofing purposes (for fiscal year 2012 the inflation proofing transfer was $1.1 billion, up from the fiscal year 2011 amount of $533 million). In addition to the statutorily directed inflation proofing transfers, the Legislature has made special appropriations from the earnings reserve to the principal of the Permanent Fund, totaling approximately $4.2 billion as of June 30, 2012.

If any income remains after these transfers (except the portion transferred to the Alaska Capital Income Fund as described below), it remains in the Permanent Fund's earnings reserve as undistributed income. The Legislature may appropriate funds from the earnings reserve at any time for any other lawful purpose. The principal portion of the Permanent Fund ($38.3 billion as of June 30, 2012, up from $37.8 billion as of June 30, 2011) may not be spent without amending the State Constitution. The earnings reserve portion of the Permanent Fund ($2.1 billion as of June 30, 2012, down from $2.3 billion as of June 30, 2011) may be spent with a simple majority vote of the Legislature. The Permanent Fund is valued at approximately $42.6 billion as of November 26, 2012.

During fiscal years 1990 through 1999, the Permanent Fund received dedicated State revenues from settlements of a number of North Slope royalty cases (known collectively as *State v. Amerada Hess, et al.*). The total of the settlements and retained income thereon, as of June 30, 2012, is approximately

$424.4 million. Earnings on the settlements are excluded from the dividend calculation in accordance with State law and beginning in 2005, the settlement earnings have been appropriated to the Alaska Capital Income Fund, a subfund within the General Fund. Funds in the Alaska Capital Income Fund and interest thereon (approximately $17.1 million in fiscal year 2012) are unrestricted and have been appropriated for capital expenditures.

Table 4

State of Alaska
Available Funds and Recurring and Discretionary General Fund Expenditures
Fiscal Years Ended June 30, 2003-2012
($ millions)

Fiscal Year	General Purpose Unrestricted Revenue (1)	Recurring & Discretionary General Fund Expenditures (2)	Surplus/ (Deficit)	Net Draw on CBRF (3)	CBRF Available Balance (4)	Perm. Fund Earnings Reserve
2003	$1,948	$2,496	$(548)	$526	$2,092.4	$100.0
2004	2,346	2,319	26	0	2,064.2	859.3
2005	3,189	2,646	543	0	2,235.7	1,439.9
2006	4,200	3,247	953	0	2,267.1	2,584.8
2007	5,159	4,272	886	0	2,549.0	4,132.0
2008	10,749	5,473	5,256	0	5,601.0	4,969.0
2009	5,831	6,000	(169)	0	7,114.4	440.6
2010	5,515	4,995	520	0	8,664.0	1,209.8
2011	7,673	6,355	1,318	0	10,330.0	2,307.8
2012	**9,485**	**7,252**	**2,233**	**0**	**10,642.4**	**1,905.5**

(1) State of Alaska Department of Revenue, Tax Division.
(2) Excludes amounts expected 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 General Fund 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 2023 and forecast oil prices and production levels during the same time period.

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

On November 8, 2012, a $255 million settlement was announced between the State and BP Exploration (Alaska) Inc. The majority of the $255 million will be deposited into the CBRF. However, a portion will also be deposited into the Permanent Fund and Public School Fund Trust, and approximately $10 million will be paid to settle civil assessments for the spills. As this information was received late in the forecast process, the entire $255 million was included as a deposit to the CBRF for purposes of the Fall 2012 Revenue Sources Book. The DOR's Spring 2013 update will revise this information to include the actual amounts deposited to each applicable fund.

Table 5

State of Alaska General Fund and Budget Reserve Scenario
Fiscal Years 2013 through 2023[(1)]

Fiscal Year	General Purpose Unrestricted Revenues ($mil)	Recurring & Discretionary General Fund Expenditures ($mil) (1)	Surplus/ (Deficit) ($mil)	Ending CBRF/Statutory Budget Reserves Available Balance ($mil)	Oil Price Forecasts ($/barrel)	ANS Oil Production Forecasts (thousand barrels per day)
2013	$7,566.7[(2)]	$7,977.5	$(410.8)	$16,233.9	$108.67	552.8
2014	7,001.9	6,500.0	501.9	17,178.7	109.61	538.4
2015	6,659.5	6,996.6	(337.2)	17,338.8	111.67	518.6
2016	6,999.5	7,238.0	(238.5)	17,655.1	114.88	499.7
2017	7,105.5	7,427.1	(321.6)	17,951.1	116.22	476.1
2018	6,970.1	7,623.5	(653.4)	17,983.5	117.16	442.9
2019	6,719.2	7,849.4	(1,130.2)	17,612.6	118.29	421.6
2020	6,486.6	8,085.4	(1,598.8)	16,854.3	119.74	394.8
2021	6,208.6	8,334.0	(2,125.4)	15,629.3	121.42	365.9
2022	5,969.5	8,594.1	(2,624.6)	13,904.5	123.34	338.5
2023	5,829.2	8,864.8	(3,035.6)	11,709.2	126.43	315.6

Sources: State of Alaska; Department of Revenue, Tax Division and State of Alaska Office of Management and Budget FY2014 10-Year Plan Scenario 4.

(1) This table represents one possible scenario taken from the FY2014 10-Year Plan. Recurring and Discretionary General Fund Expenditures are based on the Enacted FY 2013 Budget, Governor's Budget for FY 2014, followed by 4 percent annual agency budget growth, $1.0 billion capital budgets, and increments for increased PERS/TRS contributions. Appropriations projections in the plan do not represent a commitment by the Administration to propose spending or generate revenue at a particular level in fiscal year 2013, fiscal year 2014 or any future year.

(2) Fiscal year 2013 number includes $7,511.7 General Fund Unrestricted Revenue forecast plus $55.0 of funds reappropriated and/or carried forward from fiscal year 2012 for total of $7,566.7.

General Fund Expenditure Trends

From fiscal year 2002 through fiscal year 2012, recurring General Fund expenditures have grown by an average of over 12 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 2007 through fiscal year 2012. "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 Income Fund, a fund set aside for future capital projects that could include the costs associated with developing a natural gas pipeline.

Table 6

State of Alaska Non-Recurring General Fund Expenditure Trends
Fiscal Years 2008 through 2012
($ millions)

Expenditure Category	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Savings	$4,683	$213	$600	$240	$2,865
Investments	1,477	1,310	731	583	1,697
Fund Future Obligations	694	784	444	609	1,260
Total	$6,854	$2,307	$1,775	$1,432	$5,822

Source: State of Alaska.

Other Funds Maintained by the State

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

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

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

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

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

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. $575.8 million of general obligation bonds were outstanding as of June 30, 2012. See "—Summary of Outstanding Debt" and Tables 7 – 9 below.

On November 4, 2008, the voters approved $315,050,000 in general obligation bonds for the purpose of paying the cost of design and construction of certain transportation projects. Of this amount, $165 million aggregate principal amount of bonds were issued in 2009. The remaining $150,050,000 of authorization for transportation projects was rescinded by appropriation of current year revenues in the fiscal year 2012 capital budget. No additional bonds will be issued by the State to fund these projects.

On November 2, 2010, voters approved $397,200,000 in general obligation bonds for the purpose of paying the cost of design and construction of library, education and educational research facilities. The State issued $200,000,000 of the approved bonds in 2010 and $162,480,000 of the approved bonds in 2013.

On November 6, 2012, voters approved $453,499,200 in general obligation bonds for the purpose of design and construction of state transportation projects. The Notes will issue $149,645,000 of these bonds in 2013. It is anticipated that the remaining authority of $303,854,200 will be issued over the next two to four years.

The following other debt and debt programs of the State were outstanding as of June 30, 2012, except as otherwise noted.

State Guaranteed Debt. The only purpose for which State guaranteed debt may be issued is for payment of principal and interest on revenue bonds issued for the Veterans Mortgage Program by the Alaska Housing Finance Corporation for the purpose of purchasing mortgage loans made for residences of qualifying veterans. These bonds are general obligation bonds of the State, and they must be authorized by law, ratified by the voters and approved by the State Bond Committee. These bonds are known as "double-barrel bonds" because there are two distinct forms of security behind the bonds. The principal source of payment is the revenue stream generated by payments on the mortgage loans made from bond proceeds. Additional security to bondholders is provided by the general obligation pledge of the State to make the required debt service payments in the event that pledged revenues from mortgage repayments are insufficient. Approximately $180.1 million of State guaranteed debt was outstanding as of June 30, 2012. On November 7, 2010 the voters approved an additional $600 million of State guaranteed veteran's mortgage bonds, and the total current unissued authorization is $695.1 million.

State Supported Debt. State supported debt is debt for which the ultimate source of payment is, or may include, appropriations from the General Fund. The State does not pledge its full faith and credit to State-supported debt, but another public issuer may have pledged its full faith and credit to it. State supported debt is not considered "debt" under the Constitution, because the State's payments on this debt are subject to annual appropriation by the Legislature. Voter approval of such debt is not required. State supported debt includes lease-purchase financing obligations (including lease revenue capital lease bonds and certificates of participation issued by lessors of facilities used by the State) and the share of municipal general obligation bonds issued for school construction and other capital projects that is reimbursable by the State on a subject to appropriation basis. Approximately $1,190.3 million of State supported debt was outstanding as of June 30, 2012. As of June 30, 2012, the State was obligated on $11.4 million of lease purchase financing obligations, $282.2 million of capital lease bonds and $24.1 million of capital project reimbursement. As of June 30, 2012, the State was reimbursing local municipalities on the debt service of $872.6 million of bonds under the school reimbursement program.

State Moral Obligation Debt. State moral obligation debt consists of bonds issued by certain State agencies or authorities that are secured, in part, by a debt service reserve fund benefited by a discretionary replenishment provision that permits, but does not legally obligate, the Legislature to appropriate to the particular State agency or authority the amount necessary to replenish the debt service reserve fund up to its funding requirement (generally the maximum amount of debt service required in any year). State moral obligation debt is payable in the first instance by revenues generated from loan repayments or by the respective projects financed from bond proceeds. Among those State agencies that have the ability to issue State moral obligation debt are: Alaska Aerospace Development Corporation ("AADC") which has not issued any debt; Alaska Energy Authority ("AEA"); Alaska Housing Finance Corporation ("AHFC"); Alaska Industrial Development and Export Authority ("AIDEA"); Alaska Municipal Bond Bank ("AMBB"); and Alaska Student Loan Corporation ("ASLC"). Approximately $1,080.1 million of State moral obligation debt was outstanding as of June 30, 2012.

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 $760.9 million of revenue bonds, including $154.4 million of University of Alaska Revenue Bonds, Notes and Contracts, $45.5 million of Sportfish Revenue Bonds and $561.1 million of airport revenue bonds were outstanding as of June 30, 2012.

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, 2012, there was $768.8 million principal amount of State agency debt outstanding comprised of $68.7 million AHFC obligations; $10.7 million AMBB Coastal Energy Bonds payable to the National Oceanic and Atmospheric Administration; $162.4 million Alaska Railroad Notes; $368.6 million of obligations of the Northern Tobacco Securitization Corporation; and $158.4 million ASLC obligations.

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, 2012, the total principal amount outstanding of State agency collateralized or insured debt was approximately $2,419.2 million comprised of approximately $2,254.8 million issued by AHFC and $164.4 million issued by AIDEA.

Through the Alaska Pension Obligation Bond Corporation, the State is authorized to issue up to $5,000 million of bonds and/or enter into contracts to finance the payment by governmental employers of their share of the unfunded accrued actuarial liabilities ("UAALs") of the retirement systems. See also "STATE PENSION AND OTHER POST-EMPLOYMENT BENEFIT RESPONSIBILITIES" below.

Summary of Outstanding Debt. Table 7 lists, by type, the outstanding State-related debt as of June 30, 2012. There have been no general obligation bonds issued by the State since June 30, 2012. Other categories of debt have not been compiled beyond June 30, 2012.

Table 7

State of Alaska Debt and State-Related Debt by Type as of June 30, 2012

($ in millions)

	Principal Outstanding	Interest to Maturity	Total Debt Service to Maturity
State Debt			
State of Alaska General Obligation Bonds	$575.8	$288.2	$864.0
State Supported Debt			
Lease-Purchase Financings	11.4	1.0	12.3
State Reimbursement of Municipal School Debt Service	872.6	286.7	1,159.3
State Reimbursement of capital projects	24.1	8.6	32.7
Capital Leases	282.2	182.0	464.2
Total State Supported Debt	1,190.3	478.3	1,668.5
State Guaranteed Debt			
Alaska Housing Finance Corporation State Guaranteed Bonds (Veterans' Mortgage Program)	180.1	135.6	315.7
State Moral Obligation Debt			
Alaska Municipal Bond Bank:			
1976, 2005 & 2010 General Resolution General Obligation Bonds	677.0	303.3	980.3
1998-2004 Revenue Bonds	47.9	26.0	73.9
Alaska Energy Authority:			
Power Revenue Bonds #1 through #5	93.1	27.8	120.9
Alaska Student Loan Corporation			
Student Loan Revenue Bonds	218.9	33.9	252.8
Student Capital Project Revenue Bonds	43.2	4.1	47.3
Total State Moral Obligation Debt	1,080.1	395.1	1,475.2
State Revenue Debt			
Sportfish Revenue Bonds	45.5	18.3	63.7
International Airports Revenue Bonds	561.1	292.4	853.5
University of Alaska Debt			
University of Alaska Revenue Bonds	136.6	52.0	188.6
University Indebtedness to AHFC (1)	16.1	1.9	18.0
Installment Contracts	1.7	0.1	1.8
Total University of Alaska Debt	154.4	54.0	208.4
Total State Revenue and University Debt	760.9	346.4	1,107.3
State Agency Debt			
Alaska Housing Finance Corporation			
Commercial Paper	68.7	N/A	68.7
Alaska Municipal Bond Bank Coastal Energy Loan Bonds	10.7	6.3	17.0
Alaska Railroad	162.4	38.6	201.0
Northern Tobacco Securitization Corporation			
2006 Tobacco Settlement Asset-Backed Bonds	368.6	504.1	872.7
Alaska Student Loan Corporation			
Loan with State of Alaska	67.5	2.4	69.9
Funding Note Purchase Agreement	90.9	0.9	91.8
Total State Agency Debt	768.8	552.3	1,321.1
State Agency Collateralized or Insured Debt			
Alaska Housing Finance Corporation			
Collateralized Home Mortgage Bonds & Mortgage Revenue Bonds:			
1998 Through 2011 (First Time Homebuyer Program)	1,164.8	739.7	1,904.5
General Mortgage Revenue Bonds 2002	110.3	86.1	196.4
Housing Development Bonds 2002 through 2004	225.8	181.0	406.8
General Housing Purpose Bonds 2005	274.5	201.1	475.6
Government Purpose Bonds 1997 & 2001	143.2	46.5	189.7
State Capital Project Bonds, 2002-2007	336.2	170.0	506.2
Alaska Industrial Development and Export Authority			
Revolving Fund and Refunding Revolving Fund Bonds	88.5	34.0	122.5
Power Revenue Bonds, First Series (Snettisham Hydro Project)	75.9	54.3	130.2
Total State Agency Collateralized or Insured Debt	2,419.2	1,512.7	3,931.9
Total State and State Agency Debt	6,975.2	$288.2	$864.0
Municipal Debt			
School G.O. Debt	1,292.9	$ N/A	$ N/A
Other G.O. Debt	1,131.4	N/A	N/A
Revenue Debt	714.3	N/A	N/A
Total Municipal Debt	3,138.6		
Less: State Reimbursable School Debt Reported by Municipalities	-1,178.9		
Less: Alaska Municipal Bond Bank Debt included in Municipal Debt	-735.6		
	1,224.1		
Total Alaska Public Debt (2)	**$8,199.3**		

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

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

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

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

Table 8

State of Alaska
Debt Service on State Supported Debt
Fiscal Years Ended June 30, 1980 – 2012
($ 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	169.5
2010	48.9	–	8.0	29.6	95.8	5.2	187.5
2011	53.8	–	8.0	29.7	99.6	5.3	196.4
2012	78.8	-	7.5	29.1	100.9	5.3	221.6

(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, 2013 – 2033
$ (millions)

Fiscal Year	State G.O. (1)	Notes	University Revenue Debt	Lease / Purchase (2)	Capital Leases (3)	School Debt Reimbursement (4)	Capital Project Reimbursements	Total Debt Service (5)
2013	76.3		-	7.0	28.7	107.5	5.2	224.6
2014	59.1	2.6	-	1.8	28.7	103.0	5.1	200.3
2015	46.6		-	1.8	28.7	100.0	5.0	182.1
2016	46.4		-	1.8	26.4	95.3	4.2	174.1
2017	46.2		-	0.0	25.5	92.2	4.2	168.1
2018	46.1		-	-	21.8	85.5	4.1	157.5
2019	45.9		-	-	21.1	78.6	4.1	149.7
2020	34.8		-	-	21.3	72.3	2.8	131.1
2021	34.8		-	-	21.1	69.4	2.8	128.0
2022	24.6		-	-	21.1	57.6	2.8	106.1
2023	24.6		-	-	21.1	53.2	2.8	101.7
2024	24.6		-	-	21.1	41.6	2.8	90.1
2025	17.0		-	-	21.1	32.5	2.8	73.3
2026	17.0		-	-	21.1	21.0	2.6	61.7
2027	36.0		-	-	21.1	17.1	-	74.2
2028	36.0		-	-	17.8	14.1	-	67.9
2029	36.0		-	-	17.8	8.8	-	62.6
2030	35.9		-	-	17.8	5.6	-	59.3
2031	23.4		-	-	17.8	2.9	-	44.1
2032	23.4		-	-	17.8	-	-	41.2
2033	23.4		-	-	17.8	-	-	41.2

(1) State G.O. debt service is net of federal subsidies for interest expenses from 2012 through 2034. Excludes debt service on the State's General Obligation Bonds, Series 2013A&B and any other unissued general obligation bond authorization.
(2) A prison, a building and a parking garage have been financed with capital leases.
(3) Information as of January 23, 2013, provided by the Department of Education & Early Development.
(4) Fiscal Year 2013 – Fiscal Year 2033 payments are estimated. Totals may not add due to rounding.

Source: State of Alaska.

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

State Debt Capacity. The State has historically used the ratio of debt service to revenue as a guideline for determining debt capacity of the State. This policy was established due to the State's relatively small population and high per capita revenue due to oil resource-generated revenue. Historically the State's policy has been that debt service should not exceed five percent of unrestricted revenue when considering only general obligation bonds, 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 2012 State revenue forecast, 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 – 2017

Fiscal Year	Unrestricted Revenues	State G.O. Debt Service (1)	Notes	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	2,986.6	3.2		0.5	3.7	3.9	7.6
1992	2,462.6	2.8		0.6	3.4	5.2	8.6
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	5,158.5	0.9		0.5	1.4	1.7	3.1
2008	10,749.1	0.4		0.3	0.6	0.8	1.4
2009	5,831.2	0.8		0.6	1.3	1.6	2.9
2010	5,513.3	0.9		0.8	1.7	1.7	3.4
2011	7,673.0	0.7		0.6	1.3	1.3	2.6
2012	9,485.2	0.8		0.4	1.3	1.1	2.3
Projected							
2013*	7,511.7	1.0		0.5	1.6	1.4	3.0
2014*	7,001.9	0.8	0.0	0.5	1.4	1.5	2.8
2015*	6,959.5	0.7		0.5	1.2	1.4	2.6
2016*	6,999.5	0.7		0.5	1.1	1.4	2.5
2017*	7,105.5	0.7		0.4	1.1	1.3	2.4

* Unrestricted revenue projection is based on Fall 2012 Revenue Source Book. Debt Service is based on June 30, 2012 balances, not adjusted for cash defeasances.

(1) Does not include debt service on the State's General Obligation Bonds, Series 2013A&B and any other unissued general obligation bond authorization.

Source: State of Alaska.

STATE PENSION AND OTHER POST-EMPLOYMENT BENEFIT RESPONSIBILITIES

General

The State, through the Department of Administration, administers five retirement systems, 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 ("Military System") and the Judicial Retirement System ("JRS"). The fifth system, the smallest, is the Elected Public Officers Retirement System ("EPORS"), which provides benefits to elected officials who served in 1976.

PERS and TRS each had funding ratios in excess of 100 percent (*i.e.*, were "overfunded") as recently as 2001. Since that time, as a result of investment losses, recalibration of other post-employment benefit ("OPEB") liabilities and changes in actuarial assumptions and valuation 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 both the Military System and JRS as of June 30, 2006. The Military System has been fully funded since June 30, 2010. Since that additional 2008 legislative contribution eliminating the UAAL as of 2006, JRS has carried a UAAL. 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.

The Alaska Retirement Management 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

PERS and TRS are funded by a combination of mandatory employee contributions at rates that are determined by statute, investment income and employer contributions at rates 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 (i) the consolidated normal cost (a uniform rate for all employers within a specific pension program (e.g., PERS and TRS) calculated to reflect the cost of benefits accruing in the applicable fiscal year, less the value of the employees' contributions during that year, plus (ii) the individual employer's share of the program's UAAL. The PERS employer rate is set by law at 22 percent; the TRS employer rate is set by law at 12.56 percent. If the rate established by the actuary and adopted by the ARM Board to fund the plans exceeds these established rates, the State is required to pay an amount, when combined with the total employer contributions, sufficient to pay the plans' past service liability for that fiscal year.

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 comprising three State entities, 77 municipalities, 53 school districts and 27 other public entities. The three State entities represent approximately 50 percent of active PERS members. PERS is a cost-sharing, multiple employer plan composed of both a defined benefit ("DB") plan and a defined contribution ("DC") plan. Membership in either plan is dependent upon the participant date of hire. The PERS DB plan was closed to all new members effective July 1, 2006.

At June 30, 2011, the PERS DB membership consisted of 24,393 active members and 27,359 retirees and beneficiaries and the PERS DC membership consisted of 11,736 active members. PERS provides pension and other post-employment benefits, death and disability benefits prior to retirement and death benefits and survivor benefits after retirement, in a combination of defined benefit (Tiers 1, 2 and 3) and defined contribution (Tier 4) plans. PERS also provides a voluntary savings plan for the DB tiers and beginning in 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 retirement and for health insurance premiums paid by PERS earlier than members hired after June 30, 1986 (Tier 2). Members first hired after June 30, 1996 (Tier 3) have a 10-year requirement for system-paid premiums, and members who are not peace officer/firefighter members have a different final average earnings calculation than members from Tiers 1 and 2.

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

The PERS DC participant account is funded with employee contributions of 8 percent and an employer match of 5 percent. Each participant designates how both employee and employer contributions (regardless of vesting status) are to be allocated among various investment options. Participants are 100 percent vested in their employee contribution and related earnings. Employer contributions to the participant account, plus any earnings they generate are vested as shown in the following Table 11:

TABLE 11

PERS DC Vesting Schedule

Years of Service	Vested Percentage of Employer Contributions
1 year	0%
2 years	25%
3 years	50%
4 years	75%
5 years	100%

Source is State of Alaska, Division of Retirement & Benefits

Employee Contributions. The PERS DB member contribution rates are 7.5 percent for peace officers and firefighters, 9.6 percent for certain school district employees, and 6.8 percent for general members, as required by statute. The DB member contributions earn interest at the rate of 4.5 percent per annum, compounded semiannually.

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

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

Employer contributions made on behalf of DC members also include funding of the DC Retiree Medical Plan, Occupational Death and Disability Plan and the Health Reimbursement Arrangement. DC employer contribution rates are determined by the ARM Board and are based upon State law, administrative regulations and the actuary's recommended employer contribution rates based upon results of the actuary's valuations. Table 12 provides a five year history of the employer contribution rates.

Table 12

PERS Employer Contribution Rates

Fiscal Year	ARM Board Adopted Rate	DB Employer Effective Rate	DC Employer Match	DC Retiree Medical Plan	DC Occupational Death and Disability - Police/Fire	DC Occupational Death and Disability – All Others	DC Health Reimbursement Arrangement (1)
2009	35.22%	22.00%	5.00%	0.99%	1.33%	0.58%	$ 1,616.81
2010	27.65%	22.00%	5.00%	0.83%	1.33%	0.30%	$ 1,699.71
2011	27.96%	22.00%	5.00%	0.55%	1.18%	0.31%	$ 1,720.70
2012	33.49%	22.00%	5.00%	0.51%	0.97%	0.20%	$ 1,778.09
2013	35.84%	22.00%	5.00%	0.48%	0.99%	0.14%	$ 1,848.43

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

Source: State of Alaska Division of Retirement and Benefits.

Contributions from the State of Alaska. AS 39.35.280 provides that the State is required to contribute each July 1 or, if funds are not available on July 1, as soon after July 1 as funds become available, an amount for the ensuing fiscal year that, when combined with the total employer contribution rate of 22 percent, is sufficient to pay the PERS DB past service liability at the consolidated actuarially required contribution ("ARC") adopted by the ARM Board for the fiscal year. Table 13 provides a five year history of the PERS contributions from the State under AS 39.35.280.

Table 13

PERS Contribution from the State (under AS 39.35.280)

Fiscal Year	Legislative Bill	Amount Provided by State under AS 39.35.280 ($000s)	Total Employer Contributions to PERS DB ($000s)	% of Contributions made by State (1)
2008	Senate Bill 53	185,000	549,078	33.69%
2009	House Bill 310	241,600	649,052	37.22%
2010	House Bill 81	107,953	500,300	21.58%
2011	House Bill 300	165,841	566,450	29.28%
2012	House Bill 108	242,609	648,548	37.41%

(1) Percent of Contributions made by State under AS 39.35.280.
Source: State of Alaska Division of Retirement and Benefits.

Pension Benefits. PERS DB members are eligible for normal retirement at age 55 or early retirement at age 50 (Tier 1) or (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.

PERS DC members are immediately and fully vested in member contributions and related earnings (losses). A member shall be fully vested in the employer contributions made on that member's behalf, and related earnings (losses), after five years of service.

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

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

Actuarial Valuation – PERS DB. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. 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 fiscal year 2012 contribution requirements are determined as a percentage of payroll, and reflect the cost of benefits accruing and a fixed 25-year amortization as a level percentage of payroll of the initial unfunded accrued liability and subsequent gains/losses and other changes. The payroll used to determine the contribution rates is the total payroll of all active members in the system, including those hired after July 1, 2006 who are in the DC plan. The amortization period is set by the ARM Board. Contribution rates are recommended by the actuary and adopted by the ARM Board each year.

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

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

Table 14 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 2010. The information presented in Table 14 is derived from the 2010 PERS Valuation Report and differs from the information about PERS prepared for accounting purposes.

Table 14

PERS Funding Status (1)
(as of June 30)

Actuarial Valuation Year	Aggregate Accrued Liability (000s)	Valuation of Assets (000s)	Unfunded Liability (000s)	Funded Ratio (%)
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
2010	18,132,492	11,157,464	6,975,028	61.5
2011	18,740,550	11,813,774	6,926,776	63.0

(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: 2010 PERS Valuation Report.

Table 15 presents the Schedule of Contributions from Employers and the State. This schedule shows the dollar amount of the annual required contribution and the percent of the ARC contributed by employers and by the State (under AS 39.35.280).

Table 15
PERS Schedule of Contributions from Employers and the State
(as of June 30)

		Annual required contribution			Pension percentage contributed			Postemployment healthcare percentage contributed		
Year Ended June 30	Actuarial Valuation year ended June 30 (1)	Pension (000s)	Postemployment healthcare (000s)	Total (000s)	By employer	By State	Total Percentage contributed	By employer	By State	Total Percentage contributed
2005	2002	$ 234,361	$ 142,393	$ 376,754	47.3%	—%	47.3%	47.3%	—%	47.3%
2006	2003	249,488	166,749	416,237	61.0	4.4	65.4	61.0	4.4	65.4
2007	2004	268,742	189,495	458,237	73.2	4.1	77.3	73.2	4.1	77.3
2008	2005	140,729	370,456	511,185	71.2	36.2	107.4	71.2	36.2	107.4
2009	2006	166,016	391,321	557,337	68.1	48.0	116.1	68.1	41.4	109.5
2010 (2)	2007	217,080	790,793	1,007,873	65.5	20.5	86.0	31.6	54.8	86.4
2011	2008	220,419	525,075	745,494	63.1	29.6	92.7	49.8	21.6	71.4

(1) Actuarial valuation related to annual required contribution for fiscal year.
(2) Beginning in the year ended June 30, 2010, the postemployment healthcare annual required contribution and percentage contributed includes the Medicare Part D subsidy.
Source: PERS Financial Statement as of June 30, 2011.

Projections of benefits for financial report purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows.

Valuation Date	June 30, 2011
Actuarial Cost Method	Entry Age Normal Level Percentage of Pay for Pension Level Dollar for Healthcare
Amortization Method	Level dollar, closed
Equivalent Single Amortization Period	18 years
Asset Valuation Method	5-year smoothed market
Actuarial Assumptions: Investment rate of return* Projected salary increases	 8.00% for pension, 7.43% for healthcare. Peace Officer/Firefighter: Merit – 2.75% per year for the first 4 years of employment, grading down to 0.5% at 7 years and thereafter. Productivity – 0.5% per year. Others: Merit – 6.00% per year grading down to 2.00% after 5 years; for more than 6 years of service, 1.50% grading down to 0%. Productivity – 0.5% per year.
*Includes inflation at	3.12%
Cost-of-living adjustment	Post-retirement Pension Adjustment.

Changes in Actuarial Assumptions Since the Prior Valuation. The ARM Board contracted for an experience analysis to be performed of the actuarial assumptions underlying the PERS actuarial valuation. As a result of the experience analysis the following changes were made as of June 30, 2010 actuarial valuation. There have been no changes in methodology since the June 30, 2010 valuation.

	June 30, 2009	**June 30, 2010**
Investment Return	8.25% per year (geometric), compounded annually, net of expenses	8.00% per year (geometric), compounded annually, net of expenses
Salary Scale	Based on actual experience from 2001 to 2005.	Others: Based on actual experience from 2005 to 2009. Increased most rates. Peace Officer/Firefighter: Rates are increased for the first 4 years. Decreased at year 5. Based on actual experience 2005 to 2009.
Payroll Growth	4.00% per year	3.62% per year
Inflation	3.50%	3.12%
Pre-termination Mortality	Peace Officer/Firefighter: 1994 GAM Table*, 1994 Base Year. Others: 42% of 1994 GAM Table, 1994 Base Year.	Peace Officer/Firefighter: Based upon the 2005-2009 actual mortality experience. 1994 GAM Table, sex distinct, 1994 Base Year without margin projected to 2013 using Projection Scale AA, 80% of the male table for males and 60% of the female table for females. Others: Based upon the 2005-2009 actual mortality experience. 1994 GAM Table, sex distinct, 1994 Base Year without margin projected to 2013 using Projection Scale AA, 75% of the male table for males and 55% of the female table for females.
Post-termination Mortality	1994 GAM Table, 1994 Base Year.	1994 GAM Table, sex-distinct, 1994 Base Year without margin projected to 2013 using Projection Scale AA for males and with a 1- year set-forward for females.
Disability Mortality	1979 PBGC** Disability Mortality Table for those receiving Social Security disability benefits.	RP-2000 Disabled Retiree Mortality Table.
Turnover	Based on actual experience from 2001 to 2005.	Rates adjusted based on actual experience from 2005 to 2009.
Disability	Based on actual experience from 2001 to 2005.	Peace Officer/Firefighter: No change except to stop rates at earliest retirement age. Others: Male/Female rates decreased based on actual experience from 2005 to 2009 and stop rates at earliest retirement age.
Retirement	Based on actual experience from 2001 to 2005.	Rates were adjusted based on actual experience from 2005 to 2009.

* Group Annuity Mortality Table.
** Pension Benefit Guaranty Corporation.

Teachers' Retirement System

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

At June 30, 2010 the TRS DB membership consisted of 7,303 active members and 11,016 retirees and beneficiaries and the TRS DC membership consisted of 2,738 active members. TRS provides pension and other post-employment benefits, death and disability benefits prior to retirement and death benefits and survivor benefits after retirement, in a combination of defined benefit (Tiers 1 and 2) and defined contribution (Tier 3) plans. TRS also funds costs of healthcare benefits through the separate Retiree Healthcare Trust within TRS. Membership in TRS is mandatory for all full- and part-time employees, including employees who are certificated elementary and secondary teachers, school nurses and certificated employees in positions requiring teaching certificates, employees in Department of Education and Early Development and Department of Labor and Workforce Development positions that require teaching certificates, University of Alaska full- and part-time teachers and with the approval of the TRS administrator, full-time administrative employees in positions requiring academic standing and certain full-time or part-time teachers of Alaska Native language or culture who elect to be covered under TRS.

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

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

The TRS DC participant account is funded with employee contributions of 8 percent and an employer match of 7 percent. Each participant designates how contributions are to be allocated among various investment options. Participants are 100 percent vested in their employee contribution and related earnings. Employer contributions to the participant account, plus any earnings they generate are vested as shown in the following Table 16:

TABLE 16

TRS DC Vesting Schedule

Years of Service	Vested Percentage of Employer Contributions
1 year	0%
2 years	25%
3 years	50%
4 years	75%
5 years	100%

Source is State of Alaska, Division of Retirement & Benefits

Employee Contributions. The TRS DB member contribution rates are 8.65 percent as required by statute. Eligible TRS DB members contribute an additional 1.11 percent of their salary under a supplemental contribution provision. The DB member contributions earn interest at the rate of 4.50 percent per annum, compounded semiannually.

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

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

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

Table 17 provides a history of the employer contribution rates from fiscal year 2008 through 2013.

Table 17

TRS Employer Contribution Rates

Fiscal Year	ARM Board Adopted Rate	Employer Effective Rate	DC Employer Match	DC Retiree Medical Plan	DC Occupational Death and Disability	DC Health Reimbursement Arrangement (1)
2008	Varied	12.56%	7.00%	0.99%	0.62%	$1,531.27
2009	44.17%	12.56%	7.00%	0.99%	0.62%	1,616.81
2010	39.53%	12.56%	7.00%	1.03%	0.32%	1,699.71
2011	38.56%	12.56%	7.00%	0.68%	0.28%	1,720.70
2012	45.55%	12.56%	7.00%	0.58%	0.00%	1,778.09
2013	52.67%	12.56%	7.00%	0.49%	0.00%	1,848.43

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

Source: State of Alaska Division of Retirement and Benefits.

Contributions from the State. AS 14.25.085 provides that the State is required to contribute each July 1 or, if funds are not available on July 1, as soon after July 1 as funds become available, an amount for the ensuing fiscal year that, when combined with the total employer contribution rate of 12.56 percent, is sufficient to pay the DB past service liability at the consolidated ARC adopted by the ARM Board for the fiscal year.

Table 18 provides a history of the TRS contributions from the State under AS 14.25.085 from fiscal year 2008 through 2013.

Table 18

TRS Contribution from the State (under AS 14.25.085)

Fiscal Year	Legislative Bill	Amount Provided by State under AS 14.25.085 ($000s)	Total Employer Contributions to TRS DB Plan ($000s)	% of Contributions made by State (1)
2008	Senate Bill 53	$269,992	$345,002	78.26%
2009	House Bill 310	206,300	292,428	70.55%
2010	House Bill 81	173,462	249,956	69.40%
2011	House Bill 300	190,850	266,871	71.51%
2012	House Bill 108	234,517	308,987	75.90%

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

Source: State of Alaska Division of Retirement and Benefits.

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

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

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

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

Actuarial Valuation – TRS DB. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

The fiscal year 2011 contribution requirements are determined as a percentage of payroll, and reflect the cost of benefits accruing and a fixed 25-year amortization as a level percentage of payroll of the initial unfunded accrued liability and subsequent assumption changes and gains/losses. The payroll used to determine the contribution rates is the total payroll of all active members in the System, including those hired after July 1, 2006 who are in the Defined Contribution Retirement Plan. The amortization period is set by the ARM Board. Contribution levels are recommended by the actuary and adopted by the ARM Board each year.

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

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

The information about TRS funding status included in Table 19 reflects the status of TRS as of June 30, 2010. 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 19

TRS Funding Status (1)

(as of June 30)

Actuarial Valuation Year	Aggregate Accrued Liability (000s)	Valuation Assets (000s)	Unfunded Liability	Funded Ratio
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
2010	8,847,788	4,739,128	4,108,660	53.6
2011	9,128,795	4,937,937	4,190,858	54.1

(1) Includes pension benefits and other post-employment benefits.
(2) Change in asset valuation method.
(3) Change of assumptions
(4) Change of methods.
Source: 2010 TRS Valuation Report.

Table 20 presents the schedule of contributions from employers and the State. This schedule shows the dollar amount of the annual required contribution and the percent of the ARC contributed by employers and by the State (under AS 14.25.085).

Table 20

TRS Schedule of Contributions from Employers and the State

(as of June 30)

		Annual required contribution			Pension percentage contributed			Postemployment healthcare percentage contributed		
Year Ended June 30	Actuarial Valuation year ended June 30 (1)	Pension (000s)	Postemployment healthcare (000s)	Total (000s)	By employer	By State	Total Percentage contributed	By employer	By State	Total Percentage contributed
2005	2002	$ 152,168	$55,783	$207,951	45.0%	0.0%	45.0%	45.0%	0.0%	45.0%
2006	2003	170,019	66,719	236,738	54.1	0.0	54.1	54.1	0.0	54.1
2007	2004	169,974	76,879	246,853	62.2	0.0	62.2	62.2	0.0	62.2
2008	2005	134,544	185,271	319,815	23.3	82.7	106.0	23.6	85.7	109.3
2009	2006	94,388	164,171	258,559	28.7	110.6	139.3	28.7	62.1	90.8
2010 (2)	2007	170,788	312,922	483,710	19.8	58.8	78.6	13.6	38.8	52.4
2011	2008	167,978	167,686	335,664	19.5	65.1	84.6	25.8	51.5	77.3

(1) Actuarial valuation related to annual required contribution for fiscal year.
(2) Beginning in the year ended June 30, 2010, the postemployment healthcare annual required contribution and percentage contributed includes the Medicare Part D subsidy.
Source: PERS Financial Statement as of June 30, 2011.

Projections of benefits for financial report purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows.

Valuation Date	June 30, 2011
Actuarial Cost Method	Entry Age Normal Level Percentage of Pay for Pension Level Dollar for Healthcare
Amortization Method	Level dollar, closed
Equivalent Single Amortization Period	18 years
Asset Valuation Method	5-year smoothed market
Actuarial Assumptions: Investment rate of return* Projected salary increases	 8.00% for pension, 8.00% for healthcare 6.11% for first 5 years of service grading down to 3.2% after 20 years
*Includes inflation at	3.12%
Cost-of-living adjustment	Postretirement Pension Adjustment.

Changes in Actuarial Assumptions Since the Prior Valuation. The ARM Board contracted for an experience analysis to be performed of the actuarial assumptions underlying the TRS actuarial valuation. As a result of the experience analysis the following changes were made as of June 30, 2010 actuarial valuation. There have been no changes in actuarial method since June 20, 2010.

	June 30, 2009	**June 30, 2010**
Salary Scale	Based on actual experience from 2001 to 2005.	Rates adjusted on actual experience from 2005 to 2009.
Payroll Growth	4.00% per year.	3.62% per year.
Total Inflation	3.50%	3.12%
Investment Return/ Discount Rate	8.25% per year (geometric), compounded annually, net of expenses.	8.00% per year (geometric), compounded annually, net of expenses.
Pre-termination Mortality	The 1994 GAM Sex-distinct Table, 1994 Base Year adjusted 55% for males, and 60% for females.	The 1994 GAM Sex-distinct Table, 1994 Base Year projected to 2013 using Projection Scale AA, adjusted 45% for males, and 55% for females.
Post-termination Mortality	The 1994 GAM Sex-distinct Table, 1994 Base Year, setback 1 year for females and 3-year setback for males.	The 1994 GAM Sex-distinct Table, 1994 Base Year projected to 2013 using Projection Scale AA, setback 3 years for females and 4-year setback for males.
Disability Mortality	1979 PBGC Disability Mortality Table for those receiving Social Security disability benefits.	RP-2000 Disabled Retiree Mortality Table.
Turnover	Based on actual experience from 2001 to 2005.	Rates adjusted based on actual experience from 2005 to 2009.
Disability	Based on actual experience from 2001 to 2005.	Male/female rates decreased based on actual experience from 2005 to 2009 and stop rates at earliest retirement age.
Retirement	Based on actual experience from 2001 to 2005.	Rates adjusted based on actual experience from 2005 to 2009.
Part-time Service	.55 years of credited service per year.	.60 years of credited service per year.
Occupational Assumption	0% of deaths are assumed to be from occupational causes.	15% of deaths are assumed to be from occupational causes.
Deferred Vested Commencement Age	Earliest reduced age.	Earliest unreduced age.
Healthcare Participation	100% of members and their spouses are assumed to elect healthcare benefits as soon as they are eligible.	100% of system paid members and their spouses are assumed to elect healthcare benefits as soon as they are eligible. 10% of non-system paid members and their spouses are assumed to elect healthcare benefits as soon as they are eligible.

Recent Pension Reforms

In the past several years, to mitigate expected pension costs and rising employer contribution rates, the Legislature enacted a range of statutory changes to the retirement systems and to the State's approach to managing pension and OPEB costs. In 2005, during a special session, the Legislature enacted Senate Bill 141 to close the PERS and TRS DB plans and to establish DC plans, each with a healthcare component, for new employees.

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

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

The Other Retirement Systems

The Alaska National Guard and Alaska Naval Militia Retirement System. The Military System was established in 1973 and includes members of the Alaska National Guard and members of the Alaska Naval Militia. Members receive voluntary retirement benefits, which do not include healthcare benefits. The Legislature made a supplemental appropriation of $9.87 million to eliminate the Military System UAAL in May 2008. The total contribution for fiscal year 2011 was $895,611 and $739,100 for fiscal year 2012.

The Judicial Retirement System. The Judicial System 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. The total contributions for fiscal year 2011 as a result of HB 300 were $727,183 for pensions and $61,754 for other postemployment benefits. The total contributions for fiscal year 2012 as a result of HB 108 were $125,827 for pensions and $2,205,898 for other 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. As of June 30, 2010, the actuarial accrued liability was $23.8 million, with an expected annual benefit payment and claims cost of approximately $2.0 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, 2012, the supplemental benefits system had approximately 39,000 participants. At January 31, 2012, net assets available for system benefits were $2.626 billion. These assets are held in trust by the State for the exclusive benefit of covered employees and their beneficiaries.

State's Deferred Compensation Plan

The State maintains an optimal 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, 2011, the Plan had approximately 9,300 participants. As of December 31, 2011, the net assets available for Plan benefits were $601.3 million. These assets are held in trust by the State for the exclusive benefit of the covered employees and their beneficiaries.

State's Annual/Personal Leave and Sick Leave

The cost of annual/personal leave and sick leave for State employees is charged against agency appropriations when leave is used rather than when leave is earned, except when an employee's State service is terminated. In that instance, the accumulated annual/personal leave balance is charged to a terminal leave liability account that is funded by a charge to each agency's operating budget.

INVESTMENT POLICIES

General Fund, Constitutional Budget Reserve Fund and Other Subfunds

By statute, the Commissioner of the 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 Fund and the Alaska Capital Income Fund. The Commissioner's responsibilities for these funds include establishing investment policy, providing accounting and custody for the assets and monitoring and reporting the performance and characteristics of the funds and investment options. The Commissioner reviews capital market assumptions and sets an appropriate asset allocation for the General Fund, the Constitutional Budget Reserve Fund and the other subfunds, consistent with each fund's objectives and constraints. As of July 1, 2012, the target asset allocation for the Statutory Budget Reserve Fund is the same as the General Fund.

As of August 2, 2012, the target asset allocation for the General Fund is 53 percent short-term fixed income and 47 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, 2012, the Constitutional Budget Reserve Fund main account has a target asset allocation of 20 percent broad-market fixed income, 61 percent intermediate-term fixed income and 19 percent short-term fixed income. As of July 1, 2012, the Constitutional Budget Reserve Fund subaccount has an asset allocation of 42 percent broad-market fixed income, 38 percent domestic equity and 20 percent international equity.

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 AS 37.13.120, which provides: "The prudent-investor rule as applied to investment activity of the fund means that the corporation shall exercise the judgment and care under the circumstances then prevailing that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the designation and management of large investments entrusted to it, not in regard to speculation, but in regard to the permanent disposition of funds, considering preservation of the purchasing power of the fund over time while maximizing the expected total return from both income and the appreciation of capital."

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

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

The APFC Board's investment allocation includes multiple asset classes having varying risk and correlation assumptions. The APFC investment policy seeks to optimize expected return versus expected risk. The fund's current target asset allocation is: 36 percent stocks, 21 percent bonds, 12 percent real estate, 6 percent private equity, 6 percent absolute return, 4 percent infrastructure investments, 2 percent cash, 2 percent public and private credit and 11 percent 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 Board has adopted ranges that permit percentage deviations from the strategic asset allocation targets in accordance with specified reporting requirements and other procedures. Generally, for each risk and asset class, the APFC's chief investment officer has discretionary authority to permit target deviations within one specified range (referred to as the "green zone" in the investment policy), the APFC's executive director can approve target deviations for up to 90 days within a broader range (the "yellow zone"), and the APFC Board can approve operating for longer than 30 days within a third range (the "red zone").

LITIGATION

There is no controversy or litigation of any nature now pending or, to the knowledge of the State of Alaska, threatened to restrain or enjoin the issuance, sale, execution or delivery of the Notes, or in any way contesting or affecting the validity of the Notes 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 Notes, or the existence or powers of the State of Alaska.

Upon the delivery of the Notes, 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 Notes or in any way contesting the validity or enforceability of the Notes.

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

Oil and Gas Tax Litigation

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

Litigation Pending Before the Alaska Supreme Court:

<u>Corporate Income Tax Appeal:</u> Tesoro Corporation appealed a decision from the Office of Administrative Hearings (administrative hearing agency) upholding most of the State's assessment against Tesoro for additional corporate tax liabilities and penalties for tax years 1994-1998. The superior court upheld the OAH decision and Tesoro filed an appeal with the Alaska Supreme Court. Briefing and oral argument took place in 2012 and this case is now ripe for a decision. At issue in this case is $12.5 million in additional taxes, penalties, and interest.

<u>Trans Alaska Pipeline System (TAPS) Property Tax Appeal:</u> The TAPS owners (BP, ExxonMobil, Unocal, ConocoPhillips, and Koch Alaska) appealed the State Assessment Review Board's (SARB's) 2006-2011 property tax assessments of TAPS, contending that the assessments were too high. The superior court upheld the valuation methodology used by the State for tax year 2006, but increased the value from $4.3 billion to $9.9 billion based upon new information previously not available to SARB. The TAPS owners appealed this decision to the Alaska Supreme Court. Briefing is complete and oral argument was held in December 2012. A decision from the superior court regarding tax assessments for 2007-2009 was issued in December 2011. That decision increased the TAPS property value to $8.941 billion for 2007, $9.644 billion for 2008 and $9.249 billion for 2009. The increased assessments will result in additional property tax revenue to the State. The parties have filed their respective notices of appeal and cross-appeal with the Alaska Supreme Court.

Pipeline Tariff Litigation

The State is currently a party to TAPS tariff litigation matters before the Regulatory Commission of Alaska (RCA) and the Federal Energy Regulatory Commission (FERC) regarding TAPS carriers' inclusion of expenditures related to the TAPS strategic reconfiguration project in the tariff rate base. Hearings on this matter ended in September 2012 and briefing will be completed in January 2013.

Facility Funding Litigation

In a 1997 education lawsuit, *Kasayulie v. State*, plaintiffs claimed that the State's method of financing school construction was unconstitutional and that the State violated its trust duties in managing public school trust land and funds and in accounting for those funds. The superior court ruled against the

State in both portions of the case and ordered that school trust lands be valued before the court would address a remedy. Since that ruling, the Legislature has spent hundreds of millions of dollars on rural school construction. The 2010 Legislature created a rural education attendance area fund and adopted a formula for identifying money available for appropriation for rural school construction. The parties have reached a settlement which includes the State funding five school construction projects over the years 2012-2015. The parties recognize that a settlement cannot bind the State to a promise to fund schools because appropriations are always subject to the Governor's and Legislature's discretion. Therefore, the settlement reserves the right of the plaintiffs to reopen the case if the projects are not funded. If the plaintiffs reopen the litigation, the State is free to contest the merits of the court's original ruling.

Tort Claims

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

Medicaid Payment Rate Appeals

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

Employment Claims

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

Tobacco Company Litigation

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

The Legislature authorized the State to sell to the AHFC 80 percent of the State's annual settlement income. AHFC's purchase was financed through the issuance of revenue bonds by the Northern Tobacco Securitization Corporation (the "NTSC"), a subsidiary the AHFC established and to which the right to receive 80 percent of the settlement revenues was transferred. In 2006, NTSC issued additional revenue bonds to refinance its purchase of the State's annual settlement income. The NTSC is using the income stream to pay debt service on the bonds. When the bonds are paid, the settlement income reverts to the State. The State 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 has been 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 - 2010. States that have diligently enforced their qualifying statute are exempted from the application of this adjustment mechanism. In July of 2010, an arbitration commenced regarding which states "diligently enforced" their qualifying statutes in 2003. In November 2011, Alaska and 15 other states/territories received notice that the participating manufacturers (tobacco companies that joined the master settlement agreement) are no longer contesting their diligence, rendering those states exempt from the 2003 adjustment. Arbitration for the 2004 adjustment could begin as soon as of the summer of 2013. Recently, however, 19 states (not including Alaska) and the Participating Manufacturers ("PM") entered into a Memorandum of Understanding to negotiate and execute a settlement of the Non-Participating Manufacturer ("NPM") adjustment dispute for years 2003-2012. Because Alaska believes it is exempt from the NPM adjustment in those years, Alaska did not join this settlement.

CERTAIN LEGAL MATTERS

All legal matters incident to the authorization and issuance of the Notes are subject to the approval of K&L Gates LLP, Bond Counsel to the State. The forms of Bond Counsel's opinions are attached as Appendix C hereto. The Office of the Attorney General will issue a certificate regarding no litigation affecting the issuance of the Notes.

TAX MATTERS

In the opinion of Bond Counsel, interest on the Notes is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Notes is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

Interest on the Notes is not included in taxable income for purposes of the Alaska income tax imposed on corporations. Interest on the Notes may be indirectly subject to the Alaska alternative minimum tax imposed on corporations to the extent that interest on the Notes is subject to the federal alternative minimum tax on corporations.

Federal income tax law contains a number of requirements that apply to the Notes, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the use of proceeds of the Notes and the facilities financed with proceeds of the Notes 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 Notes could be included in gross income for federal income tax purposes retroactively to the date of issuance of the Notes, 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 Notes. Owners of the Notes should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Notes, 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.

Prospective purchasers of the Notes should be aware that ownership of the Notes 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 Notes. Bond Counsel expresses no opinion regarding any collateral tax consequences. Prospective purchasers of the Notes should consult their tax advisors regarding collateral federal income tax consequences.

Payments of interest on tax-exempt obligations such as the Notes, are in many cases required to be reported to 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 gives no assurance that any future legislation or clarifications or amendments to the Code, if enacted into law, will not cause the interest on the Notes to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Notes from realizing the full current benefit of the tax status of the interest on the Notes. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal legislation, as to which Bond Counsel expresses no view.

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 Notes. Owners of the Notes are advised that, if the IRS does audit the Notes, 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 Notes may have limited rights to participate in the audit. The commencement of an audit could adversely affect the market value and liquidity of the Notes until the audit is concluded, regardless of the ultimate outcome.

Not Qualified Tax-Exempt Obligations

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

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

RATINGS

Moody's Investors Service, Inc., Fitch Ratings and Standard & Poor's Ratings Services have assigned the Notes ratings of "MIG 1," "F1+" and "SP-1+," respectively, based on their research and investigation of the State. Moody's, Fitch and S&P are collectively referred to as the "Rating Agencies." The State furnished each of the Rating Agencies with certain information and materials concerning the Bonds and the State. Any desired explanation of such ratings should be obtained from the rating agency furnishing the same.

Generally, each of the Rating Agencies bases its ratings on such information and materials and also on investigations, studies, and assumptions that it may undertake independently. The ratings assigned by Moody's, Fitch, and S&P express only the views of the Rating Agencies. An explanation of the significance of the ratings may be obtained from Moody's, Fitch, and S&P, respectively. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if, in the judgment of such rating agency, circumstances so warrant. Any such change in or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

FINANCIAL ADVISOR

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

UNDERWRITING

J. P. Morgan Securities LLC (the "Underwriter"), has agreed to purchase the Notes from the State subject to certain conditions precedent, and will purchase all of the Notes, if any of such Notes are purchased, at a purchase price of $152,106,660.25 (being the par amount of the Notes, plus $2,467,646.05 original issue premium, less underwriters' discount of 5,985.80).

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

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

CONTINUING DISCLOSURE

Annual audited financial statements of the State of Alaska will be available upon request from the State of Alaska Department of Revenue. The State has covenanted for the benefit of the holders and beneficial owners of the Notes 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, 2014 for the Annual Disclosure Report for the fiscal year ending June 30, 2013, and to provide notices of the occurrence of certain enumerated events. A form of document specifying the nature of the information to be contained in the Annual Disclosure Report or the notices of certain events is set forth in Appendix D hereto. These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "Rule").

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

Other than for fiscal year 2010, the State has not failed to comply with any previous undertakings pursuant to the Rule. The State's CAFR for fiscal year 2010 was filed 16 days later than required and was linked to only a limited number of bonds by CUSIP numbers. The State subsequently re-filed its CAFR for fiscal year 2010 and correctly linked it to all required bonds by CUSIP numbers.

The State has procedures in place to assure the future compliance with its undertakings.

MISCELLANEOUS

The Notes 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 Notes. Quotations from and summaries and explanations of the Notes 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 Notes. 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 Notes.

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

The appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement. The appendices appended to this Official Statement are entitled: "SUMMARY INFORMATION REGARDING THE ECONOMY OF THE STATE," "STATE OF ALASKA COMPREHENSIVE ANNUAL FINANCIAL REPORT, Fiscal Year Ended June 30, 2012," "FORMS OF BOND COUNSEL OPINIONS," "FORM OF CONTINUING DISCLOSURE UNDERTAKING" and "INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY."

EXECUTION OF OFFICIAL STATEMENT

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

STATE OF ALASKA

By *<u>/s/ Deven J. Mitchell</u>*
Deven J. Mitchell
Debt Manager,
State of Alaska
For the State Bond Committee

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

SUMMARY INFORMATION REGARDING THE ECONOMY OF THE STATE

THE ECONOMY

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

Population

Alaska's Statewide population of 722,140 (July 2011 Estimate) increased by 89,474, or 14 percent, from 2001 to 2011. Alaska's growth was greater than the 9 percent increase for the United States as a whole during the ten-year period. Alaska's annual rate of population growth was 1.8 percent for the period 2009-2010 and 1.7 percent for the period from 2010-2011. Alaska's recent growth was mainly due to in-migration, or people moving into the State.[1]

The following table summarizes the State's population growth since 2001, as well as the growth of population in each of the State's regions. The majority of the high-growth areas were those with access to the road system. Anchorage gained the most, with 31,597 residents, followed closely by Matanuska-Susitna Borough at 29,790. The Matanuska-Susitna Borough, the fastest growing area in the State on a percentage basis, grew 48 percent from 61,907 in 2001 to 91,697 in 2011. The results were mixed in rural areas, with over half of the rural boroughs and census areas losing residents.

Population of Alaska by Region, 2001-2011*

Area Name	Estimate July 2001	Estimate July 2002	Estimate July 2003	Estimate July 2004	Estimate July 2005	Estimate July 2006	Estimate July 2007	Estimate July 2008	Estimate July 2009	Census April 2010	Estimate July 2011
Alaska	632,716	641,729	649,466	659,653	667,146	674,583	680,169	686,818	697,828	710,231	722,190
Anchorage / Mat-Su Region	326,507	331,975	340,267	347,904	352,028	360,060	362,163	366,562	375,304	380,821	387,894
Gulf Coast Region	73,790	74,576	75,732	75,129	75,403	75,196	76,121	76,973	77,742	78,628	80,022
Interior Region	98,089	99,906	97,652	101,555	104,391	104,919	109,336	110,473	110,752	112,024	112,170
Northern Region	23,616	23,800	23,843	23,874	23,665	23,655	23,548	23,532	23,685	26,445	26,965
Southeast Region	71,853	72,214	72,250	71,546	71,712	71,399	70,219	70,504	71,141	71,664	73,526
Southwest Region	38,861	39,258	39,722	39,645	39,947	39,354	38,782	38,774	39,204	40,649	41,613

* Preliminary Intercensal 2001-2009, 2011 and 2010 Census. All numbers are based on 2010 Census geography.

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

Income

In 2011, Alaska had a per capita personal income of $45,665, an increase of 3.3 percent from the 2010 per capita personal income of $44,205. In 2011 Alaska's per capita personal income ranked 10th in

[1] Alaska Department of Labor and Workforce Development, Research and Analysis Section. Population Data; Monthly Employment Statistics, October 2012.

the U.S. and was 110 percent of the national average of $41,560. This compares to a per capita personal income for the United States of $39,791 in 2010 and $38,637 in 2009.[1]

From 2010 to 2011, the inflation rate in Anchorage (the only Alaska city included in the Consumer Price Index) was 3.2 percent. The average in the United States was 3.2 percent. The average annual inflation rate in Anchorage from 2001 to 2011was 2.6 percent, approximately equal to the average annual inflation rate for the U.S. over the same period.[2]

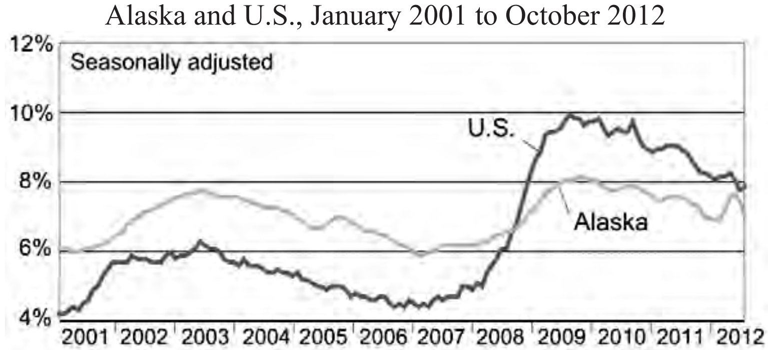
The cost of living in Alaska remains significantly higher than the national average. According to the Council for Community and Economic Research's ACCRA Cost of Living Index for 2011, which compares the living costs for about 300 urban areas in the United States, including four Alaska cities, Anchorage, Juneau, Fairbanks and Kodiak, the cost of living in those cities is 31, 34, 37 and 28 percent, respectively, more expensive than the average city in the index.[3]

Employment

Data of the Alaska Department of Labor and Workforce Development shows the unemployment rate (seasonally adjusted) for Alaska for October 2012 was 7.1 percent, as compared to a national unemployment rate for the same period of 7.9 percent. As noted in the table below, historically the State's unemployment rate has exceeded the national rate, but more recently Alaska's unemployment rate has been lower than that of the U.S.[4]

Unemployment Rates

Alaska and U.S., January 2001 to October 2012



The largest employment sector in Alaska is government comprised of federal, State and local government employees. Government employment in October 2012 was 86,200. The largest non-government sector of employment was Trade, Transportation and Utilities with 62,800.[5] The table below provides a summary of the employment of the Alaska labor force by industry.

[1] Bureau of Economic Analysis, Regional Data.
[2] Department of Labor and Workforce Development, Research and Analysis Section, CPI Consumer Price Index; U.S. Bureau of Labor Statistics.
[3] Alaska Department of Labor and Workforce Development, Alaska Economic Trends, July 2012.
[4] Alaska Department of Labor and Workforce Development, Research and Analysis Section; U.S. Bureau of Labor Statistics.
[5] Alaska Department of Labor and Workforce Development, Research and Analysis Section.

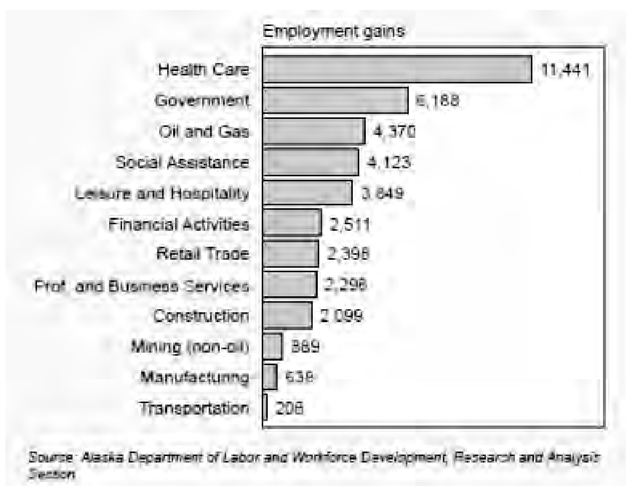
Alaska Labor Force Summary

	2001	2011	Change (2001 - 2011)	September 2011
Total Nonfarm	289,300	328,800	13.65%	325,800
Mining and Logging	11,600	15,900	37.07%	16,800
Oil and Gas	9,500	13,000	36.84%	13,400
Construction	14,900	15,200	2.01%	15,300
Manufacturing	11,700	13,200	12.82%	9,100
Wholesale Trade	6,200	6,200	0.00%	6,600
Retail Trade	33,200	35,500	6.93%	35,100
Transportation, Warehousing and Utilities	20,800	21,600	3.85%	21,100
Information	7,400	6,400	-13.51%	6,300
Financial Activities	13,800	14,800	7.25%	14,700
Professional and Business Services	22,800	27,300	19.74%	27,500
Educational and Health Services	28,300	44,500	57.24%	46,600
Health Care*	N/A	31,500	N/A	32,600
Leisure and Hospitality	28,300	32,400	14.49%	32,600
Other Services	11,900	11,000	-7.56%	11,400
Government	78,500	84,800	8.03%	86,200
Federal Government	16,800	17,000	1.19%	15,800
State Government	22,900	25,900	13.10%	26,700
Local Government**	38,800	41,900	7.99%	43,700

* Information not compiled in 2001.
**Tribal government was manually added to local government in 2000.

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

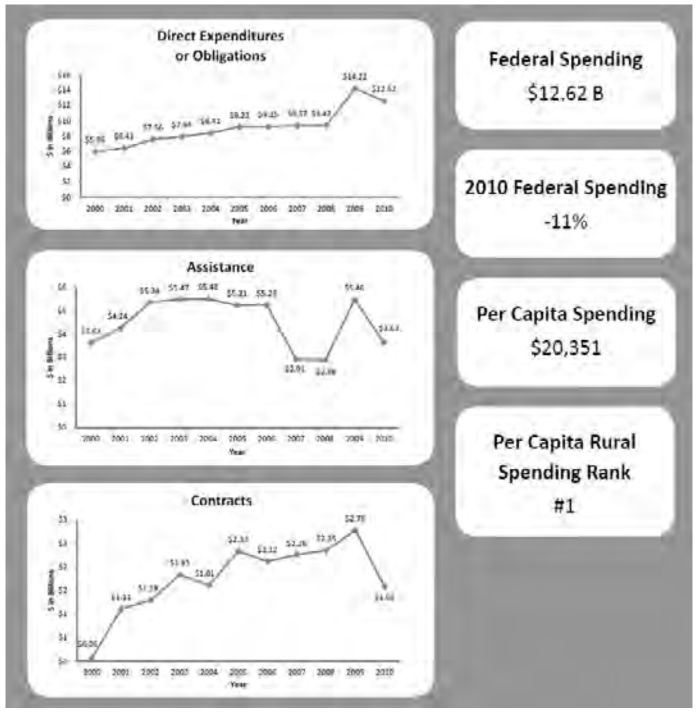
The following chart shows the employment growth by industry from 2000 to 2010.



Federal Spending[1]

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

2010 Federal Spending Indicators



Federal spending in Alaska has been on the rise since 2000. Most notably, the American Recovery and Reinvestment Act (ARRA) of 2009 resulted in a 48 percent increase in federal funding. Between 2009 and 2010, ARRA funding declined, but still remained significantly higher than pre-ARRA spending. During 2010, federal spending per capita in Alaska was $20,351. Alaska currently ranks first in total per capita federal spending, followed by Virginia and Maryland. Alaska ranks first in grants, second in salaries and wages, and fourth in procurement. In addition to direct expenditures, the federal government is also a significant employer and landowner in Alaska. The federal government is Alaska's largest landowner with 60 percent of Alaska total area including national parks, refuges, national forests, military installations, and the North Slope National Petroleum Reserve.[2] A strong federal presence spanning land management, military, and numerous public services also leads to significant employment opportunities as 40,000 Alaskans were on the federal payroll during 2010.[3]

---

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

[2] Alaska Department of Natural Resources (ADNR), Division of Mining, Land, and Water. 2000. Land Ownership in Alaska Fact Sheet. March 2000.

[3] Alaska Department of Labor and Workforce Development (ADLWD), Research and Analysis Section. 2012. Trends. February 2012

Oil and Gas[1]

According to a study completed by McDowell Group, Inc. for the Alaska Oil and Gas Association (2011), employment and payroll in the oil and gas industry from October 2009 through September 2010 included over 4,840 jobs and $764 million in payroll. The report also stated total direct and indirect jobs account for 13 percent of all private sector employment (10 percent of all employment) in Alaska and 18 percent of all private sector resident earnings (13 percent of all resident earnings). Oil and gas employment reached record levels despite the ongoing decline in oil production in Alaska.

Government[2]

Government was responsible for 84,800 jobs in 2011, over a quarter of all nonfarm employment in the State. This sector encompasses occupations in all industries, including teachers, builders, deckhands, and scientists. Government's total share of Alaska jobs shrank from 27.1 percent to 25.8 percent of jobs over the period 2001 - 2011 as the job growth in private industries outpaced government. Government jobs represented more than $4.2 billion in wages in 2011.

Local government employment grew by about 3,000 jobs — or 7.9 percent — from 2001 to 2011, with local administrations and school districts representing the largest employers. Within the local government sector, school district employment gained 12 percent and other city, municipal, and borough employment grew by 1 percent.

State government employment accounted for 13 percent of total employment over the last decade. The State-run University of Alaska's employment increased by 1,358 jobs, or 22 percent, while other State agencies' employment increased by 15 percent over the decade, for an overall increase of 17 percent in State government employment.

Federal government employment added about 200 jobs, or 1.1 percent, over the decade. Growth in the civilian defense sector, Veterans' Affairs, and the National Park Service was largely offset by reduced employment by the U.S. Postal Service, health services, agriculture, and aviation, as private firms stepped in or programs were phased out.

Before September 11, 2001, the military was reducing its presence in Alaska. However since then the U.S. funneled additional defense funds into the State. Though the Base Realignment and Closure Act of 2005 resulted in closures, the overall presence of armed forces in the State has increased. There were 3,100 more uniformed military personnel in Alaska in 2011 than there were in 2001. Other military growth includes civilian defense employment and federal spending on base and facility upgrades, salaries, and maintenance.[3]

Health Care[4]

Health care has been the State's fastest-growing industry. It employs nearly 31,500 people, and in 2011 its payroll exceeded $1.5 billion. Fifteen of the 100 largest private sector employers in the State are health care providers. Private sector health care employment increased from 18,100 in 2001 to 31,500

[1] McDowell Group, Inc. (2011). The Role of the Oil and Gas Industry in Alaska's Economy. Alaska Oil and Gas Association. 52 pp. P. 1-2. Retrieved from http://www.aoga.org/wp-content/uploads/2011/10/2011-McDowell-Study.pdf
[2] Alaska Department of Labor and Workforce Development, Research and Analysis Section.
[3] State of Alaska, Comprehensive Annual Financial Report; July 1, 2011 – June 30, 2012.
[4] Alaska Economic Trends, September 2011, The Decade in Review: 2000 – 2010.

in 2011 and grew four times as fast as the average for all industries. As a result, health care made up over a quarter of all employment growth over the past decade in Alaska. It also grew twice as fast as the nation's health care sector.

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

Fisheries[1]

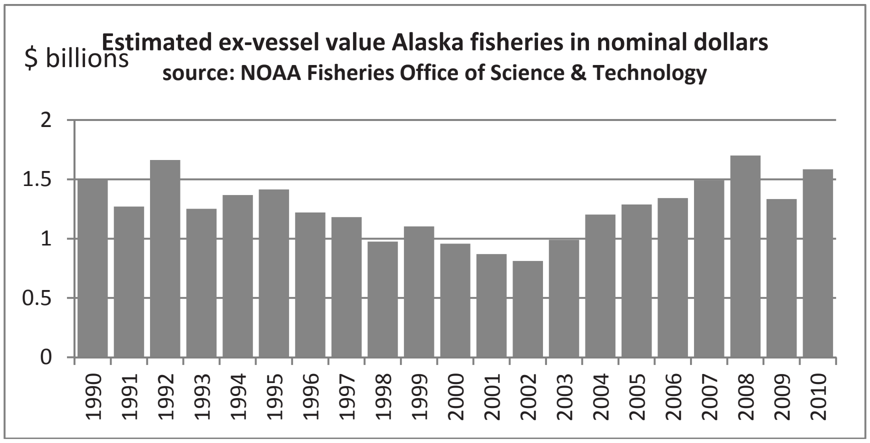
In 2010, Alaska's leading export was seafood, worth $1.8 billion and accounting for 44 percent of Alaska's total exports of $4.2 billion. Two countries, Japan and China, make up more than a billion dollars of Alaska's total seafood exports. Japan, long the State's largest seafood export market, purchased $523 million. China was a close second at $517 million. China has been steadily growing in importance in Alaska's seafood exports as evidenced by a 23 percent increase in exports during 2010.

During 2010, Alaska's commercial fishing fleet earned $1.76 billion, up 21 percent from $1.4 billion in 2009. Seafood processors sold this harvest for $3.87 billion, up six percent from 2009. During the past ten years, the combined seafood harvesting and processing workforce has averaged nearly 50,000 people.

Seafood processing employment grew by 700 jobs, or 8 percent, between 2000 and 2010. 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. At the beginning of the decade, fish stocks crashed and there were low prices in key fisheries. After that, developed and emerging nations' desire for more ocean-derived protein increased demand and boosted prices. Salmon prices were also boosted by marketing that differentiated Alaskan wild salmon from their farmed counterparts. Prices and values fell sharply in 2009, during the global recession, for cod, pollock, halibut, and crab.

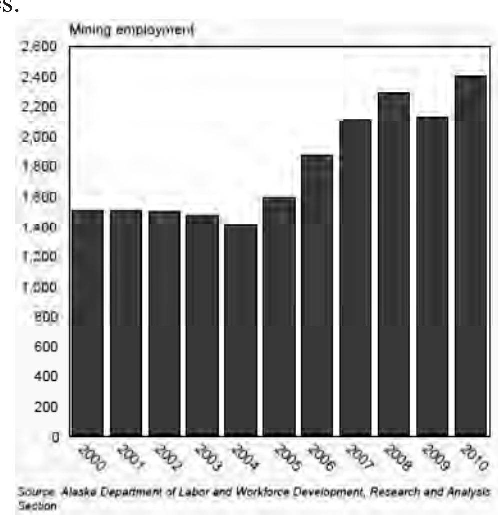
In 2011, five of the country's top ten fishing ports, ranked by value, were in Alaska -- Dutch Harbor ranked first in volume and second in value ($207 million), Kodiak was fifth in volume and third in value ($168 million), Naknek-King Salmon ranked eighth in value ($86 million), and Akutan ranked fourth in value ($114 million). Sitka was ranked ninth in value at $85 million.[2] The following chart shows the value of the Alaskan fisheries.[3]

[1] Alaska Economic Trends, September 2011, The Decade in Review, 2000 – 2010.
[2] "2010 Commercial Fishery Landings by Port Ranked by Dollars" and 201 Commercial Fishery Landings by Port Ranked by Poundage", NOAA Fisheries, Office of Science & Technology.
[3] State of Alaska, Office of International Trade, 2010. *2010 Export Update.*



Mining[1]

The economic picture of mining in Alaska has changed dramatically, from declining employment in the beginning of the 2000s to a growing industry by 2006. Despite a slight downturn in 2009, mining employment has grown 35 percent overall since 2001, outpacing the nationwide growth rate of just 1.4 percent. The decline in mining employment in 2009 was largely attributable to shifts in the exploration stages at several potential mines.



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

The value of Alaska's primary produced metals more than quadrupled from 2001 to 2007, from $786.6 million to $3.22 billion. The total value of Alaska's mineral industry in 2009 was nearly $2.9 billion, down $204 million from 2008's value of $3.2 billion, but in 2010 it recovered to $3.1 billion. The 2009 decline in total value was primarily a result of lower metal prices, increased operating costs and a worldwide economic slowdown.[2]

[1] Alaska Economic Trends, September 2011, The Decade in Review, 2000 – 2010.
[2] 2009 Alaska Economic Performance Report.

The recent increase in mineral prices has renewed interest in a number of mining projects around the State.

Tourism[1]

The tourism sector is comprised of three major categories — recreation, food and drink, and accommodations — with the food and drink category accounting for approximately two-thirds of the employment. All three categories grew over the past decade. Over that period, food and drink added 2,500 jobs; accommodations grew by 600 jobs; arts, entertainment, and recreation added 700. As with the industry as a whole, each of accommodations and food and drink lost employment during the nationwide recession when fewer visitors came to the State. The highly seasonal leisure and hospitality industry was growing around 2 percent annually until the recession affected Alaska's tourism in 2009. The industry lost more than 2,500 jobs at the peak of that season. By the end of the decade, employment had recovered slightly, growing by just under 600 jobs from the 2009 to 2010 summer peaks. With this small recovery, leisure and hospitality ended the decade up 14 percent, or 3,800 average annual jobs, above its 2000 level but still 2,000 jobs below the 2008 peak.

Retail[2]

A number of new chain and homegrown retailers opened in Alaska during the past decade. Since 2000, the following retailers opened stores in Alaska: Kohl's, new Walmarts, Best Buy, Target, Sportsman's Warehouse, Petco, Bed Bath and Beyond, and Walgreens. The retail sector provided 35,500 jobs in Alaska in 2011.

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

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

Transportation[3]

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

Most goods shipped to and from Alaska move by way of intermodal transportation systems. Most food, household items and consumer goods shipped from the lower 48 states of the U. S. to Alaska

[1] Alaska Economic Trends, September 2011, Decade in Review, 2000-2010.
[2] Alaska Economic Trends, September 2011, Decade in Review, 2000-2010.
[3] Alaska State Transportation Plan, adopted February 29, 2008.

generally arrive by container ship, barge or roll-on, roll-off vessel. Upon arriving in Alaska, freight bound for destinations connected by the highway system are transported by truck or by rail on the Alaska Railroad. Freight bound for remote destinations is flown from Anchorage or Fairbanks to the remote communities. Heavy or bulk commodities are most often moved by barge to remote communities where seasonal barge service is available.

Given the size, geography and population distribution in Alaska, air transportation is critical for Alaska's economy and the health, safety and welfare of all Alaskans. The State owns about 252 rural airports, in addition to Ted Stevens Anchorage International Airport ("ANC") and Fairbanks International Airport. ANC serves as the primary passenger airport in the State and is an important cargo airport globally. In terms of cargo levels, ANC was ranked as the number two cargo airport in North America and as the number five cargo airport in the world by Airports Council International in calendar year 2010. In fiscal year 2011, all-cargo certificated maximum gross takeoff weight (measured in 1,000 lb. units) increased to 25,214,813 from 20,307,000 in 2000. In fiscal year 2011, passenger activity at ANC (including passenger enplanements, passenger deplanements and in-transit passengers) was approximately 5.08 million, as compared to 5.03 million in 2000. [1]

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

The Alaska Marine Highway System ("AMHS") is a critical part of Alaska's transportation system and the service it provides is part of the National Highway System. AMHS serves 31 Alaska ports by transporting passengers and vehicles between coastal communities on 11 operating vessels. This service helps meet the social, educational, health and economic needs of Alaskans. AMHS experienced increases in passenger and vehicle traffic in each of the years from 2005 through 2008, when AMHS carried 340,412 passengers and 109,839 vehicles. AMHS experienced a decline in 2009 when it carried approximately 317,891 passengers and 108,541 vehicles. In 2010, AMHS saw a slight recovery, carrying 326,313 passengers and 110,075 vehicles[2] and further recovery in 2011 carrying 334,778 passengers and 114,100 vehicles.

The Alaska Railroad operates a total of 656 miles of railway miles in Alaska, consisting of 467 miles of main line, 54 miles of branch line and 135 miles of yards and sidings. The Alaska Railroad plays an important economic role. In 2011, the Alaska Railroad carried 6.20 million tons of freight and 412,200 passengers. As of May 2012, the railroad employed 685 year-round employees.[3]

In 2010 the transportation sector represented 5.9 percent of Alaska's wage and salary employment versus 3.2 percent for the nation. Transportation also represents a greater share of gross domestic product in Alaska than it does nationwide, at 9 percent in-State versus the nation's 3 percent.

Transportation employment grew modestly in the last decade, with 18,900 jobs in 2010 compared to 18,700 jobs in 2000. The slowdown in Alaska's economy in 2009 resulted in steep declines in the visitor industry and international cargo. However, employment growth in Alaska's transportation sector was slightly positive between 2000 and 2010, in contrast to the nation's decline of more than 6 percent.

[1] Alaska International Airports System, Statistics, http://www.dot.alaska.gov/aias/assets/AIAS_Statistics.pdf.
[2] Alaska Marine Highway, Annual Traffic Volume Report, 2010.
[3] Alaska Railroad Corporation Fact Sheet, http://www.akrr.com/arrc29.html.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

STATE OF ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT,
Fiscal Year Ended June 30, 2012

The Comprehensive Annual Financial Report for the State contained in Appendix B hereto is historical information that presents the State's financial position as of June 30, 2012. 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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

State of Alaska

Comprehensive Annual Financial Report

For the Fiscal Year
July 1, 2011 – June 30, 2012

Prepared by:
Department of Administration
Division of Finance

The FY 2012 CAFR is expected to be available on or after December 15, 2012 on our Internet web site at http://doa.alaska.gov/dof/reports/cafr.html.

This publication was released by the Department of Administration, Division of Finance to report on the State's financial status. Produced and printed in Juneau, Alaska at a cost of $25.04 per copy. This publication is required by AS 37.05.210.

This page intentionally left blank.

STATE OF ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2012

TABLE OF CONTENTS

STATE OF ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2012

TABLE OF CONTENTS

STATE OF ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2012

TABLE OF CONTENTS

This page intentionally left blank.

Introductory Section

This page intentionally left blank.

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 14, 2012

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, 2012. 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, 2012, 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.

Budgetary Control

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

ECONOMIC CONDITION AND OUTLOOK

Economy

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

The table below 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 12, petroleum revenue increased $2 billion to 71 percent of all General Fund revenues.

The largest source of nonpetroleum revenues is federal, which makes up 20 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. Alaska is authorized to receive nearly $1.3 billion in formula and competitive funding available under the Act. The amount expended, as of June 30, 2012, is approximately $992 million.

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 12	Percent	FY 11	Percent
Petroleum Revenue				
Property Tax	$ 215.4	1.7%	$ 184.3	1.6%
Corporate Petroleum Income Tax	571.8	4.6%	601.8	5.4%
Severance Tax	5,950.3	48.0%	4,131.4	36.9%
Mineral Bonuses and Rents	6.3	0.1%	10.3	0.1%
Oil and Gas Royalties	2,026.8	16.3%	1,853.5	16.6%
Total Petroleum Revenue	8,770.6	70.7%	6,781.3	60.6%
Nonpetroleum Revenue				
Taxes	426.1	3.4%	440.8	3.9%
Licenses and Permits	117.9	1.0%	117.3	1.1%
Charges for Services	197.1	1.5%	179.3	1.6%
Fines and Forfeitures	13.3	0.1%	11.6	0.1%
Rents and Royalties	29.0	0.2%	12.0	0.1%
Interest and Investment Income/(Loss)	309.5	2.5%	1,159.0	10.4%
Other Revenue	82.9	0.7%	77.4	0.7%
Total Nonpetroleum Revenue	1,175.8	9.4%	1,997.4	17.9%
Federal Revenue	2,464.9	19.9%	2,407.9	21.5%
Total Revenues	$ 12,411.3	100.0%	$ 11,186.6	100.0%

The total expenditures charged against General Fund appropriations during FY 12 amounted to $9.4 billion, an increase of $56.3 million from FY 11. The debt service subfund of the General Fund experienced a significant increase in expenditures due to the defeasement of General Obligation and Revenue Bonds, and extinguishment of Certificates of Participation and Capital Leases. The Department of Law also experienced a significant increase due to judgment and litigation costs. Expenditures by department are compared with the prior year in the following table:

Department Expenditures (stated in millions)	FY 12	Percent	FY 11	Percent
Office of the Governor	$ 51.3	0.6%	$ 114.7	1.2%
Administration	663.4	7.1%	505.5	5.4%
Law	100.9	1.1%	70.2	0.8%
Revenue	1,084.0	11.6%	1,016.5	10.9%
Education and Early Development	1,584.8	16.9%	1,526.1	16.4%
Health and Social Services	2,486.1	26.6%	2,351.2	25.3%
Labor and Workforce Development	145.3	1.6%	148.2	1.6%
Commerce, Community, and Economic Development	565.5	6.0%	909.3	9.8%
Military and Veterans' Affairs	72.6	0.8%	105.9	1.1%
Natural Resources	162.6	1.7%	188.8	2.0%
Fish and Game	121.9	1.3%	109.8	1.2%
Public Safety	207.2	2.2%	206.2	2.2%
Environmental Conservation	143.7	1.5%	152.8	1.6%
Corrections	278.9	3.0%	260.2	2.8%
Transportation and Public Facilities	1,090.2	11.6%	1,066.6	11.5%
Legislature	60.0	0.6%	57.3	0.6%
Debt Service	32.0	0.4%	9.0	0.1%
Alaska Court System	106.2	1.1%	99.8	1.1%
University	406.8	4.3%	409.0	4.4%
Total Expenditures	$ 9,363.4	100.0%	$ 9,307.1	100.0%

Major Industry

The State's major source of revenue is petroleum related. The price of oil has risen fairly steadily since the 2008/2009 recession, ending FY 12 well above $100 per barrel. The Department of Revenue projected a FY 12 average price of $114.59 per barrel for the Alaska North Slope West Coast price in its Spring 2012 forecast. Actual Alaska North Slope oil prices were $1.94 per barrel lower than the estimate, averaging $112.65 for the fiscal year.

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 increase in petroleum revenues collected in FY 12 is attributable to higher prices as discussed in the MD&A and further explained in Schedule B-2 of the statistical section of this report.

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 (AGIA) was signed in June 2007, the Administration initiated a competitive process to select a licensee to build a natural gas pipeline. On August 1, 2008, the Twenty-Fifth legislature passed Chapter 3, 4 SSLA 08, which authorized the issuance of a license to TransCanada Alaska Company, LLC and Foothills Pipe Lines, Ltd. In May 2009 ExxonMobil joined with TransCanada Alaska to form the Alaska Pipeline Project (APP). From 2010 to 2011 the APP completed the first open season to commercialize North Slope natural gas in a project that was designed to ship gas through a pipeline to be constructed from the North Slope to Alberta, Canada.

During this time APP also engaged in the regulatory approval process through the Federal Energy Regulatory Commission (FERC). Despite significant progress on regulatory issues with FERC and significant initial interest by prospective parties in the "Alberta" project, APP and the major North Slope producers, at the request of Governor Parnell, initiated efforts to explore the prospects for a large LNG project from the North Slope to South-central Alaska to export LNG to Asia under the AGIA-framework. APP requested and received the state's approval to amend the project to explore LNG export. The Alberta project remains "shelf-ready," but has been placed on administrative hold with FERC pending developments on the LNG project. The administration set out benchmarks for 2012-2013 for the APP and the North Slope producer team to develop and advance the LNG project concept.

Long-term Financial Planning

With declining oil production, an uncertain national economy, and an unfunded pension liability, the State of Alaska has placed excess funding in our Statutory Budget Reserve Fund and the Constitutional Budget Reserve Fund, and has provided forward funding for K-12 Education and the Alaska Performance Scholarship program. These deposits will contribute towards the future fiscal health of the State of Alaska.

The State of Alaska's bond rating was upgraded in January 2012 to AAA, the highest grade, by Standard and Poor's Ratings Services. According to Standard and Poor, this rating is due to the State's large financial reserves, strong financial management, extensive fiscal flexibility, and budgetary restraint.

During FY12, the State of Alaska reduced current debt service on bonds outstanding through two separate series of refunding bond issuances, the Sport Fishing Refunding Revenue Bonds in December 2011, and the General Obligation Refunding Bonds Series 2012A in February 2012. This is in addition to the three extraordinary appropriations from the first session of the 27th Legislature (2011-2012). Below is a summary of these reductions in long-term debt:

- The Sport Fishing Refunding Revenue Bonds in December 2011 were used to refund certain outstanding sport fish revenue bonds the state previously issued in 2006. In connection with the sale of $28.8 million aggregate principal amount the bonds achieved a net present value savings of over $2.7 million.
- The General Obligation Refunding Bonds Series 2012A in February 2012 were issued for the purpose of refunding a portion of the State's General Obligation Bonds, Series 2003A. In connection with the sale of $175.6 million aggregate principal amount the bonds achieved a net present value savings of approximately $27.1 million.
- A capital lease obligation of the State was diminished through the extinguishment of $20.6 million of optionally redeemable lease revenue bonds of the Municipality of Anchorage in October 2011.
- Optionally redeemable obligations of three state certificates of participation issues totaling $22 million par amount were extinguished in November 2011.
- An FY 12 General Fund appropriation of $150 million replaced authority to issue general obligation bonds approved in 2008, and extinguished the ability to incur this previously approved debt.

By reducing the State's debt service, the State has strategically allowed for additional capacity of future debt. Looking forward to FY13, the State anticipates utilizing all, or a portion, of the unissued authorized amount of $197 million in connection with the general obligation bond proposition passed in November of 2010 for capital projects. Additionally, in November 2012 voters approved a $453 million transportation bond package.

Net assets at June 30, 2012 of the two largest pension funds, the Public Employees' (PERS) and Teachers' (TRS) Retirement Systems' funds, were $11.6 billion and $4.8 billion respectively. The funding status for PERS and TRS pensions and postemployment healthcare as of the June 30, 2011, actuarial valuations indicated the actuarial accrued liabilities were 61.9 percent pensions and 55.6 percent postemployment funded for PERS, and 54.0 percent pension and 43.8 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.

Looking ahead at the next 10 years, Alaska must move toward expansion and diversification of its revenue base. The main emphasis of the 10-year plan is to facilitate Alaska's transition from a predominantly oil revenue base to an oil and natural gas revenue base. Revenue and other economic activity generated from the commercialization of Alaska's natural gas would help diversify Alaska's revenue sources and provide a potentially substantial source of revenue to offset declining oil revenue. In addition, commercialization of North Slope gas, in conjunction with other state investment to reinvigorate natural gas production in Cook Inlet, will provide economic opportunity and a stable, clean source of energy to fuel Alaskan businesses and homes for years to come. Efforts to diversify and enhance revenue sources cannot solely rely on commercializing Alaska's natural gas. Alaska must continue to make strides to maximize production from existing oil fields and develop other economic opportunities, particularly from its abundant natural resources.

Relevant Financial Policies

Spending Limitation

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

Investments

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

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

Cash Flow and Revenue Shortfalls

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

In more recent years, the reality of declining oil production and the corresponding decrease in available cash 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 budget reserve funds has been the solution for both cash flow shortages and revenue shortfalls. Between FY 93 and FY 05, the legislature addressed the possibility of a revenue shortfall by including language in the appropriation act permitting the executive branch to borrow cash from the SBRF and the CBRF in the event expenditures exceeded revenues; which did occur in several years. All borrowings from the CBRF were repaid by FY10 and no additional borrowings have taken place. In FY 10, the legislature appropriated General Fund monies to the SBRF. In order to continue to increase the reserve fund, in FY 12 the legislature appropriated $2.0 billion from the General Fund to the SBRF. In addition, the legislature appropriated the remaining available balance of the General Fund at year-end to be transferred to the SBRF; which amounted to $805 million.

Initiatives

Over the next four years the State is implementing an Enterprise Resource Planning (ERP) solution powered by AMS-Advantage to replace disparate administrative systems. The integration of financial, Human Resource/payroll, and procurement functions into one statewide system will provide greater transparency and more efficient management of resources.

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.omb.alaska.gov*.

<u>AWARDS AND ACKNOWLEDGMENTS</u>

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, 2011. This is the ninth year the State of Alaska has received this award on the CAFR. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of government financial reports. It represents a significant accomplishment by a government and its management.

To be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR, the contents of which conform to GFOA standards and satisfy both generally accepted accounting principles and applicable legal requirements. The certificate is valid for only a one year period. We believe the CAFR for the State of Alaska as of and for the fiscal year ended June 30, 2012 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,

Becky Hultberg

Becky Hultberg
Commissioner
Department of Administration

Scot Arehart
Director
Division of Finance

Lisa M. Pusich

Lisa M. Pusich, CPA
Deputy Director
Division of Finance

Katina Holmberg

Katina Holmberg, 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, 2011

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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

Linda C. Davison

President

Jeffrey R. Esser

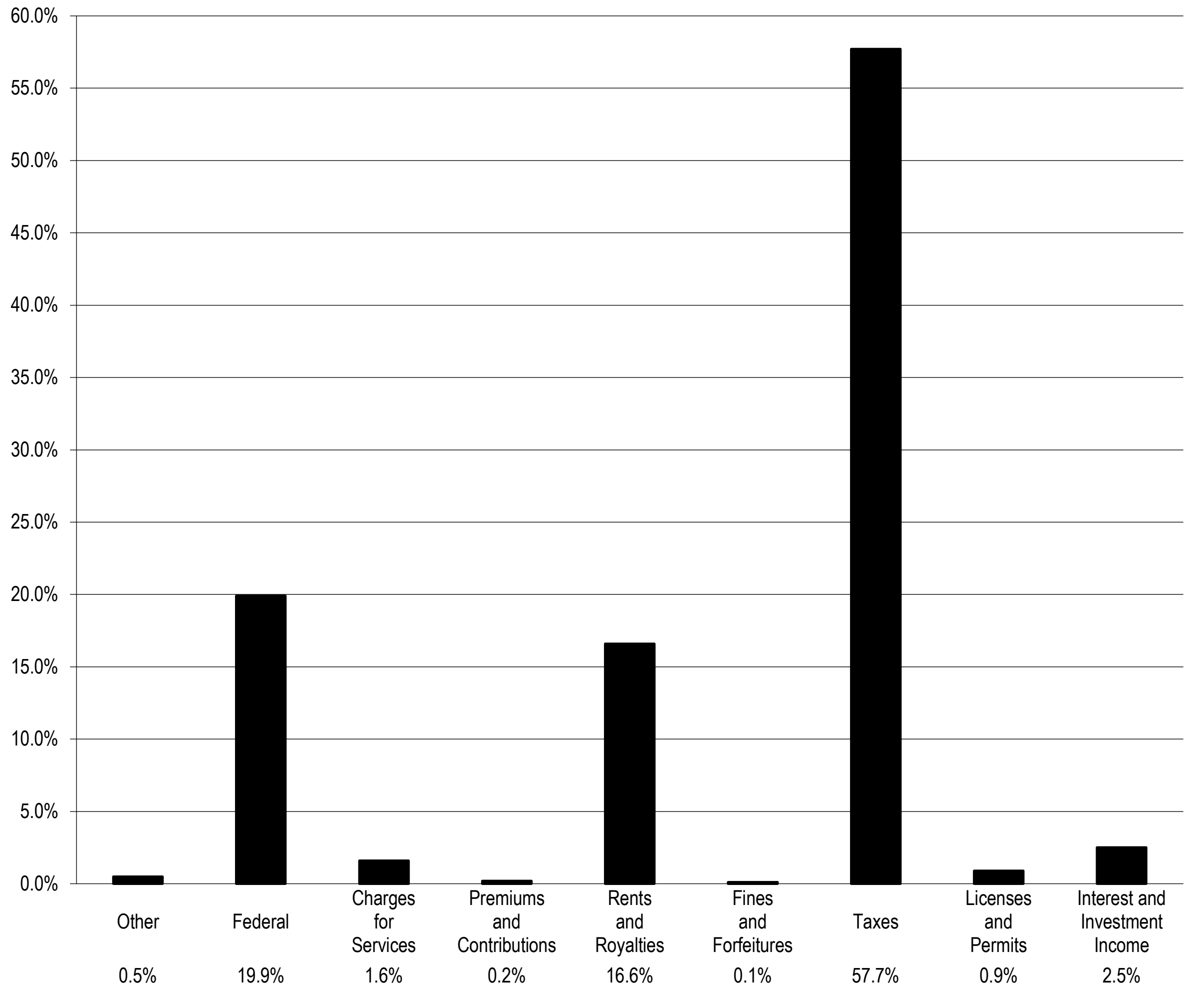
Executive Director

EXHIBIT 1

STATE OF ALASKA
GENERAL FUND
REVENUE SOURCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

$12,411
(Millions)



STATE OF ALASKA
GENERAL FUND
EXPENDITURES BY FUNCTION

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

$9,363
(Millions)

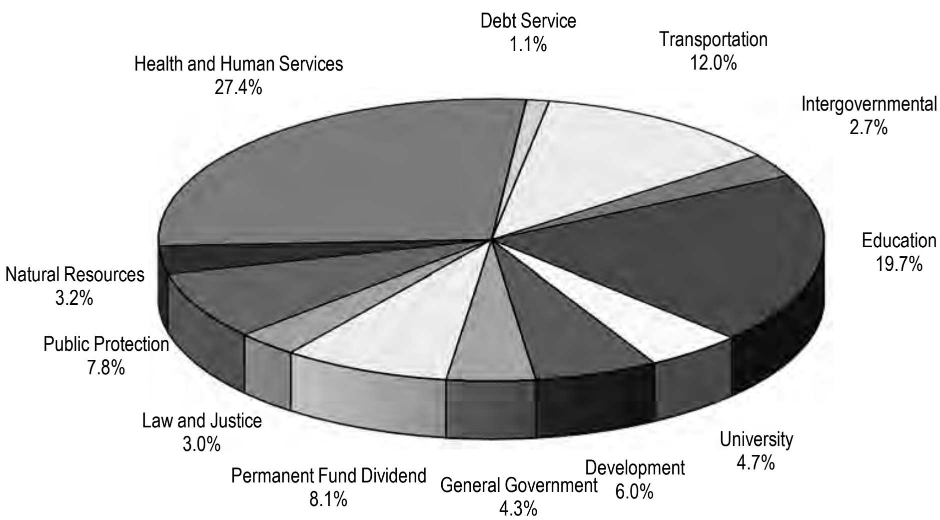
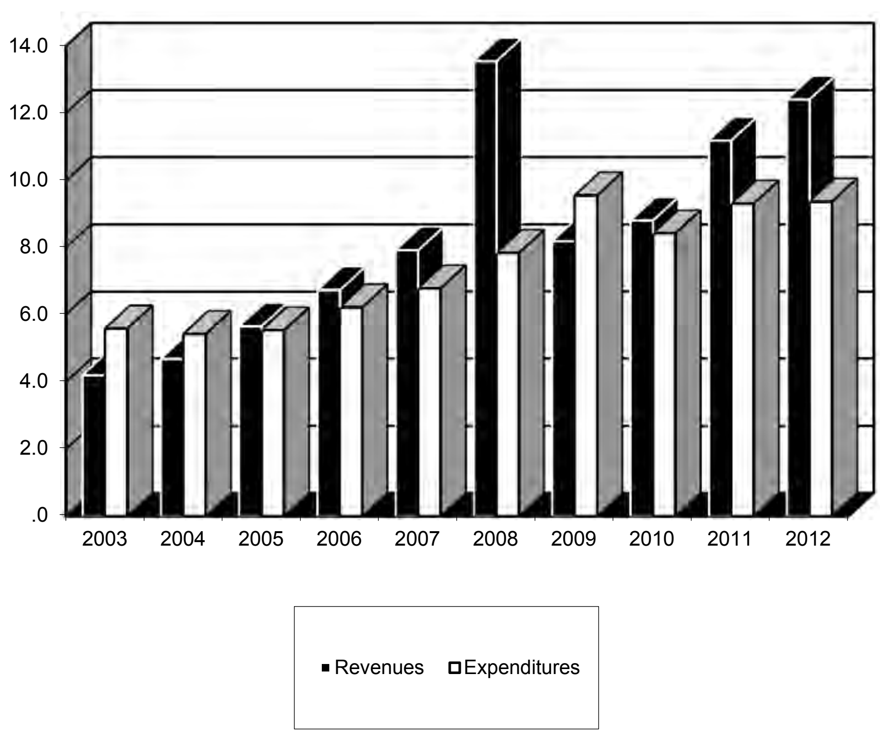


EXHIBIT 3

STATE OF ALASKA
GENERAL FUND
EXPENDITURES AND REVENUES

TEN YEAR COMPARISON
FOR THE FISCAL YEARS 2003 THROUGH 2012

(Stated in Billions)



STATE OF ALASKA
GENERAL FUND
EXPENDITURES BY ACCOUNT

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

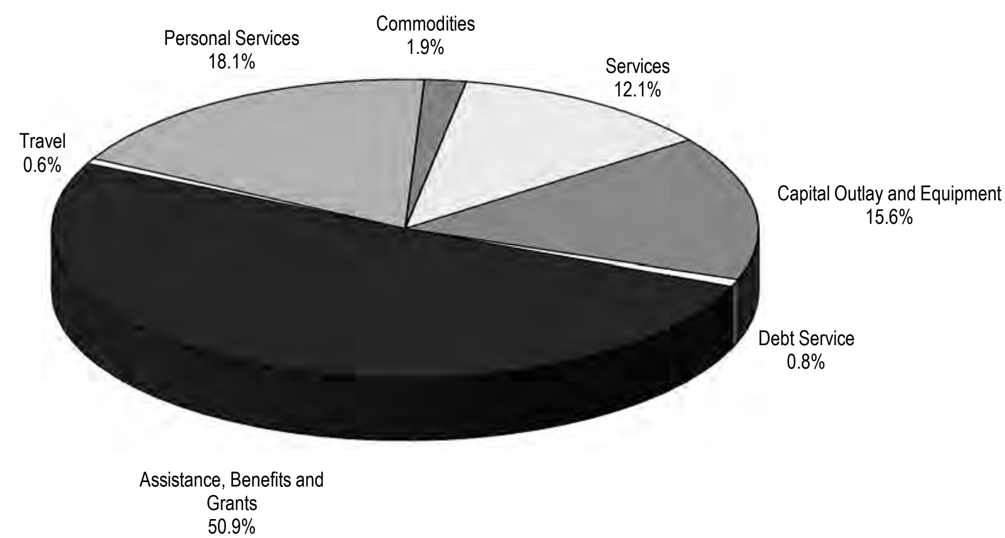
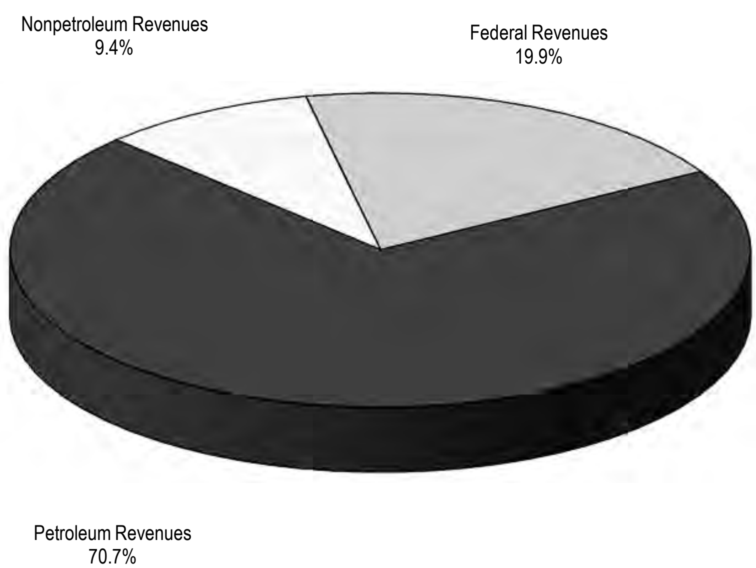


EXHIBIT 5

STATE OF ALASKA
GENERAL FUND
REVENUES

FOR THE FISCAL YEAR ENDED JUNE 30, 2012



STATE OF ALASKA ORGANIZATION CHART

As of June 30, 2012

LEGISLATIVE BRANCH

LEGISLATURE

House of Representatives
Mike Chenault
House Speaker

Senate
Gary Stevens
Senate President

EXECUTIVE BRANCH

GOVERNOR
Sean Parnell

LIEUTENANT GOVERNOR
Mead Treadwell

JUDICIAL BRANCH

ALASKA COURT SYSTEM

JUDICIAL COUNCIL

SUPREME COURT
Dana Fabe
Chief Justice

APPELLATE COURT
SUPERIOR COURT
DISTRICT COURT

ADMINISTRATION
Becky Hultberg
Commissioner

COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT
Susan Bell
Commissioner

CORRECTIONS
Joe Schmidt
Commissioner

EDUCATION AND EARLY DEVELOPMENT
Mike Hanley
Commissioner

ENVIRONMENTAL CONSERVATION
Larry Hartig
Commissioner

OFFICE OF THE GOVERNOR
Mike Nizich
Chief of Staff

FISH AND GAME
Cora Campbell
Commissioner

HEALTH AND SOCIAL SERVICES
William Streur
Commissioner

LABOR AND WORKFORCE DEVELOPMENT
Dianne Blumer
Commissioner

LAW
Michael Geraghty
Attorney General

UNIVERSITY OF ALASKA
Board of Regents
Patrick Gamble
President

MILITARY AND VETERANS AFFAIRS
Major General Thomas Katkus
Commissioner

NATURAL RESOURCES
Daniel Sullivan
Commissioner

PUBLIC SAFETY
Joseph Masters
Commissioner

REVENUE
Bryan Butcher
Commissioner

TRANSPORTATION AND PUBLIC FACILITIES
Marc Luiken
Commissioner

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

FUNCTIONS OF STATE DEPARTMENTS

OFFICE OF THE GOVERNOR

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

ADMINISTRATION

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

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

COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT

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

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

CORRECTIONS

The Department of Corrections is responsible for public safety through the incarceration and supervision of offenders. The department operates 12 correctional facilities and jails that provide secure 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, museum services, provides grants to the arts community, and provides financial aid to postsecondary 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 develops and enforces standards for protection of the environment and the abatement of pollution to air, land and water; and controls sanitary practices related to food, drinking water and solid waste. Services to communities include financial and technical assistance for upgrading water, sewage and solid waste, assistance meeting health-based standards for air quality, and positioning oil spill response equipment for preparedness and cleanup of oil and hazardous substance releases.

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

FISH AND GAME

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

The Boards of Fisheries and Game are responsible for adopting regulations to conserve and develop the state's fish and wildlife resources. The Commercial Fisheries Entry Commission is a quasi-judicial agency that promotes resource conservation and sustained yield management by regulating entry into Alaska's commercial fisheries. The department also includes the Exxon Valdez Oil Spill Trustee Council, which oversees restoration of the injured ecosystem through the use of the $900 million civil settlement.

HEALTH AND SOCIAL SERVICES

The Department of Health and Social Services' mission is to promote and protect the health and well-being of Alaskans. The department's overall goal, through its eight divisions, is to help individuals and families create safe and healthy communities by focusing on substance abuse, health and wellness, health care reform, long-term care and vulnerable Alaskans.

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

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

LABOR AND WORKFORCE DEVELOPMENT

The Department of Labor and Workforce Development is responsible for advancing opportunities for employment and 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 4,000 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 program to high school dropouts. The department also provides interactive activities to elementary school students in aviation, science, technology, engineering, math, and space exploration through the STARBASE program. 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 100 million acres of uplands; 60 million acres of tidelands, shore lands, and submerged lands; and 40,000 miles of coastline. Strategic missions include: Responsibly develop Alaska's resources by making them available for maximum use and benefit consistent with the public interest; foster responsible commercial development and use of state land and natural resources, consistent with the public interest, for long-term wealth and employment; provide access to state lands for private and public use, settlement, and recreation; ensure sufficient data acquisition and assessment of land and resources to foster responsible resource development; mitigate threat to the public from natural hazards by providing comprehensive fire protection services on state, private, and municipal lands, and through identifying significant geological hazards. The department also plays an instrumental role in the Alaska Pipeline Project, 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; Forestry; Geological and Geophysical Surveys; Mining, Land and Water; Oil and Gas; Parks and Outdoor Recreation; Support Services; the Gas Pipeline Project Office; the Office of Project Management and Permitting; the Mental Health Trust Land Office; the State Pipeline Coordinator's Office; the Citizens Advisory Commission on Federal Areas, the Natural Resources Conservation and Development Board, and the Seismic Hazards Safety Commission. The department is responsible for managing the 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 three state forests totaling over 2 million acres; mineral management involving 47,412 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 13 million feet of oil and gas exploration and production drilling, and 450,000 feet of mineral exploration core drilling throughout the state.

PUBLIC SAFETY

The Department of Public Safety is responsible for the enforcement of state laws including criminal and fish and wildlife protection laws, fire and life safety, search and rescue, and highway safety laws; 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, Alaska Gasline Development Corporation, 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, more than 5,000 miles of state roads, over 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 33 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 approximately 7,800 light- and heavy-duty vehicles and attachments for state departments, agencies and offices.

ALASKA STATE LEGISLATURE
Twenty-Seventh Legislature, Second Session (2012)

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 Munoz (R)	Juneau Juneau
C	Albert Kookesh (D)	Angoon	5 6	William "Bill" Thomas, Jr. (R) Alan Dick (R)	Haines McGrath
D	Joe Thomas (D)	Fairbanks	7 8	Bob Miller (D) David Guttenberg (D)	Fairbanks Fairbanks
E	Joe Paskvan (D)	Fairbanks	9 10	Scott Kawasaki (D) Steve Thompson (R)	Fairbanks Fairbanks
F	John Coghill, Jr. (R)	North Pole	11 12	Tammie Wilson (R) Eric Feige (R)	North Pole Chickaloon
G	Linda Menard (R)	Wasilla	13 14	Shelley Hughes (R) Wes Keller (R)	Palmer Wasilla
H	Charlie Huggins (R)	Wasilla	15 16	Mark Neuman (R) Bill Stoltze (R)	Big Lake Chugiak
I	Fred Dyson (R)	Eagle River	17 18	Anna Fairclough (R) Dan Saddler (R)	Eagle River Eagle River
J	Bill Wielechowski (D)	Anchorage	19 20	Pete Peterson (D) Max Gruenberg (D)	Anchorage Anchorage
K	Bettye Davis (D)	Anchorage	21 22	Lance Pruitt (R) 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	Mia Costello (R) Craig Johnson (R)	Anchorage Anchorage
O	Kevin Meyer (R)	Anchorage	29 30	Chris Tuck (D) Charisse Millett (R)	Anchorage Anchorage
P	Catherine Giessel (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 Kenai
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)	Golovin	39 40	Neal 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,
Lesil McGuire, Donald Olson,
and Joe Thomas

HOUSE OF REPRESENTATIVES
Bill Stoltze, Co-Chair
Bill Thomas, Co-Chair
Anna Fairclough, Vice-Chair

Members:
Mia Costello, Mike Doogan, Bryce Edgmon,
Les Gara, David Guttenberg, Reggie Joule,
Mark Neuman, and Tammie Wilson

Financial Section

This page intentionally left blank.

ALASKA STATE LEGISLATURE
LEGISLATIVE BUDGET AND AUDIT COMMITTEE
Division of Legislative Audit

P.O. Box 113300
Juneau, AK 99811-3300
(907) 465-3830
FAX (907) 465-2347
legaudit@legis.state.ak.us

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, 2012, 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	60%	59%	7%
Aggregate Discretely Presented Component Units	5%	8%	1%
Major Funds:			
Alaska Permanent Fund	100%	100%	100%
Aggregate Remaining Fund Information:			
Fiduciary Funds	87%	88%	69%

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, 2012, 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.

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

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 as a whole. The combining and individual nonmajor fund financial statements and schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. The combining and individual nonmajor fund financial statements and schedules, 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.

Kris Curtis, CPA, CISA
Legislative Auditor

December 10, 2012

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, 2012. 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 12 by $70.1 billion (net assets). Of this amount, $6.6 billion is invested in capital assets, $39.8 billion is restricted for various purposes, and unrestricted net assets are $23.7 billion. Unrestricted net assets may be used to meet the State's ongoing obligations to citizens and creditors.
- The State's total net assets increased by $3.9 billion as a result of this year's operations. This increase is primarily attributable to petroleum related income and other revenues attributed to Government-wide Activities.

Fund level

- As of the close of the current fiscal year, the State's governmental funds reported combined ending fund balances of $63.3 billion, with $24.0 billion unrestricted (includes committed, assigned, and unassigned), $38.9 billion nonspendable, and $395 million restricted to specific purposes such as development, debt, and education. The nonspendable fund balance includes $38.3 billion of the Alaska Permanent Fund principal with the remaining related to nonspendable assets such as inventory, compensating balances, advances and prepaid items, and the principal of other nonmajor permanent funds.
- At the end of the current fiscal year, unrestricted fund balance for the General Fund was a surplus of $21.3 billion. This is an increase of $3.8 billion from FY 11. The increase is mainly attributable to petroleum related income.

Long-term debt

- As a result of this year's activity, the State's total long-term debt decreased by $31 million (1.12 percent). The decrease in debt is primarily due to refunding of Sport Fishing Revenue Bonds and General Obligation Bonds, and the extinguishment of lease obligations and Certificates of Participation. Additional information regarding long-term debt can be found in Note 6.

Overview of the Financial Statements

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

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

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

The statement of net 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 interest and investment income, taxes, rents and royalties, and intergovernmental revenues. The

Legislature, the Judiciary, and the general operations of the Executive departments fall within the governmental activities.

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

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

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

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

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

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

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

As mentioned earlier, the State has only two major governmental funds, the Alaska Permanent Fund and the General Fund. Together these two funds represent 96.7 percent of total government-wide cash and investments and 88.3 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 Statutory Budget Reserve Fund, the Permanent Fund

Dividend Fund, and the Public Education Fund. Because of materiality and public interest in these funds, individual fund data for each of these subfunds is provided in the combining statement for the General Fund elsewhere in this report.

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

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

The proprietary fund financial statements are statement numbers 1.21 through 1.23. The International Airports Fund is a major enterprise fund of the State of Alaska. The International Airports Fund is 8.5 percent of total government-wide liabilities (excluding component units). The proprietary funds financial statements present detail on this fund with summarized information on all other proprietary funds. In addition, detail for each of the nonmajor proprietary funds is provided in the combining statements elsewhere in this report.

Fiduciary funds – The State acts as a trustee or fiduciary for its employee pension plans. In addition, it is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State's fiduciary activities are reported in the Statement of Fiduciary Net 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, and the International Airports Fund are presented individually on the primary government fund financial statements. Schedules of revenues, expenditures, and changes in fund balances – budget and actual are also presented for all governmental funds with annually adopted budgets.

Government-wide Financial Analysis

As noted earlier, net assets should serve over time as a useful indicator of a government's financial position. State assets exceeded liabilities by $70.1 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 ($38.3 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 ($6.6 billion), resources that are subject to external restrictions of how they may be used ($1.5 billion), and unrestricted net assets of $23.7 billion, of which $2.1 billion is within the Alaska Permanent Fund.

Net Assets
(Stated in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 12	FY 11	FY 12	FY 11	FY 12	FY 11
Current and Other Noncurrent Assets	$ 68,884	$ 65,939	$ 1,138	$ 1,105	$ 70,022	$ 67,044
Capital Assets	6,490	6,403	1,295	1,266	7,785	7,669
Total Assets	75,374	72,342	2,433	2,371	77,807	74,713
Long-term Liabilities	2,155	2,168	586	604	2,741	2,772
Other Liabilities	4,926	5,648	17	20	4,943	5,668
Total Liabilities	7,081	7,816	603	624	7,684	8,440
Net Assets:						
Invested in Capital Assets, Net of Related Debt	5,785	5,619	806	783	6,591	6,402
Restricted	39,110	38,808	680	671	39,790	39,479
Unrestricted	23,398	20,099	344	293	23,742	20,392
Total Net Assets	$ 68,293	$ 64,526	$ 1,830	$ 1,747	$ 70,123	$ 66,273

The net assets of governmental activities increased $3,767 million and business-type activities increased $83 million as a result of this year's operations. The increase for governmental activities is primarily due to petroleum related income and other revenues attributed to Government-wide Activities. The increase in business-type activities is primarily due to an increase in capital grants.

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 12.

Changes in Net Assets

(Stated in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 12	FY 11	FY 12	FY 11	FY 12	FY 11
Revenues						
Program Revenues						
Charges for Services	$ 3,355	$ 3,091	$ 320	$ 311	$ 3,675	$ 3,402
Operating Grants	1,846	2,029	118	107	1,964	2,136
Capital Grants	649	659	111	48	760	707
General Revenues						
Taxes	7,187	5,382	-	-	7,187	5,382
Interest and Investment Income/(Loss)	318	8,075	(14)	(16)	304	8,059
Payments In from Component Units	40	43	-	-	40	43
Other Revenues	59	78	9	-	68	78
Total Revenues	13,454	19,357	544	450	13,998	19,807
Expenses						
General Government	504	466	-	-	504	466
Alaska Permanent Fund Dividend	758	818	-	-	758	818
Education and University	2,405	2,315	-	-	2,405	2,315
Health and Human Services	2,596	2,420	-	-	2,596	2,420
Law and Justice	278	188	-	-	278	188
Public Protection	703	740	-	-	703	740
Natural Resources	404	394	-	-	404	394
Development	598	893	6	3	604	896
Transportation	1,111	1,027	-	-	1,111	1,027
Intergovernmental	254	190	-	-	254	190
Debt Service	73	51	-	-	73	51
Loans	-	-	11	5	11	5
Unemployment Compensation	-	-	303	325	303	325
Airports	-	-	144	134	144	134
Total Expenses	9,684	9,502	464	467	10,148	9,969
Excess (Deficiency) of Revenues						
Over Expenditures	3,770	9,855	80	(17)	3,850	9,838
Transfers	(3)	(1)	3	1	-	-
Change in Net Assets	3,767	9,854	83	(16)	3,850	9,838
Net Assets - Beginning of Year	64,526	54,672	1,747	1,762	66,273	56,434
Net Assets - End of Year	$ 68,293	$ 64,526	$ 1,830	$ 1,746	$ 70,123	$ 66,272

Financial Analysis of the State's Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of $63.3 billion, an increase of $3.7 billion in comparison with the prior year. This increase is from petroleum related income.

The General Fund unassigned and committed fund balances, which are available for spending at the government's discretion, had balances of $16.0 billion, and $5.3 billion, respectively. The Alaska Permanent Fund (earnings reserve account) had an assigned fund balance of $2.1 billion, and the remaining nonmajor governmental funds had committed fund balances of $616 million. The remainder of fund balance is restricted or nonspendable to indicate that it is not available for new spending such as the principal of the Alaska Permanent Fund ($38.3 billion), and other items that are nonspendable, such as inventory, compensating balances, advances and prepaid items, and principal ($626 million), and amounts restricted for a variety of other purposes ($395 million).

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, unrestricted fund balance (includes committed, assigned, and unassigned) of the General Fund was $21.3 billion, while total fund balance reached $21.6 billion. As a measure of the General Fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total fund expenditures. Unrestricted fund balance represents 227 percent of total General Fund expenditures, while total fund balance represents 230 percent of that same amount.

The fund balance of the State's General Fund increased by $3.8 billion during the current fiscal year. The key factor in this increase is petroleum related income.

There was no appropriated borrowing from the Constitutional Budget Reserve Fund during the fiscal year and the fund remains paid in full.

General Fund revenues for FY 12 were $12.4 billion, an increase of $1.2 billion compared to revenues of $11.2 billion for FY 11. Revenues by source for FY 12 are compared to FY 11 in the following schedule (in millions):

Revenue Source	FY 12	Percent	FY 11	Percent
Taxes	$ 7,163.6	57.7%	$ 5,358.3	47.9%
Rents and Royalties	2,062.1	16.6%	1,875.8	16.8%
Interest and Investment Income/(Loss)	309.5	2.5%	1,159.0	10.3%
Federal	2,464.9	19.9%	2,407.9	21.5%
Miscellaneous	411.2	3.3%	385.6	3.5%
Total Revenue	$ 12,411.3	100.0%	$ 11,186.6	100.0%

The primary component of this revenue increase is petroleum related income compared to the previous year. These petroleum revenues include corporate income tax, severance tax, and rents and royalties.

Alaska Permanent Fund

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

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

The fund is made up of two parts.

- **Nonspendable Fund Balances:** The nonspendable fund balances, or principal, include all historical contributions and appropriations, which are the main body of the fund. At June 30, 2012, this amounted to $35.0 billion. The sources of contributions and appropriations of the fund, since inception, were as follows: $13.7 billion in dedicated mineral revenues; $14.3 billion of fund realized earnings transferred to principal for inflation proofing; $6.9 billion in additional deposits approved by special legislative appropriation, and $153 million in settlement earnings (*State v. Amerada Hess, et al.*).

  A portion of accumulated unrealized appreciation on invested assets is also part of the nonspendable fund balances. The unrealized amounts allocated to contributions and appropriations are nonspendable, unless and until they become realized, at which point they will be transferred to the assigned fund balance. The portion of the unrealized appreciation at the end of the fiscal year allocated to principal amounted to $3.2 billion.

- **Assigned Fund Balances:** The assigned fund balances, which are available for legislative appropriation per AS 37.13.145, consist of the realized earnings of the fund and a portion of accumulated unrealized appreciation. From inception through June 30, 2012, realized earnings (both gains and losses) have amounted to $40.8 billion. Of this amount $19.8 billion has been paid out for dividends, $14.3 billion has been transferred to principal for inflation proofing, $4.3 billion has been added to principal by special appropriation, $451 million has been paid out to the General Fund, and $1.9 billion remains in the fund at June 30, 2012 in the realized earnings account. The portion of the unrealized appreciation at the end of the fiscal year allocated to the assigned fund balance amounted to $175 million.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was a $2.0 billion increase in appropriations (or 12 percent) and can be briefly summarized as follows:

- $1,174.9 million allocated to education
- $245.3 million allocated to transportation
- $220.5 million allocated to development
- The balance is allocated across several expenditure functions.

Of this overall increase in appropriated expenditures, $280.3 million was funded out of an increase in interagency receipts, which represent purchases between departments. The remaining increase was funded with money available within the General Fund.

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

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, 2012, amounts to $6.6 billion. The table below displays total capital assets, net of accumulated depreciation. Depreciation charges for FY 12 totaled $365 million for governmental activities and $60 million for business-type activities.

Capital Assets
(net of depreciation, in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 12	FY 11	FY 12	FY 11	FY 12	FY 11
Land	$ 868	$ 844	$ 31	$ 30	$ 899	$ 874
Buildings	1,190	1,128	750	738	1,940	1,866
Equipment	451	439	32	31	483	470
Infrastructure	2,614	2,476	412	407	3,026	2,883
Construction in Progress	1,367	1,516	70	60	1,437	1,576
Total Capital Assets	$ 6,490	$ 6,403	$ 1,295	$ 1,266	$ 7,785	$ 7,669

In FY 12, increases were primarily in infrastructure with an increase of $143 million and an increase in buildings of $74 million. This increase is attributable to large capital budgets in recent years. 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 $1,604 million. Of this amount, $610 million was general obligation bonds, and $994 million of revenue bonds payable comprised of $366 million issued by the Northern Tobacco Securitization Corporation (NTSC), $48 million of sport fishing revenue bonds, and $580 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 $580 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 12	FY 11	FY 12	FY 11	FY 12	FY 11
Revenue Bonds Payable	$ 414	$ 422	$ 580	$ 594	$ 994	$ 1,016
General Obligation Debt	610	656	-	-	610	656
Capital Leases Payable	360	393	-	-	360	393
Deferred Revenues and Advances	380	344	-	4	380	348
Certificates of Participation	11	40	-	-	11	40
Compensated Absences	170	161	5	5	175	166
Claims and Judgments	98	75	-	-	98	75
Pollution Remediation	108	74	1	1	109	75
Other Noncurrent Liabilities	1	1	-	-	1	1
Net Pension Obligation	3	2	-	-	3	2
Total	$ 2,155	$ 2,168	$ 586	$ 604	$ 2,741	$ 2,772

The State's total debt decreased by $31 million (1.12 percent) as a result of this year's operations. The decrease in debt is primarily due to refunding of General Obligation Bonds and Revenue Bonds, and the extinguishment of Certificates of Participation and capital leases.

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

State petroleum revenues increased materially from FY 11 to FY 12. The weighted average production tax rate was higher and was applied to a wellhead value of $103.56 per barrel. In FY 11 $87.32 per barrel average was realized. This resulted in an increase of General Fund tax revenue close to $2 billion from FY 11.

Another significant factor affecting revenues was a decrease of $7.8 billion in interest and investment income between FY 11 and FY 12. In FY11 the Alaska Permanent Fund experienced investment income of $7 billion, compared to a loss of $1.6 million in FY12. The fund experienced a total fund return of -0.01 percent for FY 12. This was the flattest return in the history of the fund. The fund experienced a deficit of revenues over expenditures (net loss) of $99.9 million. Please see Note 1 for further information regarding this blended component unit and how to obtain the separately issued financial statements.

Economic Factors and Next Year's Budgets and Rates

- The State's average unemployment rate for FY 12 was 7.9 percent, which is lower than the average unemployment rate for FY 11 of 8.4 percent. Alaska's five year average (2008 to 2012) was 7.9 percent. The United States unemployment rate for FY 12 was 8.6 percent.

- The State's major source of unrestricted revenue for the General Fund is petroleum related, which accounted for 71 percent of total revenue, with federal revenue making up another 20 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 the price per barrel increased, resulting in higher tax rate and an increase of $2 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 12 crude oil and natural gas liquids production for the Alaska North Slope and Cook Inlet averaged 579 thousand barrels per day. This is 17 thousand barrels per day less than in the prior year. FY 12 production, compared to peak production of 2.049 million barrels per day in FY 88, has declined by 72 percent.

- The State of Alaska FY 12 budgeted expenditures include certain items that are unique to Alaska, such as the Alaska Permanent Fund Dividend and State-operated Pioneer Homes. The Alaska Permanent Fund Dividend ($1,174/resident) was paid to each qualifying Alaskan for a total of $758 million.

Requests for Information

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

This page intentionally left blank.

Basic Financial Statements

This page intentionally left blank.

STATE OF ALASKA **STATEMENT 1.01**
Statement of Net Assets
Government-wide
June 30, 2012
(Stated in Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and Investments	$ 63,478,647	$ 614,646	$ 64,093,293	$ 2,747,979
Accounts Receivable - Net	1,231,956	31,443	1,263,399	65,001
Interest and Dividends Receivable	111,279	19,281	130,560	35,470
Internal Balances	57,028	(57,028)	-	-
Due from Primary Government	-	-	-	31,567
Due from Component Units	81,194	-	81,194	7,264
Due from Other Governments	488,595	8,660	497,255	51,158
Loans, Notes, and Bonds Receivable	18,175	389,735	407,910	3,790,075
Inventories	18,700	-	18,700	16,969
Repossessed Property	-	627	627	350
Net Investment in Direct Financing Leases	-	-	-	255,035
Investments in Projects, Partnerships, or Corporations	-	2,831	2,831	20,373
Restricted Assets	100	113,953	114,053	1,645,034
Securities Lending Collateral	3,334,722	-	3,334,722	31,951
Deferred Outflows	-	-	-	215,757
Other Assets	63,173	13,561	76,734	198,899
Capital Assets:				
Equipment, Net of Depreciation	451,176	32,469	483,645	331,218
Buildings, Net of Depreciation	1,190,304	749,615	1,939,919	804,173
Infrastructure, Net of Depreciation	2,613,743	412,472	3,026,215	855,513
Land / Right-of-Way	868,146	31,161	899,307	101,303
Construction in Progress	1,366,712	69,557	1,436,269	363,067
Total Assets	75,373,650	2,432,983	77,806,633	11,568,156
LIABILITIES				
Accounts Payable and Accrued Liabilities	1,567,775	6,258	1,574,033	165,972
Obligations Under Securities Lending	3,334,722	-	3,334,722	31,951
Due to Primary Government	-	-	-	102,487
Due to Component Units	9,742	-	9,742	5,430
Due to Other Governments	33	2,797	2,830	1,200
Interest Payable	13,263	6,760	20,023	31,504
Derivative Instruments	-	-	-	219,480
Other Current Liabilities	-	1,164	1,164	84,404
Long-term Liabilities:				
Portion Due or Payable Within One Year:				
Claims, Judgments, Compensated Absences, and Pollution Remediation	191,592	3,690	195,282	16,322
Unearned and Deferred Revenue	40,478	783	41,261	25,857
Notes, Bonds, and Leases Payable	96,563	13,740	110,303	198,630
Other Long-term Debt	-	-	-	3,501
Other Noncurrent Liabilities	533	-	533	105
Portion Due or Payable After One Year:				
Claims, Judgments, Compensated Absences, and Pollution Remediation	184,974	2,393	187,367	4,665
Unearned and Deferred Revenue	339,176	-	339,176	488,380
Notes, Bonds, and Leases Payable	1,298,434	565,839	1,864,273	3,866,432
Other Long-term Debt	-	-	-	7,281
Other Noncurrent Liabilities	3,266	-	3,266	27,425
Total Liabilities	7,080,551	603,424	7,683,975	5,281,026
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	5,784,736	805,993	6,590,729	1,572,627
Restricted for:				
Permanent Funds				
Nonexpendable	38,713,004	-	38,713,004	384,536
Expendable	6,792	-	6,792	93,965
Education	127,801	-	127,801	493,646
Development	196,957	-	196,957	69,714
Unemployment Compensation	-	248,564	248,564	-
Health and Human Services	17,227	407,705	424,932	-
Debt Service	43,013	17,446	60,459	672,883
Other Purposes	4,966	6,434	11,400	56,509
Unrestricted	23,398,603	343,417	23,742,020	2,943,250
Total Net Assets	$ 68,293,099	$ 1,829,559	$ 70,122,658	$ 6,287,130

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, 2012
(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	$ 504,434	$ 13,807	$ 19,059	$ 3,291
Alaska Permanent Fund Dividend	757,576	-	-	-
Education	1,912,994	2,977	250,482	102
University	492,576	-	860	-
Health and Human Services	2,596,033	45,775	1,244,932	64,912
Law and Justice	277,816	19,267	19,703	139
Public Protection	703,039	159,589	45,476	11,616
Natural Resources	403,746	3,053,020	98,658	17,390
Development	597,796	12	104,908	1,884
Transportation	1,110,674	60,945	36,355	536,928
Intergovernmental Revenue Sharing	254,159	-	25,720	-
Debt Service	72,718	-	-	12,548
Total Governmental Activities	9,683,561	3,355,392	1,846,153	648,810
Business-type Activities:				
Loans	11,190	12,030	655	14,398
Unemployment Compensation	302,406	200,070	117,274	-
Airports	144,009	106,764	-	88,965
Development	6,254	1,349	-	7,441
Total Business-type Activities	463,859	320,213	117,929	110,804
Total Primary Government	$ 10,147,420	$ 3,675,605	$ 1,964,082	$ 759,614
Component Units:				
University of Alaska	$ 830,681	$ 183,091	$ 235,725	$ 71,049
Alaska Housing Finance Corporation	390,854	155,632	50,277	129,427
Alaska Industrial Development and Export Authority	56,905	41,383	402	23,279
Nonmajor Component Units	463,050	245,145	96,784	45,877
Total Component Units	$ 1,741,490	$ 625,251	$ 383,188	$ 269,632

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:
Gain on Cancellation of Bonds
Total General Revenues, Transfers, Special Items, and Extraordinary Items
Change in Net Assets
Net Assets - Beginning of Year
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			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (468,277)	$	$ (468,277)	$
(757,576)		(757,576)	
(1,659,433)		(1,659,433)	
(491,716)		(491,716)	
(1,240,414)		(1,240,414)	
(238,707)		(238,707)	
(486,358)		(486,358)	
2,765,322		2,765,322	
(490,992)		(490,992)	
(476,446)		(476,446)	
(228,439)		(228,439)	
(60,170)		(60,170)	
(3,833,206)		(3,833,206)	
	15,893	15,893	
	14,938	14,938	
	51,720	51,720	
	2,536	2,536	
	85,087	85,087	
(3,833,206)	85,087	(3,748,119)	
			(340,816)
			(55,518)
			8,159
			(75,244)
			(463,419)
6,069,648	-	6,069,648	11,205
251,826	-	251,826	-
647,256	-	647,256	-
215,407	-	215,407	-
2,556	-	2,556	-
318,107	(13,772)	304,335	56,538
29,997	-	29,997	-
39,463	-	39,463	7,155
-	-	-	537,933
28,887	8,564	37,451	11,020
(3,052)	3,052	-	-
			1,289
7,600,095	(2,156)	7,597,939	625,140
3,766,889	82,931	3,849,820	161,721
64,526,210	1,746,628	66,272,838	6,125,409
$ 68,293,099	$ 1,829,559	$ 70,122,658	$ 6,287,130

This page intentionally left blank.

Governmental Funds Financial Statements

MAJOR FUNDS

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

NONMAJOR FUNDS

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

STATE OF ALASKA **STATEMENT 1.11**
Balance Sheet
Governmental Funds
June 30, 2012
(Stated in Thousands)

	General Fund	Alaska Permanent Fund	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and Investments	$ 20,788,350	$ 41,201,480	$ 1,382,257	$ 63,372,087
Accounts Receivable - Net	837,920	397,695	4,766	1,240,381
Interest and Dividends Receivable	2,097	109,108	74	111,279
Due from Other Funds	713,206	-	4,852	718,058
Due from Component Units	81,194	-	-	81,194
Due from Other Governments	481,810	-	6,453	488,263
Loans, Notes, and Bonds Receivable	18,103	-	72	18,175
Inventories	15,132	-	-	15,132
Securities Lending Collateral	-	3,334,722	-	3,334,722
Other Assets	36,757	-	254	37,011
Total Assets	$ 22,974,569	$ 45,043,005	$ 1,398,728	$ 69,416,302
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Liabilities	$ 781,437	$ 752,917	$ 10,320	$ 1,544,674
Obligations Under Securities Lending	-	3,334,722	-	3,334,722
Due to Other Funds	34,286	622,307	17,229	673,822
Due to Component Units	6,983	-	2,759	9,742
Due to Other Governments	33	-	-	33
Unearned and Deferred Revenue	587,115	-	2,205	589,320
Other Liabilities	533	-	407	940
Total Liabilities	1,410,387	4,709,946	32,920	6,153,253
Fund Balances:				
Nonspendable:				
Compensating Balances	110,000	-	-	110,000
Inventory	15,132	-	-	15,132
Principal	-	38,252,477	460,527	38,713,004
Advances and Prepaid Items	40,372	-	-	40,372
Restricted for:				
Debt Service	1,994	-	46,194	48,188
Education	12,095	-	115,706	127,801
Health and Human Services	534	-	16,693	17,227
Development	86,040	-	110,917	196,957
Other Purposes	4,809	-	157	4,966
Committed to:				
Debt Service	8,239	-	-	8,239
Education	2,025,443	-	6,792	2,032,235
Health and Human Services	222,912	-	-	222,912
Public Protection	169,088	-	-	169,088
Permanent Fund	619,442	-	-	619,442
Development	2,086,779	-	608,822	2,695,601
Other Purposes	207,451	-	-	207,451
Assigned to:				
Permanent Fund	-	2,080,582	-	2,080,582
Unassigned:	15,953,852	-	-	15,953,852
Total Fund Balances	21,564,182	40,333,059	1,365,808	63,263,049
Total Liabilities and Fund Balances	$ 22,974,569	$ 45,043,005	$ 1,398,728	$ 69,416,302

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, 2012
(Stated in Thousands)

Total Fund Balances - Governmental Funds		$ 63,263,049
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	278,069	
Buildings, net of depreciation	1,074,504	
Infrastructure, net of depreciation	2,613,743	
Land / right-of-way	868,146	
Construction in progress	1,363,812	
		6,198,274
Some of the state's assets are not current available resources and are not reported in the funds.		
Net pension Asset (Note 7)	525	
Other post employment benefits asset (Note 7)	312	
Unamortized bond issuance cost	5,437	
Unamortized deferred loss on bond refundings	11,851	
		18,125
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).		388,096
Certain revenues are not available to pay for the current period's expenditures and therefore are not reported in the funds.		209,668
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	(98,250)	
Compensated absences	(166,643)	
Pollution remediation	(108,099)	
Capital lease obligations	(359,516)	
Pension benefit obligation	(1,751)	
Other post employment benefits	(1,110)	
		(735,369)
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	(1,035,481)	
Accrued interest payable	(13,263)	
		(1,048,744)
Net Assets of Governmental Activities		$ 68,293,099

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, 2012
(Stated in Thousands)

	General Fund	Alaska Permanent Fund	Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes	$ 7,163,646	$ -	$ 22,550	$ 7,186,196
Licenses and Permits	117,873	-	30,185	148,058
Charges for Services	197,080	-	196	197,276
Fines and Forfeitures	13,333	-	399	13,732
Rents and Royalties	2,062,103	915,098	19,699	2,996,900
Premiums and Contributions	19,017	-	4,346	23,363
Interest and Investment Income (Loss)	309,468	(1,559)	36,469	344,378
Federal Grants in Aid	2,464,928	-	36,013	2,500,941
Payments In from Component Units	39,463	-	-	39,463
Other Revenues	24,406	-	42,353	66,759
Total Revenues	12,411,317	913,539	192,210	13,517,066
EXPENDITURES				
Current:				
General Government	399,850	91,450	397	491,697
Alaska Permanent Fund Dividend	757,576	-	-	757,576
Education	1,845,251	-	54,129	1,899,380
University	444,083	-	47,774	491,857
Health and Human Services	2,569,119	-	4,739	2,573,858
Law and Justice	277,332	1,477	-	278,809
Public Protection	734,036	-	23	734,059
Natural Resources	295,205	5,460	83,502	384,167
Development	565,558	-	29,804	595,362
Transportation	1,122,635	-	24,132	1,146,767
Intergovernmental Revenue Sharing	254,525	-	-	254,525
Debt Service:				
Principal	73,410	-	61,415	134,825
Interest and Other Charges	24,899	-	52,917	77,816
Total Expenditures	9,363,479	98,387	358,832	9,820,698
Excess (Deficiency) of Revenues Over Expenditures	3,047,838	815,152	(166,622)	3,696,368
OTHER FINANCING SOURCES (USES)				
Refunding Bonds Issued	-	-	204,390	204,390
Bonds Issued Premium	-	-	33,007	33,007
Payment to Refunded Bonds Escrow Agent	-	-	(237,509)	(237,509)
Capital Leases	10,277	-	-	10,277
Transfers In from Other Funds	1,030,669	-	294,174	1,324,843
Transfers (Out to) Other Funds	(306,674)	(622,307)	(414,122)	(1,343,103)
Total Other Financing Sources and Uses	734,272	(622,307)	(120,060)	(8,095)
Net Change in Fund Balances	3,782,110	192,845	(286,682)	3,688,273
Fund Balances - Beginning of Year	17,782,072	40,140,214	1,652,490	59,574,776
Fund Balances - End of Year	$ 21,564,182	$ 40,333,059	$ 1,365,808	$ 63,263,049

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, 2012
(Stated in Thousands)

Net Change in Fund Balances - Total Governmental Funds		$	3,688,273
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Primarily this is the amount by which capital outlays exceeded depreciation in the current period (Note 5).			
Capital outlay	413,981		
Depreciation expense	(337,509)		
			76,472
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			13,165
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund.			(74,452)
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.			
Refunding bond proceeds	(237,397)		
Accrued interest	2,190		
Repayment of bond principal	94,820		
Payment to refunded bond escrow agent	237,509		
Amortization of bond issue costs	(88)		
			97,034
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.			(10,277)
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	(23,298)		
Compensated absences	(8,840)		
Pollution remediation	(34,067)		
Capital lease payments	43,397		
Pension obligation	(49)		
Other post employment benefits	(469)		
			(23,326)
Change in Net Assets of Governmental Activities		$	3,766,889

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

This page intentionally left blank.

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 37.15.420 – Administered by the Department of Transportation and Public Facilities. This fund consists of all revenues, fees, charges, and rentals derived by the State from the ownership, lease, use, and operation of the airports.

NONMAJOR FUNDS

Non-major 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, 2012
(Stated in Thousands)

	Business-type Activities Enterprise Funds			Governmental Activities
	International Airports	Nonmajor Enterprise Funds	Enterprise Funds Total	Internal Service Funds
ASSETS				
Current Assets:				
Cash and Investments	$ 131,056	$ 483,590	$ 614,646	$ 106,660
Accounts Receivable - Net	10,205	21,238	31,443	1,157
Interest and Dividends Receivable	-	5,955	5,955	-
Due from Other Funds	7	1,851	1,858	5,080
Due from Other Governments	8,180	480	8,660	20
Loans, Notes, and Bonds Receivable	-	28,761	28,761	-
Inventories	-	-	-	3,568
Other Current Assets	-	-	-	8,349
Total Current Assets	149,448	541,875	691,323	124,834
Noncurrent Assets:				
Interest and Dividends Receivable	-	13,326	13,326	-
Loans, Notes, and Bonds Receivable	-	360,974	360,974	-
Repossessed Property	-	627	627	-
Investment in Projects, Partnerships, or Corporations	-	2,831	2,831	-
Restricted Assets	113,953	-	113,953	-
Other Noncurrent Assets	9,562	3,999	13,561	-
Capital Assets:				
Equipment, Net of Depreciation	32,469	-	32,469	173,107
Buildings, Net of Depreciation	749,615	-	749,615	115,800
Infrastructure, Net of Depreciation	412,472	-	412,472	-
Land / Right-of-Way	31,161	-	31,161	-
Construction in Progress	16,925	52,632	69,557	2,900
Total Noncurrent Assets	1,366,157	434,389	1,800,546	291,807
Total Assets	1,515,605	976,264	2,491,869	416,641
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	1,469	4,789	6,258	23,101
Due to Other Funds	56,961	1,925	58,886	1,870
Due to Other Governments	-	2,797	2,797	-
Interest Payable	6,760	-	6,760	-
Claims, Judgments, Compensated Absences, and Pollution Remediation	3,649	41	3,690	2,553
Unearned and Deferred Revenue	783	-	783	-
Notes, Bonds, and Leases Payable	13,740	-	13,740	-
Other Current Liabilities	-	1,164	1,164	-
Total Current Liabilities	83,362	10,716	94,078	27,524
Noncurrent Liabilities:				
Claims, Judgments, Compensated Absences, and Pollution Remediation	2,258	135	2,393	1,021
Notes, Bonds, and Leases Payable	565,839	-	565,839	-
Total Noncurrent Liabilities	568,097	135	568,232	1,021
Total Liabilities	651,459	10,851	662,310	28,545
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	753,361	52,632	805,993	291,808
Restricted for:				
Unemployment Compensation	-	248,564	248,564	-
Health and Human Services	-	407,705	407,705	-
Debt Service	17,446	-	17,446	-
Other Purposes	6,216	218	6,434	-
Unrestricted	87,123	256,294	343,417	96,288
Total Net Assets	$ 864,146	$ 965,413	$ 1,829,559	$ 388,096

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

STATE OF ALASKA **STATEMENT 1.22**
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2012
(Stated in Thousands)

	Business-type Activities Enterprise Funds			Governmental Activities
	International Airports	Nonmajor Enterprise Funds	Enterprise Funds Total	Internal Service Funds
OPERATING REVENUES				
Premiums and Contributions	$ -	$ 200,070	$ 200,070	$ 108,979
Charges for Goods and Services	105,578	1,265	106,843	104,811
Interest and Investment Income	-	10,233	10,233	-
Allowance for Uncollectible Interest	-	1,162	1,162	-
Fines and Forfeitures	-	49	49	-
Federal Reimbursements	-	117,274	117,274	-
Other Operating Revenues	1,186	-	1,186	1,868
Total Operating Revenues	106,764	330,053	436,817	215,658
OPERATING EXPENSES				
Benefits	-	302,406	302,406	102,169
Operating	79,770	8,897	88,667	100,506
Depreciation	59,476	36	59,512	27,065
Provision for Loan Losses and Forgiveness	-	1,341	1,341	-
Total Operating Expenses	139,246	312,680	451,926	229,740
Operating Income (Loss)	(32,482)	17,373	(15,109)	(14,082)
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Income	2,519	8,957	11,476	606
Interest and Investment Expense	(25,213)	(40)	(25,253)	(1)
Gain (Loss) on Disposal of Capital Assets	(43)	-	(43)	(91)
Other Nonoperating Revenues (Expenses)	(3,222)	1,226	(1,996)	890
Total Nonoperating Revenues (Expenses)	(25,959)	10,143	(15,816)	1,404
Income Before Capital Contributions and Transfers	(58,441)	27,516	(30,925)	(12,678)
Capital Contributions	88,965	21,839	110,804	10,167
Transfers In from Other Funds	3,368	2,550	5,918	15,676
Transfers (Out to) Other Funds	-	(2,866)	(2,866)	-
Change in Net Assets	33,892	49,039	82,931	13,165
Total Net Assets - Beginning of Year	830,254	916,374	1,746,628	374,931
Total Net Assets - End of Year	$ 864,146	$ 965,413	$ 1,829,559	$ 388,096

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

STATE OF ALASKA **STATEMENT 1.23**
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2012
(Stated in Thousands)

	Business-type Activities Enterprise Funds			Governmental Activities
	International Airports	Nonmajor Enterprise Funds	Enterprise Funds Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Other Governments	$ -	$ 117,274	$ 117,274	$ 116
Receipts from Customers	105,623	365	105,988	362
Receipts for Interfund Services Provided	-	5	5	105,059
Receipt of Principal from Loan Recipients	-	42,939	42,939	-
Receipt of Interest and Fees from Loan Recipients	-	15,555	15,555	-
Receipts from Insured	-	198,975	198,975	108,981
Payments to Employees	(44,165)	(745)	(44,910)	(34,006)
Payments to Suppliers	(35,608)	(3,953)	(39,561)	(70,054)
Payments to Other Governments	-	(4,390)	(4,390)	-
Payments to Loan Recipients	-	(40,255)	(40,255)	-
Claims Paid	-	(302,319)	(302,319)	(99,738)
Payments for Interfund Services Used	(2,830)	(4,905)	(7,735)	-
Other Receipts	-	1,547	1,547	1,931
Other Payments	(4,775)	(85)	(4,860)	(3,112)
Net Cash Provided (Used) by Operating Activities	18,245	20,008	38,253	9,539
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Subsidies and Transfers (Out to) Other Funds	-	(2,861)	(2,861)	-
Operating Subsidies and Transfers In from Other Funds	3,368	2,999	6,367	15,676
Federal Grants	(2,914)	12,790	9,876	-
Proceeds from Issuance of Short-term Debt	-	3,647	3,647	-
Payments on Short-term Debt	-	(3,489)	(3,489)	-
Interest and Fees Paid on Borrowing	-	(5)	(5)	-
Net Cash Provided (Used) by Noncapital Financing Activities	454	13,081	13,535	15,676
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Contributions	-	713	713	-
Proceeds from Sale of Capital Assets	-	-	-	1,313
Acquisition and Construction of Capital Assets	(35,650)	(7,688)	(43,338)	(28,525)
Principal Paid on Capital Debt	(13,150)	-	(13,150)	-
Interest and Fees Paid on Capital Debt	(26,448)	(53)	(26,501)	-
Federal Grants	37,809	7,008	44,817	-
Other Receipts (Payments)	-	20	20	890
Net Cash Provided (Used) by Capital and Related Financing Activities	(37,439)	-	(37,439)	(26,322)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sales/Maturities of Investments	66,922	19	66,941	-
Purchase of Investments	(64,403)	-	(64,403)	-
Interest and Dividends on Investments	-	8,936	8,936	606
Change in Restricted Cash and Investments	31,908	(35)	31,873	-
Net Cash Provided (Used) by Investing Activities	34,427	8,920	43,347	606
Net Increase (Decrease) in Cash	15,687	42,009	57,696	(501)
Cash and Cash Equivalents - Beginning of Year	18,884	441,581	460,465	107,161
Cash and Cash Equivalents - End of Year	$ 34,571	$ 483,590	$ 518,161	$ 106,660

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, 2012
(Stated in Thousands)

	Business-type Activities Enterprise Funds			Governmental Activities
	International Airports	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)	$ (32,482)	$ 17,373	$ (15,109)	$ (14,082)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	59,476	36	59,512	27,065
Other Reconciling Items	-	(108)	(108)	-
Net Changes in Assets and Liabilities:				
Accounts Receivable - Net	2,067	(4,062)	(1,995)	(796)
Due from Other Funds	-	(333)	(333)	(411)
Due from Other Governments	-	2,294	2,294	-
Loans, Notes, and Bonds Receivable - Net	-	5,232	5,232	-
Repossessed Property	-	36	36	-
Investment in Projects, Partnerships, or Corporations	-	946	946	-
Interest and Dividends Receivable - Net	-	3,161	3,161	-
Inventories	-	-	-	(150)
Other Assets	-	(1,029)	(1,029)	(5,540)
Due to Other Funds	(7,605)	(529)	(8,134)	304
Due to Other Governments	-	(3,788)	(3,788)	-
Accounts Payable and Accrued Liabilities	(22)	158	136	2,989
Other Liabilities	(3,189)	621	(2,568)	160
Net Cash Provided (Used) by Operating Activities	$ 18,245	$ 20,008	$ 38,253	$ 9,539
Reconciliation of Cash to the Statement of Net Assets:				
Total Cash and Investments per the Statement of Net Assets	$ 131,056	$ 483,590	$ 614,646	$ 106,660
Less: Investments not Meeting the Definition of Cash or Cash Equivalents	(96,485)	-	(96,485)	-
Cash, End of Year	$ 34,571	$ 483,590	$ 518,161	$ 106,660
Noncash Investing, Capital, and Financing Activities:				
Contributed Capital Assets	22,595	1,209	23,804	10,167
Net Income (Loss) on Investment	-	61	61	-
Discharge of Advance from Other Funds	-	2,488	2,488	-

This page intentionally left blank.

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, 2012
(Stated in Thousands)

	Pension and Other Employee Benefit Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	$ 449,870	$ 173,699
Investments:		179,884
Short-Term Investments	55,099	
Commercial Paper	186	
U.S. Treasury	1,882,275	
U.S. Government Agency	46,226	
Municipal Bonds	1,996	
Foreign Corporate Bonds	9,284	
Foreign Government Bonds	358,919	
Mortgage-Backed	301,296	
Other Asset-Backed	14,710	
Corporate Bonds	674,452	
Yankees	87,809	
Fixed Income Pool	9,229	
Domestic Equity Pool	4,628,749	
International Equity Pool	2,649,460	
Emerging Markets Pool	984,345	
Private Equity Pool	1,606,063	
Absolute Return Pool	687,125	
Real Assets	1,482,331	
Energy Pool	115,923	
Farmland Pool	638,504	
Timber Pool	228,626	
Participant-Directed	3,022,428	
Other Net Investments	179,337	
Investment Loss Trust Fund Assets	1,921	-
Accounts Receivable - Net	139	5
Contributions Receivable	39,903	-
Interest and Dividends Receivable	28	-
Due from Other Funds	22,007	2,675
Other Assets	5,012	-
Total Assets	20,183,252	356,263
LIABILITIES		
Accounts Payable and Accrued Liabilities	84,900	4,956
Trust Deposits Payable	-	347,104
Due to Other Funds	5,000	4,203
Total Liabilities	89,900	356,263
NET ASSETS		
Held in Trust for:		
Pension Benefits	9,631,986	-
Postemployment Healthcare Benefits	7,234,484	-
Individuals, Organizations, and Other Governments	3,226,882	-
Total Net Assets	$ 20,093,352	$ -

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, 2012
(Stated in Thousands)

	Pension and Other Employee Benefit Trust Funds
ADDITIONS	
Premiums and Contributions:	
Employer	$ 632,199
Member	401,603
Other	481,860
Total Premiums and Contributions	1,515,662
Investment Income:	
Net Appreciation (Depreciation) in Fair Value of Investments	(193,877)
Interest	111,288
Dividends	313,258
Total Investment Income	230,669
Less Investment Expense	33,647
Net Investment Income	197,022
Other Additions	
Other	44,821
Total Additions	1,757,505
DEDUCTIONS	
Benefits Paid	1,590,453
Insurance Premiums	3,720
Refunds of Premiums and Contributions	25,564
Administrative Expenses	37,673
Total Deductions	1,657,410
Net Increase (Decrease) in Net Assets Held in Trust for:	
Pension Benefits	(180,238)
Postemployment Healthcare Benefits	141,584
Individuals, Organizations, and Other Governments	138,749
Net Assets - Beginning of the Year	19,993,257
Net Assets - End of the Year	$ 20,093,352

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

This page intentionally left blank.

Component Units Financial Statements

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

MAJOR COMPONENT UNITS

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

NONMAJOR COMPONENT UNITS

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

This page intentionally left blank.

Statement of Net Assets
Component Units
June 30, 2012
(Stated in Thousands)

	University of Alaska	Alaska Housing Finance Corporation	Alaska Industrial Development and Export Authority	Nonmajor Component Units	Total
ASSETS					
Cash and Investments	$ 99,360	$ 689,109	$ 342,448	$ 1,617,062	$ 2,747,979
Accounts Receivable - Net	35,760	-	-	29,241	65,001
Interest and Dividends Receivable	301	12,423	4,850	17,896	35,470
Due from Primary Government	5,676	14,209	168	11,514	31,567
Due from Component Units	160	-	5,748	1,356	7,264
Due from Other Governments	33,868	-	1,582	15,708	51,158
Loans, Notes, and Bonds Receivable	10,479	2,525,004	468,611	785,981	3,790,075
Inventories	6,630	-	-	10,339	16,969
Repossessed Property	-	-	350	-	350
Net Investment in Direct Financing Leases	-	53,192	201,843	-	255,035
Investments in Projects, Partnerships, or Corporations	-	-	20,373	-	20,373
Restricted Assets	314,217	607,412	109,948	613,457	1,645,034
Securities Lending Collateral	-	-	-	31,951	31,951
Deferred Outflows	-	215,757	-	-	215,757
Other Assets	143,192	46,176	2,017	7,514	198,899
Capital Assets:					
Equipment, Net of Depreciation	110,322	762	34,199	185,935	331,218
Buildings, Net of Depreciation	646,101	107,973	13,618	36,481	804,173
Infrastructure, Net of Depreciation	36,972	-	28,142	790,399	855,513
Land / Right-of-Way	38,516	16,153	2,281	44,353	101,303
Construction in Progress	265,347	478	31,304	65,938	363,067
Total Assets	1,746,901	4,288,648	1,267,482	4,265,125	11,568,156
LIABILITIES					
Accounts Payable and Accrued Liabilities	62,117	20,843	2,971	80,041	165,972
Obligations Under Securities Lending	-	-	-	31,951	31,951
Due to Primary Government	-	506	582	101,399	102,487
Due to Component Units	-	-	-	5,430	5,430
Due to Other Governments	-	-	-	1,200	1,200
Interest Payable	-	11,323	3,136	17,045	31,504
Derivative Instruments	-	219,480	-	-	219,480
Other Current Liabilities	14,272	68,685	15	1,432	84,404
Long-term Liabilities:					
Portion Due or Payable Within One Year:					
Claims, Judgments, Compensated Absences, and Pollution Remediation	12,332	2,001	-	1,989	16,322
Unearned and Deferred Revenue	20,706	-	-	5,151	25,857
Notes, Bonds, and Leases Payable	8,952	62,220	9,295	118,163	198,630
Other Long-term Debt	-	-	-	3,501	3,501
Other Noncurrent Liabilities	-	105	-	-	105
Portion Due or Payable After One Year:					
Claims, Judgments, Compensated Absences, and Pollution Remediation	-	3,249	-	1,416	4,665
Unearned and Deferred Revenue	6,392	-	8,956	473,032	488,380
Notes, Bonds, and Leases Payable	145,417	2,345,644	155,135	1,220,236	3,866,432
Other Long-term Debt	-	-	-	7,281	7,281
Other Noncurrent Liabilities	6,542	449	11,736	8,698	27,425
Total Liabilities	276,730	2,734,505	191,826	2,077,965	5,281,026
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	931,674	125,366	109,544	406,043	1,572,627
Restricted for:					
Permanent Funds					
Nonexpendable	-	-	-	384,536	384,536
Expendable	-	-	-	93,965	93,965
Education	368,499	-	-	125,147	493,646
Development	-	-	-	69,714	69,714
Debt Service	6,327	599,584	-	66,972	672,883
Other Purposes	-	28,760	1,368	26,381	56,509
Unrestricted	163,671	800,433	964,744	1,014,402	2,943,250
Total Net Assets	$ 1,470,171	$ 1,554,143	$ 1,075,656	$ 2,187,160	$ 6,287,130

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, 2012
(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	$ 830,681	$ 183,091	$ 235,725	$ 71,049
Alaska Housing Finance Corporation	390,854	155,632	50,277	129,427
Alaska Industrial Development and Export Authority	56,905	41,383	402	23,279
Nonmajor Component Units	463,050	245,145	96,784	45,877
Total Component Units	$ 1,741,490	$ 625,251	$ 383,188	$ 269,632

General Revenues:
Taxes
Severance Taxes
Interest and Investment Income (Loss)
Payments In from Component Units
Payments In from Primary Government
Other Revenues
Special Items:
Gain on Cancellation of Bonds
Total General Revenues and Special Items
Change in Net Assets
Net Assets - Beginning of Year
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
$ (340,816)	$	$	$	$ (340,816)
	(55,518)			(55,518)
		8,159		8,159
			(75,244)	(75,244)
(340,816)	(55,518)	8,159	(75,244)	(463,419)
-	-	-	11,205	11,205
7,050	12,695	19,899	16,894	56,538
-	-	7,155	-	7,155
484,919	-	916	52,098	537,933
6,398	3,147	-	1,475	11,020
-	-	-	1,289	1,289
498,367	15,842	27,970	82,961	625,140
157,551	(39,676)	36,129	7,717	161,721
1,312,620	1,593,819	1,039,527	2,179,443	6,125,409
$ 1,470,171	$ 1,554,143	$ 1,075,656	$ 2,187,160	$ 6,287,130

This page intentionally left blank.

Notes to the Basic Financial Statements

This page intentionally left blank.

STATE OF ALASKA
INDEX
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

This page intentionally left blank.

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

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

The **Alaska Permanent Fund Corporation** (APFC) is a public corporation and government instrumentality in the Department of Revenue (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 64 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 financial statements for SBS are for the fiscal year ended January 31, 2012.

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. The financial statements for DCP are for the fiscal year ended December 31, 2011.

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

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

However, Chapters 18 and 19, Session Laws of Alaska (SLA) 1993, which became effective August 11, 1993, eliminated the ability of AEA to construct, own, and acquire energy projects, and the programs operated by AEA were transferred to the Department of Community and Regional Affairs. The corporate structure of AEA was retained but the board of directors of the Alaska Industrial Development and Export Authority (AIDEA) is now the board of directors of AEA 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. Although ANGDA still exists statutorily, the Alaska Legislature did not appropriate funds to ANGDA for FY 12 operations. As a result, the board members with expired terms were not reappointed to the board, there are no longer employees of ANGDA, the office was closed, and all records were transferred to the Department of Revenue. ANGDA financial statements may be obtained from the Department of Revenue, Administrative Services Division, P.O. Box 110410, Juneau, AK 99811-0410.

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

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

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

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

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

GOVERNMENTAL FUND TYPES

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

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

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

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

PROPRIETARY FUND TYPES

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

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

FIDUCIARY FUND TYPES

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

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

E. FISCAL YEAR ENDS

All funds and discretely presented component units of the State are reported using fiscal years, which end on June 30, except the Alaska Railroad Corporation 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, the Short-term Fixed Income Pool, and the Short-term Liquidity Pool operate as demand deposit accounts, amounts invested in the pools are classified as cash and cash equivalents. At June 30, 2012, the assets of the GeFONSI pool were comprised of shares in the Short-term Fixed Income Pool, the Short-term Liquidity 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 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, 2012, 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 $170.2 million. There is no liability in the accompanying financial statements for unpaid accumulated sick leave. Accumulated sick leave may be used only for actual illness. When an employee separates from 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 COMPONENTS

The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

- Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

- Restricted fund balance have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

- Committed fund balance can be used only for specific purposes pursuant to constraints imposed by a formal action of the Alaska Legislature, the State's highest level of decision-making authority. This formal action is the passage of law by the legislature, creating, modifying, or rescinding an appropriation.

- Assigned fund balance includes amounts that are constrained by the State's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not restricted or committed. The Alaska Legislature is the body authorized to assign amounts to a specific purpose. Alaska Statue 37.13.020 authorizes the Legislature to assign the funds in the Earnings Reserve Account, a component of the Alaska Permanent Fund.

- Unassigned fund balance is the residual amount of the General Fund not included in the four categories described above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

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

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

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

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

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

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

The following shows the composition of the fund balance of the governmental funds for the fiscal year ended June 30, 2012 (in thousands):

	General	Permanent	Special Revenue	Debt Service	Capital Projects
Nonspendable:					
Compensating Balances	$ 110,000	$ -	$ -	$ -	$ -
Inventory	15,132	-	-	-	-
Principal	-	38,713,004	-	-	-
Advances and Prepaid Items	40,372	-	-	-	-
Total Nonspendable	165,504	38,713,004	-	-	-
Restricted:					
Debt Service	1,994	-	-	46,194	-
Education	12,095	-	9,485	-	106,221
Health & Human Services	534	-	16,693	-	-
Development	86,040	-	38,926	-	71,991
Other Purposes	4,809	-	157	-	-
Total Restricted	105,472	-	65,261	46,194	178,212
Committed					
Debt Service	8,239	-	-	-	-
Education	2,025,443	6,792	-	-	-
Health & Human Services	222,912	-	-	-	-
Public Protection	169,088	-	-	-	-
Permanent Fund	619,442	-	-	-	-
Development	2,086,779	-	608,822	-	-
Other Purposes	207,451	-	-	-	-
Total Committed	5,339,354	6,792	608,822	-	-
Assigned					
Permanent Fund	-	2,080,582	-	-	-
Total Assigned	-	2,080,582	-	-	-
Unassigned	15,953,852	-	-	-	-
Total Fund Balance	$ 21,564,182	$ 40,800,378	$ 674,083	$ 46,194	$ 178,212

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 ($38,252 million), $460 million of the Public School Trust Fund restricted net assets, and $385 million of the Alaska Mental Health Trust Authority (a discretely presented component unit) restricted net assets are nonexpendable. The remaining $7 million (one percent) of the Public School Trust Fund restricted net assets, and $94 million (20 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 $39.8 billion of restricted net assets for the primary government, of which $26.6 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 either restricted or committed fund balance and do not constitute expenditures or liabilities. See Note 12 for additional information on encumbrances within the governmental funds. Unencumbered balances of annual appropriations lapse at the end of the fiscal year.

Expenditures of funds are made only upon properly approved requests for payment. The total of expenditures and encumbrances (obligations) may not exceed the appropriations to which they pertain. Transfers between appropriations are not authorized. Agencies faced with potential over expenditure of appropriations must (1) reduce the rate of expenditures, (2) seek relief through supplemental appropriations, or (3) request necessary approvals to receive and expend additional funds. In order to provide sufficient funding for several programs during FY 12, supplemental appropriations within the operating and capital budgets were enacted. The total supplemental appropriations for the FY 12 operating budget of $116.9 million were enacted, of which $119.3 million was appropriated from the General Fund, $9.9 million was reduced from other funds, and $7.5 million was appropriated from federal funds. In addition, the total supplemental appropriations for the FY 12 capital budget of $81.7 million were enacted, of which $59.7 million was appropriated from the General Fund, $6.1 million was appropriated from other funds, and $15.9 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 12, the Office of Management and Budget estimated the limit to be approximately $9.4 billion. The FY 12 budget passed by the legislature after vetoes was $7.3 billion (unrestricted General Fund revenues only), or $2.1 billion less than the constitutional spending limit.

CONSTITUTIONAL BUDGET RESERVE FUND

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

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

The constitution further provides that all money appropriated from the fund must be repaid to the fund. Section 17(d) states "If an appropriation is made from the budget reserve fund, until the amount appropriated is repaid, the amount of money in the General Fund available for appropriation at the end of each succeeding fiscal year shall be deposited in the budget reserve fund. The legislature shall implement this subsection by law." All borrowing from the CBRF was completely repaid in FY 10 and no borrowing activity from the CBRF occurred during FY 11 or FY 12.

NOTE 3 – PRIOR PERIOD ADJUSTMENTS

ALASKA MENTAL HEALTH TRUST AUTHORITY

The Alaska Mental Health Trust Authority (AMHTA) acquired a building in FY 11 which was accounted for as a capital asset. Subsequent to year end, it was determined that the building should have been accounted for as an investment in real estate under Governmental Accounting Standard Board Statement No. 52. The effect of this prior period adjustment on AMHTA within Statement 6.01 for FY 12 is as follows (in thousands):

	Beginning Balance	Prior Year Adjustment	Restated Beginning Balance	FY 2012 Activity	Ending Balance
Cash and Investments	$ 491,229	$ 4,969	$ 496,198	$ (12,928)	$ 483,270
Buildings, Net of Depreciation	11,089	(4,969)	6,120	(249)	5,871
Invested in Capital Assets, Net of Related Debt	13,629	(4,969)	8,660	412	9,072
Restricted for Permanent Funds, Nonexpendable	390,747	4,969	395,716	(11,180)	384,536

See Note 5 for the prior period adjustment resulting in a restated beginning balance for buildings.

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, International Equity and the Emerging Income Plus Debt Pools 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, and the Broad Market Fixed Income Pool, in addition to acting as oversight manager for all externally managed investments.

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

Deposits and investments at June 30, 2012, are as follows:

	Fair Value (in thousands)						
Investment Type	Short-term Fixed Income Pool	Short-term Liquidity Fixed Income Pool	Intermediate-term Fixed Income Pool	Broad Market Fixed Income Pool	Tobacco Revenue Fixed Income	Other	Total
Deposits	$ 33,361	$ -	$ -	$ -	$ -	$ 104,609	$ 137,970
Money Market	-	-	-	-	27,842	-	27,842
ACPE Note	-	-	-	-	-	67,500	67,500
Commercial Paper	284,100	-	5,000	5,000	-	-	294,100
Corporate Bonds	759,976	-	1,277,548	771,145	-	-	2,808,669
Mortgage-backed	70,819	-	312,723	1,338,578	-	-	1,722,120
Other Asset-backed	2,942,106	-	34,361	102,627	-	-	3,079,094
U.S. Government Agency	100,037	-	408,957	153,002	-	-	661,996
U.S. Treasury Bills	4,411,775	803,422	681,242	43,972	-	-	5,940,411
U.S. Treasury Bonds	-	-	-	213,776	-	-	213,776
U.S. Treasury Notes	-	-	5,639,146	827,447	-	-	6,466,593
U.S. Treasury Strips	-	-	5,027	-	-	-	5,027
Yankees:							
Corporate	174,855	-	-	181,521	-	-	356,376
Government	-	-	51,399	81,310	-	-	132,709
Domestic Equity	-	-	-	-	-	2,309,691	2,309,691
International Equity	-	-	-	-	-	1,732,898	1,732,898
Total Invested Assets	8,777,029	803,422	8,415,403	3,718,378	27,842	4,214,698	25,956,772
Pool related net assets (liabilities)	(235,151)	131	(7,717)	(279,552)	-	828	(521,461)
Net Invested Assets before earnings distribution to participants	8,541,878	803,553	8,407,686	3,438,826	27,842	4,215,526	25,435,311
Earnings payable to participants	(3,147)	-	-	-	-	-	(3,147)
Other pool ownership	(662,527)	899	208,713	452,915	-	-	-
Ownership under other fiduciary responsibility:							
Alaska Retirement Management Board	(593,719)	-	-	-	-	-	(593,719)
Exxon Valdez Oil Spill Trustee Council	(1)	-	-	(54,865)	-	(125,018)	(179,884)
University of Alaska	-	-	-	-	-	-	-
Alaska Student Loan Corporation	(1,945)	-	-	-	-	-	(1,945)
Alaska Mental Health Trust Authority	(4,173)	-	-	(12,910)	-	(25,942)	(43,025)
Total Invested Assets	$ 7,276,366	$ 804,452	$ 8,616,399	$ 3,823,966	$ 27,842	$ 4,064,566	$ 24,613,591

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, 2012, the expected average life of individual fixed rate securities ranged from one day to one year and the expected average life of floating rate securities ranged from eight days to fourteen years.

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

Duration is a measure of interest rate risk. It measures a security's sensitivity to a 100-basis point change in interest rates. The duration of a pool is the average fair value weighted duration of each security in the pool taking into account all related cash flows.

Treasury uses industry-standard analytical software developed by The Yield Book Inc. to calculate effective duration. The software takes into account various possible future interest rates, historical and estimated prepayment rates, call options and other variable cash flows for purposes of the effective duration calculation.

Through its investment policy, Treasury manages its exposure to fair value losses arising from increasing interest rates by limiting the effective duration of its other fixed income 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, 2012 was 2.66 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, 2012 was 5.07 years.

At June 30, 2012, the effective duration by investment type was as follows:

	Effective Duration (in years)	
	Intermediate-term Fixed Income Pool	Broad Market Fixed Income Pool
Cash Equivalent	0.26	0.26
Corporate	1.62	6.93
Mortgage-backed	1.28	1.70
Other Asset-backed	2.43	1.89
U.S. Government Agency	1.24	5.40
U.S. Treasury Bill	0.30	0.43
U.S. Treasury Bonds	-	15.53
U.S. Treasury Notes	2.78	5.23
U.S. Treasury Strip	5.26	-
Yankees:		
Corporate	2.63	4.20
Government	1.72	7.30
Portfolio Effective Duration	2.23	4.28

Other Fixed Income

The Tobacco Revenue Fixed Income securities are invested according to the terms of the related bond indentures. The respective bond indentures do not establish policy with regard to interest rate risk.

Credit Risk

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

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

Short-term Liquidity Pool investments are limited to U.S. Treasury obligations or other U.S. Government securities issued in full faith or guaranteed by agencies and instrumentalities of the U.S. Government, obligations of foreign governments, sovereign states, supranational entities, and their instrumentalities denominated in U.S. dollars, and the State's internally-managed Short-Term Fixed Income Pool.

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

The bond indentures governing the investment of tobacco revenue related bond proceeds limit the investment in commercial paper to only those securities rated A-1 or equivalent. At June 30, 2012, the Tobacco Revenue Fixed Income Securities consisted of commercial paper rated A-1.

At June 30, 2012, the State's internally managed Pools consisted of investments with credit quality ratings issued by nationally recognized statistical rating organizations as follows (using Standard and Poor's Corporation rating scale):

Investment Type	Rating	Short-term Fixed Income Pool	Short-term Liquidity Fixed Income Pool	Intermediate-term Fixed Income Pool	Broad Market Fixed Income Pool
Commercial Paper	Not Rated	3.33%	-	0.06%	0.12%
Corporate Bonds	A	3.60%	-	3.52%	10.01%
Corporate Bonds	AA	4.94%	-	7.54%	3.03%
Corporate Bonds	AAA	-	-	0.66%	0.65%
Corporate Bonds	BB	-	-	-	0.20%
Corporate Bonds	BBB	-	-	1.21%	4.91%
Corporate Bonds	Not Rated	0.35%	-	0.06%	0.13%
U.S. Government Agency	A	-	-	0.06%	-
U.S. Government Agency	AA	1.17%	-	4.75%	0.33%
Mortgage-backed	A	-	-	-	0.78%
Mortgage-backed	AA	-	-	1.27%	26.94%
Mortgage-backed	AAA	0.46%	-	1.73%	3.05%
Mortgage-backed	BBB	-	-	-	0.04%
Mortgage-backed	CCC	-	-	0.02%	-
Mortgage-backed	Not Rated	0.37%	-	0.61%	2.81%
Other Asset-backed	A	0.08%	-	-	-
Other Asset-backed	AA	1.90%	-	-	-
Other Asset-backed	AAA	26.15%	-	0.27%	1.65%
Other Asset-backed	CCC	-	-	-	0.03%
Other Asset-backed	Not Rated	6.30%	-	0.13%	0.11%
Other Pool Ownership	Not Rated	-	0.11%	2.42%	11.12%
U.S. Treasury Bill	AA	51.67%	99.87%	7.91%	1.08%
U.S. Treasury Bond	AA	-	-	-	5.25%
U.S. Treasury Note	AA	-	-	65.44%	20.32%
U.S. Treasury Strip	AA	-	-	0.06%	-
Yankees:					
Corporate	A	0.62%	-	0.30%	1.33%
Corporate	AA	1.42%	-	0.66%	1.21%
Corporate	AAA	-	-	0.50%	0.81%
Corporate	BBB	-	-	0.32%	1.10%
Government	A	-	-	0.01%	0.15%
Government	AA	-	-	0.54%	0.64%
Government	BBB	-	-	-	0.32%
Government	Not Rated	-	-	0.04%	2.07%
No Credit Exposure		(2.36%)	0.02%	(0.09%)	(0.19%)
		100.00%	100.00%	100.00%	100.00%

Custodial Credit Risk – Deposits

The Commissioner does not have a policy in relation to custodial credit risk for deposits; however, any uninvested U.S. cash held in accounts is fully insured by the Federal Deposit Insurance Corporation (FDIC) under section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act effective December 31, 2010. This section of the Act provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts through December 31, 2012, at all FDIC insured depository institutions thereby limiting custodial credit risk.

For interest-bearing accounts, 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, do not establish policy with regard to custodial credit risk. At June 30, 2012, the State had the following uncollateralized and uninsured deposits:

	Amount (in thousands)
International Equity Pool	$ 219

Concentration of Credit Risk

Treasury's policy with regard to concentration of credit risk is to prohibit the purchase of more than five percent of a pool's holdings in corporate bonds backed by any one company or affiliated group.

At June 30, 2012, The Commissioner did not have any exposure to any one issuer greater than five percent of invested assets.

Foreign Currency Risk

The Commissioner of Revenue formally adopts asset allocation policies for each fund at the beginning of each fiscal year which places policy limitations on the amount of international securities each fund is allowed to hold. The following policies were in place during FY 12 and invested assets included the following holdings at June 30, 2012, for the funds invested in the International Equity Pool:

	Policy	Actual
Constitutional Budget Reserve Fund, Subaccount	32% ± 5%	29%
Power Cost Equalization Endowment Fund	23% ± 5%	21%
Retiree Health Insurance Fund, Long Term Care	9% ± 4%	7%
Mental Health Trust Reserve	21% ± 5%	19%
Exxon Valdez Settlement Investments	23% ± 7%	23%

At June 30, 2012, the funds invested in the International Equity Pool had exposure to foreign currency risk as follows:

Currency	Fair Value (in thousands)
Deposits:	
Euro Currency	$ 83
Japanese Yen	136
	219
Investments - International Equity:	
Australian Dollar	12,497
Canadian Dollar	4,573
Danish Krone	2,113
Euro Currency	57,845
Japanese Yen	29,398
New Zealand Dollar	1,660
Pound Sterling	49,927
Swedish Krona	7,571
Swiss Franc	6,940
	172,524
Total	$ 172,743

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

The Commissioner is exposed to credit risk on investment derivative instruments that are in asset positions. The Commissioner has no policy of requiring collateral or other security to support derivative instruments subject to credit risk. Additionally, the Commissioner has no policy regarding entering into netting arrangements when it enters into derivative instrument transactions with a counterparty, nor does the Commissioner have a policy for contingencies. The International Equity Pool investment includes the following income from derivative investments at June 30, 2012 (in thousands):

	Changes in Fair Value		Fair Value		
	Classification	Amount	Classification	Amount	Notional
FX Forwards	Investment Revenue	$ (56)	Long-term Instruments	$ -	$ -

Additionally the International Equity Pool had the following income from foreign exchange transactions at June 30, 2012 (in thousands):

Net Realized Gain on Foreign Currency	$ 2,236

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, 2012, the International Equity Pool had no outstanding contracts.

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

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

PENSION FUNDS

The ARMB has statutory responsibility (AS 37.10.210-390) for the pension (and other employee benefit) trust funds’ investments (Pension Funds). Alaska Statute 37.10.071 provides that investments shall be made with the judgment and care under circumstances then prevailing that an institutional investor of ordinary professional prudence, discretion and intelligence exercises in managing large investment portfolios.

The Department of Revenue, Treasury Division (Treasury) provides staff for the ARMB. Treasury has created a pooled environment by which it manages investments of the ARMB. Additionally, Treasury manages a mix of Pooled Investment Funds and Collective Investment Funds for the Defined Contribution Retirement Participant Directed Pension Plan under the ARMB’s fiduciary responsibility.

Actual investing is performed by investment officers in Treasury or by contracted external investment managers. The ARMB has developed investment guidelines, policies and procedures for Treasury staff and external investment managers to adhere to when managing investments. Specifically, the High Yield Fixed Income Pool, International Fixed Income Pool, Emerging Markets Debt Pool, Large Cap Domestic Equity Pool, Small Cap Domestic Equity Pool, Convertible Bond Domestic Equity Pool, International Equity Large Cap Pool, International Equity Small Cap Pool, Emerging Markets Equity Pool, Private Equity Pool, Absolute Return Pool, Real Estate Pool, Energy Pool, Farmland Pool, Farmland Water Pool, Timber Pool, Pooled Participant Directed Investment Funds, and Collective Investment Funds are managed by external management companies. Treasury manages the Alaska Retirement Fixed Income Pool, U.S. Treasury Fixed Income Pool, Real Estate Investment Trust Pool, Treasury Inflation Protected Securities (TIPS) Pool and cash holdings of certain external managers in addition to acting as oversight manager for all externally managed investments.

The Short-term Fixed Income Pool is a State pool managed by Treasury that holds investments on behalf of the ARMB as well as other state funds.

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

Deposits and investments at June 30, 2012 are as follows:

	Fair Value (in thousands)				
	Fixed Income Pools				
	Short-term	Retirement	U.S. Treasury	High Yield	International
Bridge Loans	$ -	$ -	$ -	$ 3,757	$ -
Commercial Paper	19,521	-	-	-	-
Convertible Bonds	-	-	-	4,101	-
Corporate Bonds	52,219	-	91,237	377,844	-
Deposits	2,292	-	-	22,485	1,670
Foreign Corporate Bonds	-	-	-	736	8,549
Foreign Government Bonds	-	-	-	-	358,920
Mortgage-backed	4,866	11,742	55,940	-	-
Municipal Bonds	-	-	1,996	-	-
Other Asset-backed	202,154	-	2,557	-	-
Short-term Investment Fund	-	-	-	-	2,798
U.S. Government Agency	6,874	-	9,120	-	-
U.S. Treasury Bills	303,136	-	-	-	-
U.S. Treasury Bonds	-	-	124,082	-	-
U.S. Treasury Notes	-	-	1,379,072	-	-
U.S. TIP Bonds	-	-	-	-	-
U.S. TIP Notes	-	-	-	-	-
Yankees:					
Corporate	12,014	-	13,065	29,523	-
Government	-	-	6,586	-	-
Fixed Income Pools:					
Equity	-	-	-	-	-
Warrants	-	-	-	16	-
Emerging Markets Debt Pool	-	-	-	-	-
Broad Domestic Equity Pools:					
Deposits	-	-	-	-	-
Equity					
Futures	-	-	-	-	-
Limited Partnership	-	-	-	-	-
Mutual Fund					
Options					
U.S. Treasury Bills	-	-	-	-	-
Broad International Equity Pool:					
Deposits	-	-	-	-	-
Equity	-	-	-	-	-
Rights	-	-	-	-	-
Mutual Fund					
Emerging Markets Equity Pool	-	-	-	-	-
Private Equity Pool:					
Limited Partnerships	-	-	-	-	-
Absolute Return Pool:					
Limited Partnerships	-	-	-	-	-
Real Estate Pool:					
Commingled Funds	-	-	-	-	-
Limited Partnerships	-	-	-	-	-
Real Estate	-	-	-	-	-
Real Estate Investment Trust Pool:					
Equity	-	-	-	-	-
Energy Pool:					
Limited Partnerships	-	-	-	-	-
Farmland Pool:					
Agricultural Holdings	-	-	-	-	-
Farmland Water Pool:					
Agricultural Holdings	-	-	-	-	-
Timber Pool:					
Timber Holdings	-	-	-	-	-
Participant Directed:					
Collective Investment Funds	-	-	-	-	-
Pooled Investment Funds	-	-	-	-	-
Net Other Assets/(Liabilities)	(16,264)	106	(147,454)	4,833	4,267
Other Pool Ownership	(301,493)	7,864	187,995	-	-
Total Invested Assets	$ 285,319	$ 19,712	$ 1,724,196	$ 443,295	$ 376,204

This table continued on the next page.

Deposits and investments at June 30, 2012 are as follows (continued):

	Fair Value (in thousands)			
	Fixed Income Pools			
	Convertible	TIPS	Other	Total
Bridge Loans	$ -	$ -	$ -	$ 3,757
Commercial Paper	-	-	-	19,521
Convertible Bonds	101,504	-	-	105,605
Corporate Bonds	804	-	-	522,104
Deposits	1,532	-	-	27,979
Foreign Corporate Bonds	-	-	-	9,285
Foreign Government Bonds	-	-	-	358,920
Mortgage-backed	-	-	-	72,548
Municipal Bonds	-	-	-	1,996
Other Asset-backed	-	-	-	204,711
Short-term Investment Fund	-	-	19,463	22,261
U.S. Government Agency	-	-	-	15,994
U.S. Treasury Bills	-	-	-	303,136
U.S. Treasury Bonds	-	-	-	124,082
U.S. Treasury Notes	-	-	-	1,379,072
U.S. TIP Bonds	-	75,242	-	75,242
U.S. TIP Notes	-	119,989	-	119,989
Yankees:				
Corporate	-	-	-	54,602
Government	-	-	-	6,586
Fixed Income Pools:				
Equity	6,559	-	-	6,559
Warrants	2,654	-	-	2,670
Emerging Markets Debt Pool	-	-	124,050	124,050
Broad Domestic Equity Pools:				
Deposits	-	-	46,993	46,993
Equity	-		4,268,534	4,268,534
Futures	-	-	1,581	1,581
Limited Partnership	-	-	241,656	241,656
Mutual Fund			40,763	40,763
Options			(20,109)	(20,109)
U.S. Treasury Bills	-	-	2,275	2,275
Broad International Equity Pool:				
Deposits	-	-	49,941	49,941
Equity	-	-	2,378,531	2,378,531
Rights	-	-	43	43
Mutual Fund			200,657	200,657
Emerging Markets Equity Pool	-	-	860,295	860,295
Private Equity Pool:				
Limited Partnerships	-	-	1,606,063	1,606,063
Absolute Return Pool:				
Limited Partnerships	-	-	687,125	687,125
Real Estate Pool:				
Commingled Funds	-	-	275,127	275,127
Limited Partnerships	-	-	351,886	351,886
Real Estate	-	-	669,896	669,896
Real Estate Investment Trust Pool:				
Equity	-	-	185,421	185,421
Energy Pool:				
Limited Partnerships	-	-	115,923	115,923
Farmland Pool:				
Agricultural Holdings	-	-	609,207	609,207
Farmland Water Pool:				
Agricultural Holdings	-	-	29,295	29,295
Timber Pool:				
Timber Holdings	-	-	228,627	228,627
Participant Directed:				
Collective Investment Funds	-	-	222,184	222,184
Pooled Investment Funds	-	-	112,757	112,757
Net Other Assets/(Liabilities)	691	1,070	14,332	(138,419)
Other Pool Ownership	-	627	105,007	-
Total Invested Assets	$ 113,744	$ 196,928	$ 13,427,523	$ 16,586,921

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, 2012, the expected average life of individual fixed rate securities ranged from two days to 25 years and the expected average life of floating rate securities ranged from 12 days to nine 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, 2012 was 5.07 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 Intermediate U.S. Treasury Fixed Income to ± 20 percent of the Barclays Capital U.S. Treasury Intermediate Index. The effective duration for the Barclays Capital U.S. Treasury Intermediate Index at June 30, 2012 was 3.86 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 Fixed Income 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 Constrained Index at June 30, 2012 was 4.21 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 blended benchmark of 70% Citigroup Non-USD World Government Bond Index and 30% JP Morgan Global Bond Emerging Markets Broad Diversified Index. The effective duration for the Citigroup Non-USD World Government Bond Index at June 30, 2012, was 7.26 years and the effective duration of the JP Morgan Global Bond Index at June 30, 2012 was 4.75 years, for a blended duration of 6.50 years at June 30, 2012.

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 ± 20 percent 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, 2012 was 9.27 years.

The ARMB does not have a policy to limit interest rate risk for the Emerging Debt or Convertible Bond portfolios.

At June 30, 2012, the effective duration of the ARMB's fixed income pools, by investment type, was as follows:

	Effective Duration (in years)				
	Retirement	U.S. Treasury	High Yield	International	TIPS
Cash Equivalent	0.26	0.26	-	-	0.26
Convertible Bonds			0.12		
Corporate Bonds	-	3.83	3.82	-	-
Foreign Corporate Bonds	-	-	-	3.27	-
Foreign Government Bonds	-	-	4.81	5.48	-
Mortgage-backed	-	2.49	-	-	-
Other Asset-backed	-	0.83	-	-	-
U.S. Government Agency	-	7.27	-	-	-
U.S. Treasury Bonds	-	6.83	-	-	9.91
U.S. Treasury Notes	-	3.48	-	-	2.22
Yankees:					
Corporate	-	2.14	3.74	-	-
Government	-	1.23	-	-	-
Portfolio Effective Duration	1.66	3.36	3.57	5.34	5.16

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 thirteen 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:

Under normal conditions, for government debt, corporate debt, and mortgage-backed securities, duration is limited to ± 0.2 years of the Barclays Capital U.S. Aggregate Bond Index. Further deviations are acceptable if they do not contribute significantly to the overall risk of the portfolio. In no event, at time of purchase shall effective duration exceed ± 0.4 years relative to the index.

At June 30, 2012, the duration of the government corporate debt, and mortgage-backed securities was 5.06 years and the duration of the Barclays Capital Aggregate Bond Index was 5.07 years.

Under normal conditions, the Trust will invest in cash equivalent instruments with maturities of less than one year.

Defined Contribution Collective Investment Funds

The ARMB does not have a policy to limit interest rate risk for its collective investment funds. At June 30, 2012, the modified duration of collective investment funds that consisted solely of debt securities were as follows – SSgA Money Market Trust: 49 days, SSgA World Government Bond Ex-U.S. Index: 7.40 years, SSgA Long U.S. Treasury Bond Index: 16.63 years, SSgA TIPS Index: 5.12 years, Barclays Gov/Corp Bond Fund: 5.67 years, and the Barclays Intermediate Bond Fund: 3.64 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 P1 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 rated by only 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, 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.

U.S. Treasury Fixed Income:

No more than 30 percent of the portfolio's assets may be invested in securities that are not nominal, United States Treasury obligations or the internally managed short term or substantially similar portfolio at the time of purchase.

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.

High Yield Fixed Income:

No more than ten 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 five percent of the portfolio's assets may be invested in unrated securities.

No more than ten 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. Only one rating is necessary.

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.

Convertible Bond:

Non-rated convertible securities are permitted provided the manager is able to assign an appropriate credit rating consistent with the criteria used by Standard & Poor's, Moody's or Fitch. Non-rated securities are limited to 35 percent of the total market value of the portfolio.

The weighted-average rating of the portfolio shall not fall below the Standard & Poor's equivalent of B.

Investments are limited to instruments with a credit rating above CCC- by Standard & Poor's and C3 by Moody's. However, the manager may continue to hold securities downgraded below CCC- by Standard & Poor's and C3 by Moody's if such an investment is considered appropriate given the ARMB's investment objective.

In the case of a split rating by two or more of the rating agencies, the lower rating shall apply.

TIPS:

Commercial paper must be rated at least P-1 by Moody's and A-1 by Standard & Poor's.

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.

Non-U.S. Treasury-issued 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 (Large Cap and Small Cap) and Broad International Equity:

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 Emerging Markets Debt Pool or the Collective Investment Funds.

At June 30, 2012, ARMB’s 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	Short-term	Retirement	U.S. Treasury	High Yield	International	Convertible	TIPS
Bank Loans	BB	-	-	-	0.36%	-	-	-
Bank Loans	Not Rated	-	-	-	0.49%	-	-	-
Commercial Paper	Not Rated	3.33%	-	-	-	-	-	-
Convertible Bonds	A	-	-	-	0.25%	-	8.26%	-
Convertible Bonds	AAA	-	-	-	-	-	1.56%	-
Convertible Bonds	B	-	-	-	0.07%	-	13.72%	-
Convertible Bonds	BB	-	-	-	-	-	19.40%	-
Convertible Bonds	BBB	-	-	-	0.37%	-	17.19%	-
Convertible Bonds	CCC	-	-	-	-	-	0.58%	-
Convertible Bonds	Not Rated	-	-	-	0.49%	-	29.24%	-
Corporate Bonds	A	3.60%	-	2.72%	-	-	-	-
Corporate Bonds	AA	4.94%	-	0.94%	-	-	-	-
Corporate Bonds	B	-	-	-	39.68%	-	-	-
Corporate Bonds	BB	-	-	-	33.38%	-	-	-
Corporate Bonds	BBB	-	-	1.17%	3.22%	-	-	-
Corporate Bonds	CCC	-	-	-	6.25%	-	-	-
Corporate Bonds	Not Rated	0.35%	-	0.57%	2.44%	-	-	-
Equity	B	-	-	-	-	-	1.33%	-
Equity	BB	-	-	-	-	-	3.00%	-
Equity	BBB	-	-	-	-	-	2.15%	-
Equity	CCC	-	-	-	-	-	0.35%	-
Equity	Not Rated	-	-	-	-	-	1.27%	-
Foreign Corporate Bonds	A	-	-	-	-	3.07%	-	-
Foreign Corporate Bonds	AA	-	-	-	-	0.67%	-	-
Foreign Government Bonds	A	-	-	-	-	21.37%	-	-
Foreign Government Bonds	AA	-	-	-	-	1.56%	-	-
Foreign Government Bonds	BB	-	-	-	-	4.49%	-	-
Foreign Government Bonds	BBB	-	-	-	0.17%	2.24%	-	-
Foreign Government Bonds	Not Rated	-	-	-	-	65.42%	-	-
Government Agency	AA	1.17%	-	0.53%	-	-	-	-
Mortgage-backed	AA	-	31.67%	1.82%	-	-	-	-
Mortgage-backed	AAA	0.46%	7.96%	0.47%	-	-	-	-
Mortgage-backed	CCC	-	10.53%	-	-	-	-	-
Mortgage-backed	Not Rated	0.37%	9.40%	0.95%	-	-	-	-
Other Asset-backed	A	0.08%	-	0.13%	-	-	-	-
Other Asset-backed	AA	1.90%	-	-	-	-	-	-
Other Asset-backed	AAA	26.15%	-	-	-	-	-	-
Other Asset-backed	Not Rated	6.30%	-	0.02%	-	-	-	-
Other Pool Ownership	Not Rated	-	39.90%	10.90%	-	-	-	0.32%
Short-Term Investment Fund	Not Rated	-	-	-	-	0.74%	-	-
U.S. Treasury Bills	AA	51.67%	-	-	-	-	-	-
U.S. Treasury Bonds	AA	-	-	7.20%	-	-	-	38.21%
U.S. Treasury Notes	AA	-	-	79.99%	-	-	-	60.93%
Yankees:								
Corporate	A	0.62%	-	0.44%	-	-	-	-
Corporate	AA	1.42%	-	-	-	-	-	-
Corporate	B	-	-	-	3.44%	-	-	-
Corporate	BB	-	-	-	2.76%	-	-	-
Corporate	BBB	-	-	0.32%	-	-	-	-
Corporate	Not Rated	-	-	-	0.47%	-	-	-
Government	AA	-	-	0.29%	-	-	-	-
Government	Not Rated	-	-	0.09%	-	-	-	-
No Credit Exposure		(2.36%)	0.54%	(8.55%)	6.16%	0.44%	1.95%	0.54%
		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Custodial Credit Risk – Deposits

The ARMB does not have a policy in relation to custodial credit risk for deposits; however, any uninvested U.S. Cash held in accounts is fully insured by the Federal Deposit Insurance Corporation (FDIC) under section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act effective December 31, 2010. This section of the Act provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts through December 31, 2012, at all FDIC insured depository institutions thereby limiting custodial credit risk.

At June 30, 2012, the ARMB's invested assets had the following uncollateralized and uninsured deposits (in thousands):

International Equity Pool	$ 49,941
International Fixed Income Pool	1,670
	$ 51,611

Concentration of Credit Risk

Treasury's policy with regard to concentration of credit risk for 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. This provision does not apply to securities backed by the full faith and credit of the United States Government.

The ARMB's policy with regard to concentration of credit risk for the Retirement Fixed Income, U.S. Treasury Fixed Income, High Yield Fixed Income, International Fixed Income and Convertible Bond 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 risk for the Emerging Markets Debt or TIPS Pools.

At June 30, 2012, the ARMB's invested assets did not have exposure to any one issuer greater than five percent of total invested assets.

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 these countries: Argentina, Australia, Brazil, Canada, Chile, China, Columbia, Czech Republic, Denmark, Egypt, Eurozone sovereign issuers in the aggregate, Hungary, India, Indonesia, Israel, Japan, Malaysia, Mexico, New Zealand, Norway, Peru, Poland, Russia, Singapore, South Africa, South Korea, Sweden, Switzerland, Thailand, Turkey, United Kingdom, and United States. 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 total investments in international fixed income, global equity ex-U.S. and private equity to the following:

Pension Fund	Fixed - Income	Global Equity Ex-U.S.	Private Equity Pool
Public Employees' Retirement System	21%	27%	13%
Teachers' Retirement System	21%	27%	13%
Judicial Retirement System	21%	27%	13%
Alaska National Guard and Naval Militia System	64%	22%	-

The ARMB has no policy regarding foreign currency risk in the Defined Contribution Pooled Investment Funds and Collective Investment Funds.

At June 30, 2012, the ARMB had exposure to foreign currency risk with the following deposits:

	Amount (in thousands)	
Currency	International Fixed Income Pool	International Equity Pool
Australian Dollar	$ -	$ 342
Brazilian Real	-	50
Canadian Dollar	-	256
Danish Krone	-	125
Euro Currency	-	43,123
Hong Kong Dollar	-	159
Hungarian Forint	271	-
Israeli Shekel	-	36
Japanese Yen	267	4,071
Mexican Peso	1,062	-
New Zealand Dollar	-	27
Norwegian Krone	-	81
Peruvian Nouveau Sol	-	-
Pound Sterling	-	971
Singapore Dollar	-	102
South African Rand	70	
South Korean Won	-	-
Swedish Krona	-	67
Swiss Franc	-	531
	$ 1,670	$ 49,941

At June 30, 2012, the ARMB had exposure to foreign currency risk with the following investments (in thousands):

	Amount (in thousands)			
	International Fixed Income Pool		Broad International Equity	Private Equity Pool
Currency	Foreign Government	Corporate	Equity	Limited Partnerships
Australian Dollar	$ -	$ -	$ 92,387	$ 37
Brazilian Real	21,426	-	8,596	-
Canadian Dollar	-	-	87,018	-
Chilean Peso	3,388	-	-	-
Columbian Peso	3,553	-	-	-
Czech Koruna	-	-	818	-
Danish Krone	-	-	20,609	-
Euro Currency	61,172	3,589	629,319	152,118
Hong Kong Dollar	-	-	78,259	-
Hungarian Forint	16,961	-	-	-
Indian Rupee	-	-	7,313	-
Indonesian Rupiah	3,325	-	5,325	-
Israeli Shekel	6,720	-	984	-
Japanese Yen	132,071	2,548	470,258	-
Malaysian Ringgit	5,742	-	-	-
Mexican Peso	27,735	2,412	896	-
New Taiwan Dollar	-	-	1,884	-
New Zealand Dollar	-	-	7,427	-
Norwegian Krone	-	-	10,528	-
Peruvian Nouveau Sol	1,246	-	-	-
Polish Zloty	40,077	-	758	-
Pound Sterling	20,395	-	496,737	24,928
Singapore Dollar	-	-	30,498	-
South African Rand	11,463	-	3,727	-
South Korean Won	-	-	45,925	-
Swedish Krona	-	-	53,591	-
Swiss Franc	-	-	140,753	-
Thailand Baht	-	-	11,581	-
Turkish Lira	3,646	-	-	-
	$ 358,920	$ 8,549	$ 2,205,191	$ 177,083

At June 30, 2012, the ARMB also 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.

Foreign Exchange, Derivative, and Counterparty Credit Risk

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

On June 30, 2012, the ARMB had the following derivative instruments outstanding (in thousands):

	Change in Fair Value		Fair Value at June 30, 2012		
Type	Classification	Amount	Classification	Amount	Notional
Equity Options Bought	Investment Revenue	$ 1,007	Options	$ -	$ -
Equity Options Written	Investment Revenue	25,120	Options	(20,034)	(3,701)
FX Forwards	Investment Revenue	838	Long Term Instruments	71	23,278
Index Futures Long	Investment Revenue	2,260	Futures	-	51
Index Options Brought	Investment Revenue	19	Options	-	-
Index Options Written	Investment Revenue	409	Options	(76)	(7)
Rights	Investment Revenue	99	Common Stock	43	104
Warrants	Investment Revenue	9	Common Stock	16	10
		$ 29,761		$ (19,980)	$ 19,735

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, 2012 the ARMB had the following counterparty credit and counterparty concentration risk associated with its investment derivative positions:

Counterparty Name	Net Exposure (in thousands)	S&P Rating	Fitch Rating	Moody's Rating
Credit Suisse London Branch (GFX)	$ 74	A+	A	A1
State Street Bank London	43	A+	A+	A1
Mellon Bank N.A.	11	A+	AA-	Aa3
Bank of America N.A.	10	A	A	A3

	Amount (in thousands)
Maximum Amount of Loss ARMB Would Face in Case of Default of All Counterparties, i.e. Aggregated (Positive) Fair Value of OTC positions as of June 30, 2012	$ 138
Effect of Collateral Reducing Maximum Exposure	-
Liabilities Subject to Netting Arrangements Reducing Exposure	-
Resulting Net Exposure	$ 138

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, 2011, Deferred Compensation Plan investments totaled $600 million.

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

Interest Rate Risk

Collective Investment and Money Market Funds

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

The ARMB does not have a policy to limit interest rate risk for the Collective Investment Funds or the commingled money market portfolio. These investments with their related weighted average maturities at December 31, 2011, are as follows:

	Fair Value (in thousands)	Weighted Average Maturity
Bond Fund	$ 122	4.34 years
Government/Credit Bond Index Fund	32,800	8.21 years
Institutional Treasury Money Market Fund	7,823	32 days
Intermediate Bond Fund	16,383	4.08 years
Long U.S. Treasury Bond Index Fund	6,482	16.45 years
U.S. TIPS Index Fund	9,529	4.15 years
World Government Bond Ex-U.S. Index Fund	1,950	7.03 years

Interest Income Fund

ARMB contracts with an external investment manager who is given the authority to invest in synthetic investment contracts and a reserve. This external manager also manages the securities underlying the synthetic investment contracts.

Through the ARMB's investment policy, exposure to fair value losses arising from increasing interest rates is managed by limiting the duration on synthetic investment contracts as follows:

> For constant duration synthetic investment contracts, duration cannot exceed the longer of six years or the duration of the Barclays Capital Intermediate Aggregate Index plus one-half year. The aggregate duration of the constant duration synthetic investment contracts was 3.24 years at December 31, 2011. The duration of the Barclays Capital Intermediate Aggregate Index was 3.47 years at December 31, 2011.
>
> 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 Institutional Treasury Money Market Fund, which has a weighted average maturity of 32 days at December 31, 2011.

Pooled Investment Funds

Duration is a measure of a security's sensitivity to a 100-basis point change in interest rates. Duration, for the securities in the pooled investment funds, is the fair value weighted average term to maturity for each security taking into account all related cash flows.

The ARMB contracts with an external investment manager who is given the authority to invest funds in a wholly-owned pooled environment to accommodate 13 participant directed funds. Through the ARMB's investment policy, exposure to fair value losses arising from increasing interest rates is managed by limiting the duration as follows:

> For government and corporate debt securities, duration is limited to ± 0.2 years of the Barclays Aggregate Bond Index. At December 31, 2011, the duration of the Barclays Aggregate Bond Index was 4.95 years, and the duration of the Aggregate Bond Trust was 5.04 years.

The weighted average maturity of the money market portfolio was 35.73 days at December 31, 2011.

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

Credit Risk

The ARMB does not have a policy to limit credit risk for the Deferred Compensation Plan's Collective Investment Funds and the commingled money market portfolio. These investments are not rated.

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

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

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

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

At December 31, 2011, Deferred Compensation Plan's investments consisted of securities with credit quality ratings issued by a nationally recognized statistical rating organization as follows (using the Standard & Poor's rating scale):

		Fair Value (in thousands)		
Investment type	Rating	Underlying Synthetic Investment Contracts	Other	Total
Investments with credit exposure:				
Money Market Fund	Not Rated	$ -	$ 367	$ 367
Short-term Investment Fund	Not Rated	2,786	-	2,786
U.S. Government Agency	AA	11,221	-	11,221
Mortgage-backed	AAA	3,956	-	3,956
Mortgage-backed	AA	71	-	71
Mortgage-backed	A	355	-	355
Mortgage-backed	BBB	56	-	56
Mortgage-backed	Not Rated	64,278	-	64,278
Other Asset-backed	AAA	2,048	-	2,048
Other Asset-backed	AA	321	-	321
Other Asset-backed	Not Rated	674	-	674
Corporate Bonds	AA	2,381	-	2,381
Corporate Bonds	A	14,280	-	14,280
Corporate Bonds	BBB	9,807	-	9,807
Yankees:				
Corporate	AA	1,592	-	1,592
Corporate	A	2,346	-	2,346
Corporate	BBB	1,656	-	1,656
Government	AAA	3,184	-	3,184
Government	AA	1,076	-	1,076
Government	A	317	-	317
Government	BBB	27	-	27
Deposits and Investments with no credit exposure:				
Deposits		(2,432)	-	(2,432)
U.S. Treasury Notes	AAA	53,276	-	53,276
Collective Investment Funds		-	291,542	291,542
Pooled Investment Funds		-	53,044	53,044
Domestic Equity		-	65,253	65,253
Total		$ 173,276	$ 410,206	$ 583,482

Custodial Credit Risk

The ARMB does not have a policy for custodial credit risk. At December 31, 2011, the Deferred Compensation Plan's deposits were uncollateralized and uninsured.

Concentration of Credit Risk

The ARMB does not have a policy to limit concentration of credit risk in the collective investment and money market funds.

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

> No investment will be made if, at the time of purchase, total investment in any single issuer of investment contracts would exceed 35 percent of the Interest Income Fund's total value.

No investment will be made if, at the time of the purchase, total investment in any single issuer or in all issuers of the securities held as supporting investments under synthetic investment contracts in the table below would exceed the respective percentages of all investments underlying the synthetic investment contracts.

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

The maximum exposure to securities rated BBB is limited to 20 percent of the total value underlying synthetic investment contracts.

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

The ARMB policy with regard to concentration of credit risk for wholly-owned pooled investments is as follows:

Equity holdings will be limited to five percent per issuer of the equity portfolio at the time of purchase,

With the exception of the U.S. Government or its agencies, fixed income holdings of any single issuer is limited to two percent of the total portfolio at the time of purchase,

With the exception of the U.S. Government or its agencies, money market holdings of any single issuer are limited to no more than five percent of the portfolio at the time of purchase. This limitation does not apply to the investment funds maintained by the custodian.

At December 31, 2011, the Deferred Compensation Plan invested assets included $42.3 million in Federal National Mortgage Association (FNMA) securities, which represented 7.26 percent of the Deferred Compensation Plan's total invested assets. FNMA is a U.S. Government Agency.

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, 2012, SBS investments totaled $2.613 billion.

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

Interest Rate Risk

Collective Investment and Money Market Funds

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

The ARMB does not have a policy to limit interest rate risk for these investments. These investments with their related weighted average maturities at January 31, 2012 are as follows:

	Fair Value (in thousands)	Weighted Average Maturity
Government/Credit Bond Index Fund	$ 54,267	8.15 years
Institutional Treasury Money Market Fund	36,343	42 days
Intermediate Bond Fund	13,993	4.06 years
Long U.S. Treasury Bond Index Fund	20,695	16.20 years
U.S. TIPS Index Fund	19,665	4.63 years
World Government Bond ex-U.S. Index Fund	5,074	7.34 years

Short-term Fixed Income Pool

The Investment Loss Trust Fund and the SBS's cash and cash equivalents are invested in the State's internally managed Short-term Fixed Income Pool. As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to 14 months in maturity or 14 months expected average life upon purchase. Floating rate securities are limited to three years in maturity or three years expected average life upon purchase. Treasury utilizes the actual maturity date for commercial paper and 12 month prepay speeds for other securities. At January 31, 2012, the expected average life of individual fixed rate securities ranged from one day to 23 months and the expected average life of floating rate securities ranged from one day to 23 years.

Stable Value Fund

The ARMB contracts with an external investment manager who is given the authority to invest in synthetic investment contracts and a reserve. This external manager also manages the securities underlying the synthetic investment contracts.

Through the ARMB's investment policy, exposure to fair value losses arising from increasing interest rates is managed by limiting the duration on synthetic investment contracts as follows:

> For constant duration synthetic investment contracts, duration cannot exceed the longer of six years or the duration of the Barclays Capital Intermediate Aggregate Index plus one–half year. The aggregate duration of the constant duration synthetic investment contracts was 3.08 years at January 31, 2012. The duration of the Barclays Capital Intermediate Aggregate Index was 3.35 years at January 31, 2012.
>
> Duration is a measure of interest rate risk. In the case of the SBS's constant duration synthetic investment contracts, duration is the fair value weighted average term to maturity of all fixed income securities underlying the contracts and their related cash flows. Duration of the SBS's structured payout synthetic investment contracts is the weighted average maturity of the contract payments.

The ARMB does not have a policy to limit interest rate risk for the reserve. The balance in the reserve is invested in the custodian's Institutional Treasury Money Market Fund.

Pooled Investment Funds

Duration is a measure of security's sensitivity to a 100-basis point change in interest rates. Duration, for the securities in the pooled investment funds, is the fair value weighted average term to maturity for each security taking into account all related cash flows.

The ARMB contracts with an external investment manager who is given the authority to invest funds in a wholly-owned pooled environment to accommodate 13 participant directed funds. Through the ARMB's investment policy, exposure to fair value losses arising from increasing interest rates is managed by limiting the duration as follows:

For government and corporate debt securities, duration is limited to ± 0.20 years of the Barclays Aggregate Bond Index. At January 31, 2012, the duration of the Barclays Aggregate Bond Index was 4.86 years and the duration of the Aggregate Bond Trust was 4.88 years.

The weighted average maturity of the money market portfolio was 31.69 days at January 31, 2012.

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

Credit Risk

The ARMB does not have a policy to limit credit risk for SBS's Collective Investment Funds and commingled money market portfolio. These investments are not rated.

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

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

Synthetic investment contract issuers must have an investment grade rating,
Supranational Agency and Foreign Government entity investments must have a minimum rating of A- or equivalent;
Corporate debt securities must have a minimum rating of BBB- or equivalent,
Asset-backed securities must have a minimum rating of AAA or equivalent, 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, 2012, 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	$ -	$ -	$ -	$ 1,691	$ 1,691
Short-term Investment Fund	Not Rated	-	5,823	-	-	5,823
Commercial Paper	Not Rated	290	-	84	-	374
U.S. Government Agency	AA	163	20,179	47	-	20,389
U.S. Government Agency:						
Discount Notes	Not Rated	1	-	-	-	1
Municipal Government	AAA	14	-	4		18
Mortgage-backed	AAA	89	7,476	26	-	7,591
Mortgage-backed	AA	2	89	-	-	91
Mortgage-backed	A	6	476	2	-	484
Mortgage-backed	BBB	-	68	-	-	68
Mortgage-backed	Not Rated	64	106,866	18	-	106,948
Other Asset-backed	AAA	2,358	2,949	678	-	5,985
Other Asset-backed	AA	91	384	26	-	501
Other Asset-backed	Not Rated	381	1,950	110	-	2,441
Corporate Bonds	AA	1,143	5,148	329	-	6,620
Corporate Bonds	A	290	22,115	83	-	22,488
Corporate Bonds	BBB	-	16,003	-	-	16,003
Corporate Bonds	Not Rated	62	468	18	-	548
Yankees:						
Corporate	AA	94	2,924	27	-	3,045
Corporate	A	99	4,922	29	-	5,050
Corporate	BBB	-	2,484	-	-	2,484
Government	AAA	-	5,903	-	-	5,903
Government	AA	-	1,526	-	-	1,526
Government	A	-	823	-	-	823
Government	BBB	-	54	-	-	54
Deposits and Investments with No Credit Exposure:						
Deposits		-	(5,498)	-	-	(5,498)
U.S. Treasury Bills	Not Rated	1,523	-	438	-	1,961
U.S. Treasury Notes	AA	-	83,675	-	-	83,675
Participant-directed Funds						
Collective Investment Funds		-	-	-	573,195	573,195
Pooled Investment Funds		-	-	-	1,613,098	1,613,098
Domestic Equity		-	-	-	89,606	89,606
Total Invested Assets		6,670	286,807	1,919	2,277,590	2,572,986
Pool Related Net Assets/(Liabilities)		(202)	-	2	-	(200)
Total		$ 6,468	$ 286,807	$ 1,921	$ 2,277,590	$ 2,572,786

Custodial Credit Risk

The ARMB does not have a policy for custodial credit risk. At January 31, 2012, the SBS Plan's deposits were uncollateralized and uninsured.

Concentration of Credit Risk

The ARMB does not have a policy to limit concentration of credit risk in the collective investment and money market funds.

Treasury's policy with regard to the Short-term Fixed Income Pool is to prohibit the purchase of more than five percent of the portfolio's assets in corporate bonds of any one company or affiliated group, unless explicitly backed by the U.S. Government.

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

No investment will be made if, at the time of purchase, total investment in any single issuer of investment contracts would exceed 35 percent of the Stable Value Fund's total value.

No investment will be made if, at the time of the purchase, total investment in any single issuer or in all issuers of the securities held as supporting investments under synthetic investment contracts in the table below would exceed the respective percentages of all investments underlying the synthetic investment contracts.

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

The maximum exposure to securities rated BBB is limited to 20 percent of the total value underlying synthetic investment contracts.

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

The ARMB's policy with regard to concentration of credit risk for wholly-owned pooled investments is as follows:

Equity holdings will be limited to five percent per issuer of the equity portfolio at the time of purchase,

With the exception of the U.S. Government or its agencies, fixed income holdings of any single issuer are limited to two percent of the total portfolio at the time of purchase, and

With the exception of the U.S. Government or its agencies, money market holdings of any single issuer are limited to no more than five percent of the portfolio at the time of purchase. This limitation does not apply to the investment funds maintained by the custodian.

At January 31, 2012, 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" or "Board") consisting of the Department of Revenue Commissioner, one other head of a principal State department, and four governor-appointed public members with recognized competence and experience in finance, investments, or other business management-related fields. The Alaska Permanent Fund (the "Fund") assets are diversified across a wide variety of investments, in accordance with statutes, regulations, and APFC investment policies.

Investments and Related Policies

Carrying value of investments

The Fund's investments are reported at fair value in the financial statements. Securities transactions are recorded on the trade date that securities are purchased or sold. Unrealized gains and losses are reported as components of net change in fund balance. For marketable debt and equity securities, including real estate investment trusts, fair values are obtained from independent sources using published market prices, quotations from national security exchanges, and security pricing services. Fair values of investments that have no readily ascertainable fair value are determined by management using the fair value capital account balances nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Direct investments in real estate are subject to annual appraisals and audits. All alternative investments undergo annual independent financial statement audits.

State investment regulations

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

Investment policy – Asset allocation

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

At June 30, 2012, the APFC's strategic asset allocation targets were as follows:

Risk Class	Asset Class	Risk Class Target	Asset Class Target
Cash		2%	2%
Interest Rates		6%	
	U.S. Government Bonds		4%
	International Developed Government Bonds (currency hedged)		2%
Company Exposure		55%	
	Global Credit		11%
	Public/Private Credit		2%
	Global Equity		36%
	Private Equity		6%
Real Assets		19%	
	Real Estate		12%
	Infrastructure		4%
	U.S. Treasury Inflation Protection Securities		3%
Special Opportunities		18%	
	Absolute Return Mandate		6%
	Real Return Mandate		7%
	Emerging Markets Multi-Asset		2%
	Debt Opportunities		1%
	Other (future opportunities)		2%

Capital that is not invested in the special opportunities risk class resides in the company exposure risk class. To allow for market fluctuations and to minimize transaction costs, the Trustees have adopted ranges that permit percentage deviations from the strategic asset allocation targets in accordance with specified reporting requirements and other procedures. Generally, for each risk and asset class, the APFC's chief investment officer has discretionary authority to permit target deviations within one specified range (referred to as the "green zone" in the investment policy), the APFC's executive director can approve target deviations for up to 90 days within a broader range (the "yellow zone"), and the Board can approve operating for longer than 30 days within a third range (the "red zone"). For example, the target dollar allocation for the interest rate risk class is six percent, with the green zone range set at six to 12 percent, yellow zone ranges set at five to six percent and 12 to 20 percent, and red zone ranges set at allocations of less than five percent or greater than 20 percent. In a similar manner, the APFC investment policy also requires the APFC to monitor relative risk (the expected investment portfolio's risk and return relative to the risk benchmark using standard industry risk measures), active budget risk (risk due to active management decisions made by managers), and limits on private investments and future commitments.

Interest Rate Risk

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

At June 30, 2012, the Fund held fixed income investments with floating, variable, and step interest rates, valued at $313,281 thousand. These fixed income investments were both domestic and non-domestic, and had current annual interest rates ranging from zero to 13 percent.

Credit Risk

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

Custodial Credit Risk

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

Concentration of Credit Risk

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

Foreign Currency Risk

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

Forward Exchange Contracts

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

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

Futures

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

Cash and Temporary Investments

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

Cash and temporary investments, which include the market values of foreign currency (FX) and FX forward exchange contracts, are summarized as follows at June 30, 2012 (in thousands):

Cash	$ 65,692
Pooled Funds	1,204,082
U.S. Treasury Bills	725,777
Total Cash and Temporary Investments	$ 1,995,551

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

Marketable Debt Securities

Marketable debt securities at June 30, 2012, are summarized as follows (in thousands), categorized by debt instrument type and by country of registration:

	Cost	Fair Value	Unrealized Gains/(Losses)
Treasury and Government Notes/Bonds	$ 1,968,449	$ 2,120,430	$ 151,981
Mortgage-backed Securities	654,231	668,378	14,147
Corporate Bonds	2,535,429	2,678,638	143,209
Commercial Mortgage/Asset-backed Securities	307,918	327,838	19,920
Non-U.S. Treasury and Government Bonds	1,174,305	1,229,104	54,799
Non-U.S. Corporate Bonds	516,791	544,267	27,476
Total Marketable Debt Securities	$ 7,157,123	$ 7,568,655	$ 411,532

Marketable Debt Credit Ratings

To manage credit risk for marketable debt securities, the APFC monitors fair values of all securities daily and routinely reviews its investment holdings' credit ratings. For accounts with an investment grade mandate (approximately 87 percent of bond mandates at June 30, 2012), issues falling below the minimum standards are required to be sold within seven months of the downgrade date. Minimum standards are a Standard & Poor's Corporation rating BBB or better, or Moody's Investors Service, Inc. rating of Baa or better, or a comparable rating by another Nationally Recognized Statistical Rating Organizations (NRSRO) or by a recognized rating service in the jurisdiction of the issuer. Managers with high yield mandates (approximately 13 percent of bond mandates at June 30, 2012) are allowed to hold positions in assets with below investment grade ratings (high yield bonds) based on the terms of their contracts. For purposes of this note, if credit ratings differ among the NRSROs used, the rating with the highest degree of risk (the lowest rating) is reported.

At June 30, 2012, 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	$ 373,463	$ 475,543	$ 849,006	11.23%
AA	99,267	225,065	324,332	4.29%
A	858,320	502,050	1,360,370	17.97%
BBB	1,120,426	402,715	1,523,141	20.12%
BB	61,531	102,151	163,682	2.16%
B	67,843	43,457	111,300	1.47%
CCC	41,529	2,511	44,040	0.58%
CC	5,932	-	5,932	0.08%
C	-	222	222	0.00%
Total fair value of rated debt securities	2,628,311	1,753,714	4,382,025	57.90%
Commingled Bond Funds	383,985	-	383,985	5.07%
Not rated	4,220	19,657	23,877	0.32%
U.S. government explicitly backed by the U.S. government	2,270,459	-	2,270,459	30.00%
U.S. government implicitly backed by the U.S. government	508,309	-	508,309	6.71%
Total fair value debt securities	$ 5,795,284	$ 1,773,371	$ 7,568,655	100.00%

Marketable Debt Duration

To manage its interest rate risk on marketable debt securities, the APFC monitors fair values daily and routinely reviews portfolio effective duration in comparison to established benchmarks. At June 30, 2012, the effective duration by investment type, based on fair value, is as follows:

	Percent of bond holdings	Duration
Domestic Bonds		
Treasuries and Government Notes/Bonds	36.59%	7.15
Mortgage-backed Securities	11.53%	3.16
Corporate Bonds	46.22%	6.84
Commercial Mortgage and Asset-backed Securities	5.66%	3.39
Total Domestic Bonds	100.00%	6.33
Non-domestic Bonds		
Non-U.S. Treasury and Government Bonds	69.31%	6.24
Non-U.S. Corporate Bonds	30.69%	5.90
Total Non-domestic Bonds	100.00%	6.14

Preferred and Common Stock

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

Preferred and common stocks and commingled stock funds at June 30, 2012 are summarized as follows (based on currency of trade), and include the net fair value of equity index futures of $12.3 million:

	Cost	Fair Value	Unrealized Gains/(Losses)
Direct Investments			
Domestic	$ 7,572,152	$ 9,058,849	$ 1,486,697
Non-domestic	6,822,145	6,923,856	101,711
Commingled Funds	1,768,034	1,442,286	(325,748)
Total Preferred and Common Stock	$ 16,162,331	$ 17,424,991	$ 1,262,660

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, 2012, the Fund's cash holdings, foreign currency forward contracts, non-domestic public and private equity, and debt securities had exposure to foreign currency risk as follows, shown in U.S. dollar equivalent at fair value and based on the currency in which the securities are held and traded (in thousands):

Foreign Currency	Cash and Equivalents	Foreign Exchange Forward Contracts	Public and Private Equity	Debt	Total Foreign Currency Exposure
Australian Dollar	$ 665	$ (2,704)	$ 417,588	$ -	$ 415,549
Brazilian Real	2,806	(230)	107,718	36,817	147,111
British Pound Sterling	1,585	(557)	1,324,507	97,674	1,423,209
Canadian Dollar	1,702	(1,422)	599,188	45,842	645,310
Chilean Peso	47	-	2,144	7,438	9,629
Chinese Yuan Renminbi	-	-	1,582	-	1,582
Colombian Peso	8	-	2,262	28,348	30,618
Czech Koruna	46	(96)	769	5,260	5,979
Danish Krone	1,070	(14)	52,907	-	53,963
Egyptian Pound	5	-	248	-	253
Euro Currency	16,648	(8,841)	1,806,100	220,144	2,034,051
Hong Kong Dollar	3,478	3	385,389	-	388,870
Hungarian Forint	31	-	732	3,473	4,236
Indian Rupee	274	3	88,011	-	88,288
Indonesian Rupiah	23	4	67,446	5,726	73,199
Israeli Shekel	603	(17)	25,713	660	26,959
Japanese Yen	12,005	3,422	1,284,795	208,676	1,508,898
Malaysian Ringgit	609	(17)	20,393	10,734	31,719
Mexican Peso	6,965	(1,562)	49,321	63,072	117,796
Moroccan Dirham	9	-	126	-	135
New Zealand Dollar	138	(237)	12,392	-	12,293
Norwegian Krone	(114)	2,072	36,029	4,902	42,889
Philippine Peso	(1,971)	(3)	10,924	17,340	26,290
Polish Zloty	1,065	(137)	9,064	6,497	16,489
Russian Ruble	-	-	-	9,362	9,362
Singapore Dollar	1,013	45	95,386	-	96,444
South African Rand	32	(25)	59,104	10,448	69,559
South Korean Won	(243)	(615)	180,879	36,242	216,263
Swedish Krona	1,103	2,469	162,131	25,811	191,514
Swiss Franc	6,770	(1,340)	404,779	-	410,209
Taiwan Dollar	362	-	85,087	-	85,449
Thai Baht	-	-	85,893	311	86,204
Turkish Lira	(4,117)	(3)	44,528	20,675	61,083
Uruguayan Peso	-	-	3,633	15,064	18,697
Total foreign currency exposure	$ 52,617	$ (9,802)	$ 7,426,768	$ 880,516	$ 8,350,099

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

Real Estate

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

The APFC periodically reviews real estate investments for other than temporary impairment. During FY 12 it was determined that seven real estate properties were impaired and would not recover their carrying costs over the remaining estimated holding period of the assets. In order to reflect the impairment in the statutory net income and fund balance classification, $137 million of unrealized losses were realized through a write-down of cost to fair value. The impairment has no impact on the carrying value of investments or on the net increase/(decrease) in the fair value of investments.

Real estate investments at June 30, 2012, are summarized as follows (in thousands):

	Cost	Fair Value	Unrealized Gains/(Losses)
Real Estate Investment Trusts	$ 238,243	$ 305,424	$ 67,181
Alaska Residential Mortgage	13	13	-
Directly Owned Real Estate:			
Retail	706,681	1,268,578	561,897
Office	1,383,960	1,497,394	113,434
Industrial	222,394	243,715	21,321
Multifamily	927,128	1,072,009	144,881
Total Real Estate	$ 3,478,419	$ 4,387,133	$ 908,714

Alternative Investments

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

The objective for the real return mandate is to produce a five percent real return (in excess of inflation) over the longer of one business cycle or five years. Each manager’s contract specifies permitted investments and liquidity guidelines. Investments are generally in commingled proprietary funds structured as limited partnerships.

Absolute return strategies are investments in specialized funds with low market correlation. The Fund’s absolute return strategies are managed through three limited partnerships, in which the Fund is the only limited partner (“fund-of-one”). External investment management services are provided by institutional investment managers who have acknowledged their status as fiduciaries with respect to the Fund. Absolute return strategies invest in a diversified portfolio of underlying limited partnership interests or similar limited liability entities. Each fund-of-one provides the Fund with fair value estimates of partnership interests and undergoes an annual independent audit. Many absolute return investments by their nature have no readily ascertainable market prices, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets.

The Fund holds private equity through investments in limited liability companies and limited partnerships that typically invest in unlisted, illiquid common and preferred stock and, to a lesser degree, subordinated and senior debt of companies that are in most instances privately held. The APFC has hired external advisors to select private equity holdings diversified by geography and strategy. Private equity is funded slowly over time as opportunities are identified by the external advisors and the underlying fund managers. The underlying private equity funds provide the Fund with fair value estimates of the investments utilizing the most current information available. In addition, the external advisors review the fair value estimates, and the underlying private equity funds undergo annual independent audits. Private equity investments by their nature generally have no readily ascertainable market prices, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets. During FY 12 it was determined that six private equity funds were impaired and would not recover their carrying costs over the remaining estimated holding period of the assets. In order to reflect the impairments in the statutory net income and fund balance classification, $25.7 million of unrealized losses were realized through a write-down of cost to fair value. The impairments have no impact on the carrying value of investments or on the net increase in the fair value of private equity investments.

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

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

Alternative investments at June 30, 2012, are summarized as follows (in thousands):

	Cost	Fair Value	Unrealized Holding Gains/(Losses)
Real return	$ 2,590,826	$ 2,924,216	$ 333,390
Absolute return	2,167,773	2,418,605	250,832
Private equity	1,524,201	1,712,867	188,666
Infrastructure	829,378	863,240	33,862
Distressed and mezzanine debt	1,074,563	1,163,583	89,020
Total alternative investments	$ 8,186,741	$ 9,082,511	$ 895,770

As of June 30, 2012, the APFC, on behalf of the Fund, had outstanding future funding commitments of: $1.4 billion for private equity; $787 million for infrastructure; and $344 million for distressed and mezzanine debt investments combined. Many alternative investments have liquidity constraints and may not be available for cash withdrawal until a specified period of time has elapsed.

Emerging Markets Total Opportunities

In FY 11, the APFC added two emerging market multi-asset class mandates; portfolios that will invest across the spectrum of liquid securities: stocks, bonds and currency. This flexibility gives the managers the ability to select the most advantageous publicly traded investments from both a risk and return perspective without the limitation of security type.

Emerging market mandates at June 30, 2012 are summarized as follows (in thousands):

	Cost	Fair Value	Unrealized Holding Gains/(Losses)
Emerging Markets Total Opportunities	$ 599,504	$ 524,814	$ (74,690)

Alaska Certificates of Deposit

State regulations and APFC investment policy authorize the APFC 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. The certificates of deposit are secured by collateral consisting of letters of credit from the Federal Home Loan Bank or pooled mortgage securities issued by U.S. government sponsored enterprises.

Securities Lending

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

Cash collateral received for loaned securities is reported on the Fund's balance sheets and invested by the Bank on behalf of the Fund. As of June 30, 2012, such investments were in overnight repurchase agreements that had a weighted-average-maturity of one day. The average term of the loans was also one day. At June 30, 2012, the value of securities on loan is as follows (in thousands):

Fair Value of Securities on Loan	$ 3,104,391
Cash Collateral	3,334,722

The Fund receives 80 percent of earnings derived from securities lending transactions, and the Bank retains 20 percent. During the year ended June 30, 2012, the Fund incurred no losses from securities lending transactions. The Fund received income of $6,691 thousand from securities lending for the year ended June 30, 2012, which is recorded in real estate and other income on the statements of revenues, expenditures and changes in fund balances.

Investment Income by Source

Investment income during the year ended June 30, 2012, is summarized as follows (in thousands):

Interest	
Marketable Debt Securities	$ 288,524
Alaska Certificates of Deposit	1,848
Short-term Domestic and Other	6,898
Total Interest	$ 297,270
Dividends	
Domestic Stocks	$ 237,253
Non-domestic Stocks	239,112
Total Dividends	$ 476,365
Real Estate and Other Income	
Directly Owned Real Estate Interest	$ 1
Directly Owned Real Estate Net Rental Income	155,719
Real Estate Investment Trust Dividends	11,089
Real Return Interest and Dividends	26,641
Absolute Return Management Expenses, Net of Dividend and Interest Income	(16,881)
Distressed and Mezzanine Debt Interest Income, Net of Fees	28,850
Infrastructure Interest and Dividend Income, Net of Fees	2,615
Private Equity Management Expenses Net of Dividend Income	(2,020)
Class Action Litigation Income	1,695
Loaned Securities, Commission Recapture and Other Income	7,058
Total Real Estate and Other Income	$ 214,767

Foreign Exchange Contracts Futures and Off-Balance Sheet Risk

Certain APFC external investment managers enter into foreign currency forward exchange contracts (FX forward contracts) to buy and sell specified amounts of foreign currencies for the Fund at specified rates and future dates for the purpose of managing or optimizing foreign currency exposure. The maturity periods for outstanding contracts at June 30, 2012 ranged between two and 157 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, 2012 is limited to the difference between contractual rates and forward market rates determined at the end of the fiscal year.

Activity and balances related to FX forward contracts for FY 12 are summarized as follows (in thousands):

Face Value of FX Forward Contracts	$ 2,712,297
Net Unrealized Holding Losses on FX Forward Contracts	(9,633)
Fair Value of FX Forward Contracts	$ 2,702,664
Change in Unrealized Holding Losses	$ (4,250)
Realized Gains	47,696
Net Increase in Fair Value of FX Forward Contracts	$ 43,446

Certain APFC equity investment managers are permitted to trade in equity index futures for the Fund's account, and beginning in FY 12, the internal fixed income management team began trading U.S. Treasury index futures. Equity index futures are traded in both domestic and non-domestic markets based on an underlying stock exchange value. Equity and fixed income index futures are settled with cash for the net difference between the trade price and the settle price.

Activity and balances related to equity index futures for FY 12 is summarized as follows (in thousands):

Face Value of Equity Index Futures	$ 124,318
Net Unrealized Holding Gains on Futures	12,280
Fair Value of Equity Index Futures	$ 136,598
Change in Unrealized Holding Gains	$ 7,146
Realized Losses	(25,045)
Net Decrease in Fair Value of Futures	$ (17,899)

Activity and balances related to U.S. Treasury index futures for FY 12 is summarized as follows (in thousands):

Face Value of U.S. Treasury Index Futures	$ 81,372
Net Unrealized Holding Losses on Futures	(932)
Fair Value of U.S. Treasury Index Futures	$ 80,440
Change in Unrealized Holding Losses	$ (932)
Realized Gains	43
Net Decrease in Fair Value of U.S. Treasury Futures	$ (889)

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

NOTE 5 – CAPITAL ASSETS

PRIMARY GOVERNMENT

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

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

	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
Intangible Assets and Computer Software	500,000	3-7		
Building Improvements	100,000	1-50	All	5-40
Machinery/equipment	100,000	3-60	5,000	5-10
Construction in Progress				

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

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

Capital asset activities for the fiscal year ended June 30, 2012, are as follows (in millions):

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Intangible - Easements and Right-of-Way	$ 522	$ 23	$ -	$ 545
Land	322	1	-	323
Construction in progress	1,516	464	(613)	1,367
Total capital assets not being depreciated	2,360	488	(613)	2,235
Capital assets being depreciated:				
Buildings	1,643	159	(76)	1,726
Intangible - Software	49	4	-	53
Equipment	856	58	(14)	900
Infrastructure	6,242	444	(2)	6,684
Total capital assets being depreciated	8,790	665	(92)	9,363
Less accumulated depreciation for:				
Buildings	(515)	(32)	11	(536)
Intangible - Software	(43)	(3)	-	(46)
Equipment	(423)	(45)	12	(456)
Infrastructure	(3,766)	(307)	3	(4,070)
Total accumulated depreciation	(4,747)	(387)	26	(5,108)
Total capital assets being depreciated, net	4,043	278	(66)	4,255
Capital assets, net	$ 6,403	$ 766	$ (679)	$ 6,490

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	$ 1	$ -	$ 31
Construction in progress	60	66	(56)	70
Total capital assets not being depreciated	90	67	(56)	101
Capital assets being depreciated:				
Buildings	994	41	-	1,035
Equipment	82	7	-	89
Infrastructure	740	31	-	771
Total capital assets being depreciated	1,816	79	-	1,895
Less accumulated depreciation for:				
Buildings	(256)	(29)	-	(285)
Equipment	(51)	(5)	(1)	(57)
Infrastructure	(333)	(26)	-	(359)
Total accumulated depreciation	(640)	(60)	(1)	(701)
Total capital assets being depreciated, net	1,176	19	(1)	1,194
Capital assets, net	$ 1,266	$ 86	$ (57)	$ 1,295

The following relates to the land owned by the State:

The total state entitlement amounts to approximately 105.7 million acres, 102.5 million of which was received through the Statehood Act. In accordance with the Alaska Statehood Act section 6(g), Alaska Native Claims Settlement Act, and the Alaska National Interest Lands Conservation Act, section 906(c), 100.4 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	$ 5
Education	2
Health and Human Services	1
Law and Justice	3
Natural Resources	4
Development	1
Public Protection	6
Transportation	316
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.	27
Total Depreciation Expense – Governmental Activities	$ 365
Business-type Activities	
Enterprise	$ 60

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, 2012 (in millions):

	Beginning Balance (restated)	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Intangible - Easements and Right-of-Way	$ 8	$ -	$ -	$ 8
Land	86	4	-	90
Library, media, and museum collections	59	1	-	60
Construction in progress	189	319	(145)	363
Infrastructure	11	-	-	11
Total capital assets not being depreciated	353	324	(145)	532
Capital assets being depreciated/depleted:				
Intangible - Software	1	-	-	1
Intangible - Right of Use	21	-	-	21
Land	4	-	-	4
Buildings	1,555	77	(2)	1,630
Equipment	555	35	(14)	576
Infrastructure	1,357	49	-	1,406
Total capital assets being depreciated/depleted	3,493	161	(16)	3,638
Less accumulated depreciation/depletion for:				
Intangible - Right of Use	(3)	(1)	-	(4)
Buildings	(774)	(53)	-	(827)
Equipment	(302)	(33)	13	(322)
Infrastructure	(514)	(48)	-	(562)
Total accumulated depreciation/depletion	(1,593)	(135)	13	(1,715)
Total capital assets being depreciated/depletion, net	1,900	26	(3)	1,923
Capital assets, net	$ 2,253	$ 350	$ (148)	$ 2,455

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.

One component unit restated beginning balances for capital assets displayed in the table above. Subsequent to year-end, the Alaska Mental Health Trust Authority determined that a building acquired in FY 11 should have been accounted for as an investment in real estate under GASB 52 – *Land and Other Real Estate as Investments by Endowments*. See Note 3 for further information on this restatement.

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 12 totaling $1,605 thousand and $1,884 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, 2012 is as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Bond Anticipation Notes	$ -	$ 3,488	$ 3,488	$ -

LONG-TERM LIABILITIES

The following table summarizes changes in long-term liabilities for the fiscal year ended June 30, 2012 (in thousands):

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue bonds payable	$ 422,536	$ 32,827	$ 41,218	$ 414,145	$ 3,931
General obligation debt	655,633	205,595	251,267	609,961	63,747
Capital leases payable	392,636	10,278	43,398	359,516	22,420
Unearned & deferred revenue	344,486	38,492	3,324	379,654	40,478
Certificates of participation	39,600	-	28,225	11,375	6,465
Compensated absences	161,198	156,821	147,802	170,217	141,876
Claims and judgments	74,790	58,240	34,780	98,250	37,200
Pollution Remediation	74,032	40,911	6,844	108,099	12,516
Other noncurrent liabilities	1,083	48	193	938	533
Net pension obligation	2,182	679	-	2,861	-
Total	$2,168,176	$ 543,891	$ 557,051	$2,155,016	$ 329,166

The Sport Fishing Refunding Revenue Bonds issued in December 2011 were used to refund certain outstanding sport fish revenue bonds the state previously issued in 2006. The State issued $29.9 million in Revenue Bonds to refund $31.8 million of outstanding Revenue Bonds. The issuance of the new bonds achieved a total debt service savings of $5.3 million and a net present value savings of over $2.7 million.

The General Obligation Refunding Bond Series 2012A were issued in February 2012 to refund a portion of the State's General Obligation Bonds, Series 2003A. The State issued $175.6 million of General Obligation Bonds to refund $193 million of outstanding General Obligation Bonds. The issuance of the new bonds achieved a total debt service savings of $33.0 million and a net present value savings of approximately $27.1 million.

A capital lease obligation of the State was diminished through the extinguishment of $20.6 million of optionally redeemable lease revenue bonds of the Municipality of Anchorage in October 2011.

Optionally redeemable obligations of three state certificates of participation issues totaling $22 million par amount were extinguished in November 2011.

An FY 12 General Fund appropriation of $150 million replaced authority to issue general obligation bonds approved in 2008, and extinguished the ability to incur this previously approved debt.

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

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

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

Business-type Activities	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue bonds payable	$ 593,597	$ -	$ 14,018	$ 579,579	$ 13,740
Unearned & deferred revenue	4,249	-	3,466	783	783
Compensated absences	4,499	4,001	3,730	4,770	3,515
Claims and judgements	260	-	260	-	-
Pollution Remediation	1,313	50	50	1,313	175
Other noncurrent liabilities	327	-	327	-	-
Total	$ 604,245	$ 4,051	$ 21,851	$ 586,445	$ 18,213

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, 2012, the following were the general obligation bond debt outstanding (in millions):

Year Ending June 30	Principal	Interest	Total
2013	$ 57.2	$ 25.9	$ 83.1
2014	60.5	23.8	84.3
2015	29.7	22.4	52.1
2016	30.7	21.4	52.1
2017	96.7	20.1	116.8
2018-2022	53.5	81.2	134.7
2023-2027	67.2	60.8	128.0
2028-2032	135.3	30.1	165.4
2033-2037	45.0	2.5	47.5
Total debt service requirements	575.8	$ 288.2	$ 864.0
Unamortized bond premium	34.2		
Total principal outstanding	$ 610.0		

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. The Series 2010 A, B, and C Bonds were issued for the purpose of paying $200,000,000 of the costs of State education projects. The Series 2012A Bonds were issued for the purpose of refunding $191,410,000 on the 2003A Series Bonds.

Federal subsidies related to the interest payments made during the year on the bonds were $5.4 million.

The amount of General Obligation Bonds authorized but not issued at June 30, 2012 was $198.8 million.

REVENUE BONDS

As of June 30, 2012, the following were the revenue bonds outstanding (in millions):

	Governmental Activities		Business-Type Activities	
Year Ending June 30	Principal	Interest	Principal	Interest
2013	$ 3.5	$ 19.7	$ 13.7	$ 27.5
2014	12.8	19.5	14.4	26.9
2015	13.6	19.0	20.6	26.1
2016	14.3	18.4	21.7	25.1
2017	12.0	17.7	21.4	24.1
2018-2022	40.6	82.1	153.6	99.2
2023-2027	49.0	71.2	194.9	55.7
2028-2032	43.9	59.9	100.4	15.3
2033-2037	56.8	47.7	26.2	3.3
2038-2042	75.8	31.8	-	-
2043-2047	91.8	135.4	-	-
Total debt service requirements	414.1	$ 522.4	566.9	$ 303.2
Unamortized bond (discounts)/premiums	(5.1)		12.7	
Plus accreted value	5.2		-	
Total principal outstanding	$ 414.2		$ 579.6	

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, 2012 includes $368.6 million in principal, $504.1 million in interest, $7.9 million in unamortized discount, and $5.2 million in accreted value on the Series 2006B and Series 2006C Bonds.

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 full faith and credit to the payment of the bonds. Sport Fishing revenue bond total at year end includes $45.5 million in principal, $18.3 million in interest, and $2.8 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. There are $23.2 million of bonds authorized by the Alaska Legislature that have not been issued. This debt is reported in the Business-type Activities column of the Government-wide Statement of Net Assets. No International Airports Revenue Bonds were refunded during FY 12. At June 30, 2012 there was no bond interest arbitrage rebate liability. Federal subsidies related to the interest payments made during the year on Build American Bonds were $430 thousand.

C. CAPITAL AND OPERATING LEASES

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

Governmental Activities	Operating	Capital Leases		
Year Ending June 30	Leases	Principal	Interest	Total
2013	$ 36.6	$ 22.4	$ 18.9	$ 41.3
2014	27.8	22.7	17.8	40.5
2015	20.2	22.9	16.7	39.6
2016	16.0	20.4	15.6	36.0
2017	10.5	19.5	3.7	23.2
2018-2022	19.2	86.1	61.2	147.3
2023-2027	4.4	71.6	41.5	113.1
2028-2032	1.8	75.7	21.2	96.9
2033-2037	0.8	17.3	2.3	19.6
2038-2042	0.2	-	0.3	0.3
2043-2047	0.2	-	0.3	0.3
2048-2052	0.2	-	0.3	0.3
2053-2057	0.3	-	0.3	0.3
2058-2062	1.7	0.9	1.2	2.1
Total	$ 139.9	$ 359.5	$ 201.3	$ 560.8

Leases at June 30, 2012 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, 2012 include the following (in thousands):

	Governmental Activities	Business-Type Activities
Buildings	$ 393,567	$ -
Equipment	9,347	-
Less: Accumulated Depreciation	(43,398)	-
	$ 359,516	$ -

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, 2012 (in millions):

Governmental Activities	Certificates of Participation		
Year Ending June 30	Principal	Interest	Total
2013	$ 6.5	$ 0.5	$ 7.0
2014	1.6	0.2	1.8
2015	1.6	0.2	1.8
2016	1.7	0.1	1.8
Total	$ 11.4	$ 1.0	$ 12.4

E. DISCRETELY PRESENTED COMPONENT UNITS

Debt service requirements are (in millions):

Year Ending June 30	Principal	Interest	Total
2013	$ 202.1	$ 168.3	$ 370.4
2014	264.2	160.2	424.4
2015	166.5	152.4	318.9
2016	148.4	101.9	250.3
2017	200.0	181.4	381.4
2018-2022	825.1	577.6	1,402.7
2023-2027	693.5	404.7	1,098.2
2028-2032	686.9	248.0	934.9
2033-2037	532.0	122.1	654.1
2038-2042	317.6	28.2	345.8
2043-2047	59.0	0.8	59.8
Total debt service requirements	4,095.3	$ 2,145.6	$ 6,240.9
Unamortized (discounts)/premiums	19.3		
Unamortized swap termination penalty	(17.2)		
Deferred amount on refunding	(20.0)		
Total principal outstanding	$ 4,077.4		

The preceding table does not include $813 thousand of Alaska Energy Authority arbitrage interest payable.

F. ALASKA HOUSING FINANCE CORPORATION DERIVATIVES

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

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

The fair value amounts, obtained from mark to market statements from the respective counterparties and reconciled to present value calculations done by AHFC, represent mid-market valuations that approximate the current economic value using market averages, reference rates, and/or mathematical models. Actual trade prices may vary significantly from these estimates as a result of various factors, which may include (but are not limited to) portfolio composition, current trading intentions, prevailing credit spreads, market liquidity, hedging costs and risk, position size, transaction and financing costs, and use of capital profit. The fair value represents the current price to settle swap asset or liabilities in the marketplace if a swap were to be terminated.

AHFC’s interest rate swaps require that if the ratings on the associated bonds fall to BBB+/Baa1, AHFC would have to post collateral of up to 100 percent of the swaps’ fair value. As of June 30, 2012, AHFC has not posted any collateral and is not required to post any collateral.

HEDGING DERIVATIVES

The significant terms and credit ratings of AHFC’s hedging derivatives as of June 30, 2012, are shown below:

Related Bond Issue	Effective Dates	Fixed Rate Paid	Variable Rate Received	SWAP Termination Date	Counterparty Credit Rating [7]
GP01A [1]	12/1/2008	2.4530%	67% of 1M LIBOR [4]	12/1/2030	A+/Aa3
GP01B	8/2/2001	4.1427%	67% of 1M LIBOR	12/1/2030	AAA/Aa3
E021A1 [2]	10/9/2008	2.9800%	70% of 3M LIBOR [5]	6/1/2032	AAA/Aa1
E021A2	10/9/2008	3.4480%	70% of 1M LIBOR	12/1/2036	AAA/Aa3
SC02C [3]	12/5/2002	4.3030%	SIFMA [6] +0.115%	7/1/2022	A+/Aa1
E071AB	5/31/2007	3.7345%	70% of 3M LIBOR	12/1/2041	AAA/Aa1
E071BD	5/31/2007	3.7200%	70% of 3M LIBOR	12/1/2041	A+/Aa1
E091A	5/28/2009	3.7610%	70% of 3M LIBOR	12/1/2040	A/A1
E091B	5/28/2009	3.7610%	70% of 3M LIBOR	12/1/2040	AAA/Aa1
E091ABD	5/28/2009	3.7400%	70% of 3M LIBOR	12/1/2040	A+/Aa1

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

The change in fair value and ending balance of AHFC's hedging derivatives as of June 30, 2012, is shown below (in thousands). The fair value is reported as a deferred outflow/inflow of resources in the Statement of Net Assets.

Related Bond Issue	Notional Amounts	Present Values	Fair Values June 30, 2012	Fair Values June 30, 2011	Change in Fair Values
GP01A	$ 57,865	$ 64,284	$ (6,419)	$ (1,025)	$ (5,394)
GP01B	70,715	90,021	(19,306)	(12,628)	(6,678)
E021A1	44,540	51,937	(7,397)	(2,469)	(4,928)
E021A2	98,985	107,749	(8,764)	(4,797)	(3,967)
SC02C	60,250	69,939	(9,689)	(7,171)	(2,518)
E071AB	143,622	192,144	(48,522)	(21,818)	(26,704)
E071BD	95,748	127,714	(31,966)	(13,955)	(18,011)
E091A	72,789	98,022	(25,233)	(11,238)	(13,995)
E091B	72,789	98,056	(25,267)	(11,375)	(13,892)
E091ABD	97,052	130,246	(33,194)	(14,460)	(18,734)
Total	$ 814,355	$ 1,030,112	$ (215,757)	$ (100,936)	$ (114,821)

As of June 30, 2012, debt service requirements of AHFC's outstanding variable-rate debt and net swap payments are displayed in the following schedule (in thousands). As interest rates vary, variable-rate bond interest payments and net swap payments will also vary.

Year Ending June 30	Outstanding Variable-Rate Debt Principal	Outstanding Variable-Rate Debt Interest	Swap Net Payment	Total Payment
2013	12,470	1,927	27,347	41,744
2014	13,020	1,906	26,911	41,837
2015	13,570	1,884	26,455	41,909
2016	14,160	1,861	25,980	42,001
2017	17,200	1,837	25,485	44,522
2018-2022	129,935	8,479	116,141	254,555
2023-2027	150,840	6,895	91,626	249,361
2028-2032	169,685	5,031	64,954	239,670
2033-2037	166,540	2,994	37,423	206,957
2038-2042	126,935	874	10,123	137,932
	$ 814,355	$ 33,688	$ 452,445	$ 1,300,488

Interest Rate Risk

AHFC is exposed to interest rate risk on all of its interest rate swaps. As LIBOR or the SIFMA index decreases, AHFC's net payment on the swaps increases.

Credit Risk

As of June 30, 2012, AHFC is not exposed to credit risk on any of the swaps because the swaps all have negative fair values. If interest rates rise and the fair value of the swaps 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 to BBB+/Baa1. AHFC currently has swap agreements with five separate counterparties. Approximately 32 percent of the total notional amount of the swaps is held with one counterparty rated AAA/Aa1. Another 31 percent of the total notional amount of the swaps is held with one counterparty rated A+/Aa1. Of the remaining swaps, one counterparty is rated AAA/Aa3, another counterparty is rated

A/A1, and the remaining counterparty is rated A+/Aa3, approximating 21 percent, 9 percent, and 7 percent respectively, of the total notional amount of the swaps.

Basis Risk

All of AHFC's variable-rate bond interest payments are based on the tax exempt SIFMA index. Therefore, AHFC is exposed to basis risk on swaps where the variable payment received on the swaps is based on a taxable LIBOR index and does not fully offset the variable rate paid on the bonds, which is based on the SIFMA index. The SC02C swap is based on the SIFMA index and thus is not exposed to any basis risk. As of June 30, 2012, SIFMA was 0.18 percent and 1 month LIBOR was 0.24525 percent, resulting in a SIFMA/LIBOR ratio of 73.4 percent. The 3 month LIBOR was 0.4606 percent resulting in a SIFMA/LIBOR ratio of 39.1 percent. The SIFMA/LIBOR ratios have fluctuated since the agreements became effective but the anticipated cost savings from the swaps increases as the ratios decrease.

Termination Risk

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

In fiscal year 2009, three swaps were terminated because of bankruptcy events with the counterparties, resulting in AHFC making termination payments totaling $22,181 thousand to the counterparties. AHFC replaced the swaps with new swaps that had provisions that resulted in a lower cost overall on the underlying debt. The termination payments were deferred and are being amortized to interest expense over the life of the bonds related to those terminated swaps.

Rollover Risk

Rollover risk occurs when there is a mismatch in the amortization of the swap versus the amortization of the floating rate bonds. AHFC has structured the swaps to amortize at the same rate as scheduled or anticipated reductions in the associated floating rate bonds outstanding. The E021A swaps were set up in several tranches of various sizes that can be cancelled to parallel the redemption of debt from mortgage prepayments. In addition, the GP01A and GP01B swaps cover only a portion of the total debt issuance, allowing any increase in the speed of mortgage prepayments to be directed to the unswapped portion of the debt.

<u>INVESTMENT DERIVATIVES</u>

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

The significant terms and credit ratings of AHFC's investment derivatives as of June 30, 2012, are shown below:

Related Bond Issue	Effective Dates	Fixed Rate Paid	Variable Rate Received	SWAP Termination Date	Counterparty Credit Rating
SC02B	12/5/2002	3.77%	70% of 1M LIBOR	7/1/2024	A+/Aa1

The change in fair value of the investment derivatives as of June 30, 2012, is shown below (in thousands) and is presented as a net change of hedge termination line in the Statement of Revenues, Expenses, and Changes in Net Assets.

Related Bond Issue	Notional Amounts	Present Values	Fair Values June 30, 2012	Fair Values June 30, 2011	Change in Fair Values
SC02B	$ 14,555	$ 18,278	$ (3,723)	$ (1,958)	$ (1,765)

Credit Risk

As of June 30, 2012, AHFC was not exposed to credit risk on this outstanding swap because the swap had a negative fair value. If interest rates rise and the fair value of the swap becomes positive, AHFC would be exposed to credit risk in the amount of the swaps' fair value. The swap agreement requires the counterparty to fully collateralize the fair value amount of the swap should the counterparty's rating fall to BBB+/Baa1. The counterparty on this swap is rated A+/Aa1.

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

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

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

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

At June 30, 2012 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 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, 2012 was capped at 22 percent of compensation.

The state's contributions to PERS-DB for the fiscal years ended June 30, 2012, 2011 and 2010 were $201.2, $237.7, and $233.1 million respectively for the year. For the FY 12 contributions, $90.7 million was for pensions and $110.5 million was for postemployment benefits. The contributions were equal to the required contributions in FY 12.

Alaska Statute 39.35.280 requires that additional state contributions are required each July 1 or as soon after July 1 as funds become available for the ensuing fiscal year that when combined with the total employer contributions is sufficient to pay the PERS-DB past service liability at the contribution rate adopted by the Alaska Retirement Management Board (ARMB) for that fiscal year.

Chapter 3 FSSLA 2011 appropriated $242.6 million from the General Fund to the PERS-DB as an additional state contribution for FY 12. The portion of this payment attributable to State of Alaska employers is $142,164 thousand, of which $76,712 thousand is for pensions and $65,452 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 and all other employees with 30 years of membership service also receive benefits at no premium cost.

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

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

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

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

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

At June 30, 2012 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 1.11 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. The employer rate for the State of Alaska for the year ended June 30, 2012 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, 2012, 2011, and 2010 were $5.7, $6.0, and $6.1, million respectively, equal to the required contributions for each year. For the FY 12 contributions, $3.0 million was for pensions and $2.7 million was for postemployment benefits. The contributions were equal to the required contributions in FY 12.

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

Chapter 3 FSSLA 2011 appropriated $234.5 million from the General Fund to the TRS-DB as an additional state contribution for FY 12. The portion of this payment attributable to State of Alaska employers is $15,197 thousand, of which $10,199 thousand is for pensions and $4,998 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.

The Judicial Retirement System (JRS)

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

Prior to July 1, 1997, postemployment healthcare benefits were provided by the payment of premiums to an insurance company. Beginning July 1, 1997, the Retiree Health Fund (RHF), a pension trust fund of the State, was established. The RHF is self-funded and originally provided major medical, dental, vision, audio, and long-term care coverage to retirees of the PERS-DB, TRS-DB, JRS and EPORS Plans. Due to the establishment of the Alaska Retiree Health Care Trust effective

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

Senate Bill 123 was passed during the 2007 legislative session and which created the 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.

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

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

Members contribute seven percent of their compensation to JRS. The contributions are deducted before federal income tax is withheld. Contributions are not required after members have made contributions for 15 years, or from members first appointed before July 1, 1978.

The JRS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual-covered payroll, are sufficient to accumulate assets to pay benefits when due. The employer rate for the State of Alaska for the year ended June 30, 2012, was 47.58 percent of compensation. Total contributions for FY 12 were $5 million for pensions, and $1 million for postemployment benefits.

Included in these amounts is $2.3 million appropriated in Chapter 3 FSSLA 2011 from the General Fund to JRS as an additional state contribution for FY 12.

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
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%)
2010	115,000	164,524	(49,524)	69.9%	11,846	(418.1%)

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
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%)
2010	19,694	22,346	(2,652)	88.1%	11,846	(22.4%)

The actuarial valuation as of June 30, 2010 set the contribution rates for the year ended June 30, 2012. The State of Alaska's net pension obligation for FY 12 follows (in thousands):

	Pension	OPEB
Annual Required Contribution	$ 5,237	$ 1,433
Interest on net pension asset	127	53
Adjustment to annual required contribution	(108)	(45)
Annual Pension Cost (APC)/OPEB Cost (AOC)	5,256	1,441
Contributions Made	(5,046)	(972)
Increase in Obligation	210	469
Net Pension Obligation/(Asset) Beginning of Year	1,541	641
Net Pension Obligation/(Asset) End of the Year	$ 1,751	$ 1,110

Three year trend information for these obligations follows (in thousands):

Pension	Year Ended June 30	APC	Percentage of APC Contributed	Net Pension Obligation /(Asset)
	2010	$ 5,248	71.0%	$ 751
	2011	5,246	85.0%	1,541
	2012	5,255	96.0%	1,751

OPEB	Year Ended June 30	AOC	Percentage of AOC Contributed	Net OPEB Obligation /(Asset)
	2010	$ 1,443	55.4%	$ (82)
	2011	1,432	49.4%	642
	2012	1,441	67.5%	1,110

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.

Chapter 3 FSSLA 2011 appropriated $13 thousand from the General Fund to the NGNMRS's as an additional state contribution for FY 12.

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
2006	$ 15,588	$ 25,458	$ (9,870)	61.2%
2008	28,371	28,905	(534)	98.2%
2010	32,001	30,034	1,966	106.5%

The actuarial valuation as of June 30, 2010 set the contribution rates for the year ended June 30, 2012. The State of Alaska's net pension obligation for FY 12 follows:

Annual Required Contribution	$	2,415,077
Interest on net pension asset		(30,019)
Adjustment to annual required contribution		57,369
Annual Pension Cost (APC)		2,442,427
Contributions Made		(2,603,300)
Decrease in Net Pension Asset		(160,873)
Net Pension Obligation/(Asset) Beginning of Year		(363,871)
Net Pension Obligation/(Asset) End of the Year	$	(524,744)

Three year trend information for pension obligations follows (in thousands):

Year Ended June 30	APC	Percentage of APC Contributed	Net Pension Obligation /(Asset)
2010	$ 2,415	107.8%	(190)
2011	2,415	107.2%	(364)
2012	2,415	106.6%	(525)

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, 2012, 2011, and 2010 was $2.0 million, $2.0 million, and $2.1 million. In FY12 there was no covered payroll. 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, 2010.

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
2006	$0	$16,265	$(16,265)	0.0%
2008	0	22,194	(22,194)	0.0%
2010	0	19,551	(19,551)	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)	Funding Excess (FE)/(Unfunded Actuarial Accrued Liabilities) (UAAL)	Funded Ratio
2006	$0	$2,983	$(2,983)	0.0%
2008	0	5,168	(5,168)	0.0%
2010	0	4,707	(4,707)	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.

Three year trend information for these obligations follows (in thousands):

Pension	Year Ended June 30	APC	Percentage of APC Contributed	Net Pension Obligation /(Asset)
	2010	1,617	100.0%	-
	2011	1,510	100.0%	-
	2012	1,501	100.0%	-

OPEB	Year Ended June 30	AOC	Percentage of AOC Contributed	OPEB Obligation /(Asset)
	2010	463	100.0%	-
	2011	483	100.0%	-
	2012	505	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	$11,299,831
Teachers' Retirement System	4,649,915
Judicial Retirement System	127,536
Alaska National Guard and Alaska Naval Militia Retirement System	32,701

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 most recent valuation report date.

	PERS	TRS	JRS	NGNMRS	EPORS
	6/30/11	6/30/11	6/30/11	6/30/10	6/30/10
Retirees & beneficiaries receiving benefits & Terminated members with future benefits	33,773	11,868	103	1,798	37
Current active employees:					
Vested	21,640	5,911	45	*	-
Nonvested	2,753	1,392	27	4,085	-
Total	58,166	19,171	175	5,883	37

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

FUNDING STATUS AND PROGRESS

Actuarial Method and Assumptions

The objective under the entry age normal actuarial funding method is to fund each participant's benefits under the Plan as a level percentage of covered compensation, starting at original participation date, and continuing until the assumed retirement, disability, termination, or death. On introduction, this method produces a liability which represents the contributions which would have been accumulated had this method always been in effect. This liability is generally funded over a period of years as a level percentage of compensation. This component is known as the Amortization Cost Percentage. The total employer 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 Rate of Return	Actuarial Cost Method	Amortization Method	Equivalent Single Amorization Period	Salary Scale Increase	Valuation Date
PERS	8% Includes Inflation at 3.12%	Entry age normal; level percentage of pay for pension; level dollar for healthcare	Level dollar, closed	18 years	Peace Officer/Firefighter: Merit –2.75% per year for the first 4 years of employment, grading down to 0.5% at 7 years and thereafter. Productivity – 0.5% per year. Others: Merit – 6.00% per year grading down to 2.00% after 5 years; for more than 6 years of services, 1.50% granding down to 0% Productivity – 0.5% per year.	6/30/2011
TRS	8% Includes Inflation at 3.12%	Entry age normal; level percentage of pay for pension; level dollar for healthcare	Level dollar, closed	18 years	6.11% for first 5 years of service grading down to 3.2% after 20 years	6/30/2011
JRS	8% Includes Inflation at 3.12%	Entry age normal; level percentage of pay for pension; level dollar for healthcare	Level dollar, closed	21 years	4.12%	6/30/2010
NGNMR	7% Includes Inflation at 3.12%	Entry age normal	Level dollar, open	20 years less average military service of active members	None	6/30/2010
EPORS	4.75% Includes Inflation at 3.12%	Entry age	Level dollar basis	25 years	None	6/30/2010

		Health Care Inflation	
		Medical	Rx
For all systems above:	FY12	6.40%	7.10%
	FY13	5.90%	5.90%

For PERS assets are at fair value, with 20 percent of the investment gains or losses recognized in each of the current and preceding four years. For 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. 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 method is being phased in over 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.

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 $797.4 thousand in FY 12.

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, 2012, there were 160 employers participating in PERS-DCR. There were no retirees or beneficiaries currently receiving benefits, 778 terminated plan members entitled to future benefits, and 12,865 active members, of which 11,952 are general employees and 913 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 12 for each member's compensation was 0.48 percent for medical coverage and 0.14 percent for death and disability (0.99 percent for peace officers and firefighters). HRA is $154.04 per month for full time employees and $1.18 per hour for part time employees.

The PERS pension contributions for the year ended June 30, 2012 by the employees were $24,428 thousand and the State of Alaska employers were $15,268 thousand. The PERS other postemployment contributions for the year ended June 30, 2012 were $12,155 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, 2012 is $339,301 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, 2012, there were 58 employers participating in TRS-DCR. There were no retirees or beneficiaries currently receiving benefits, 634 terminated plan members entitled to future benefits, and 3,128 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 12 for each member's compensation was 0.49 percent for medical coverage, zero percent for death and disability. HRA is $154.04 per month for full-time employees and $1.18 per hour for part-time employees.

The TRS pension contributions for the year ended June 30, 2012 by the employees were $428 thousand and the State of Alaska employers were $374 thousand. The TRS other postemployment contributions for the year ended June 30, 2012 were $192 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, 2012 is $142,400 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 which have elected to participate in the program, are covered under the Alaska Supplemental Benefits System (SBS). SBS is comprised of the Supplemental Annuity Plan and the Supplemental Benefits 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, 2012, there were twenty other employers participating in SBS. There were approximately 40,000 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, 2012, were $136,843 thousand. The State's covered payroll was approximately $1,116,174 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, 2012, were $3,508 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, 2012. Participant accounts under the Supplemental Annuity Plan are self-directed with respect to investment options. Each participant designates how contributions are allocated among the investment options. Each participant's account is credited with the contributions, the increase or decrease in unit value for the investment funds, and reduced for administrative fees.

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 $1,113 thousand in FY 12.

NOTE 9 – DEFERRED COMPENSATION PLAN

The State of Alaska Deferred Compensation Plan was created by Alaska statutes. It is a deferred compensation plan under Section 457 of the Internal Revenue Code. It is available to all permanent and long-term non-permanent employees, and elected officials of the State (and with the March 1, 2006 amendment, members of State of Alaska boards and commissions) who have completed a pay period of employment. Participants authorize the State to reduce their current salary so that they can receive the amount deferred at a later date. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency, within the definition allowed by the applicable Internal Revenue Code. As of December 31, 2011 the Deferred Compensation Plan had approximately 9,800 participants.

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

The Division of Retirement and Benefits is responsible for Deferred Compensation Plan administration and record-keeping. The Alaska Retirement Management Board is responsible for the specific investment of monies in the Deferred Compensation Plan.

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

Deferred Compensation Plan net assets as of December 31, 2011 were $601,310 thousand. The Deferred Compensation Plan is reported in the accompanying financial statements as a pension (and other employee benefit) trust fund.

NOTE 10 – INTERFUND TRANSACTIONS

The following schedules summarize individual interfund receivable and payable balances at June 30, 2012, 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	International Airports	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
General Fund	$ -	$ 4,852	$ 7	$ 414	$ 4,211	$ 24,802	$ 34,286
Alaska Permanent Fund	622,307	-	-	-	-	-	622,307
Nonmajor Governmental Funds	17,229	-	-	-	-	-	17,229
International Airports	56,961	-	-	-	-	-	56,961
Nonmajor Enterprise Funds	1,925	-	-	-	-	-	1,925
Internal Service Funds	1,870	-	-	-	-	-	1,870
Fiduciary Funds	9,203	-	-	-	-	-	9,203
Other	3,711	-	-	1,437	869	(120)	5,897
Total	$ 713,206	$ 4,852	$ 7	$ 1,851	$ 5,080	$ 24,682	$749,678

The $622 million balance due from the Alaska Permanent Fund to the General Fund includes $565.3 million for payment of 2012 Permanent Fund dividends to qualified residents of the State and $17.1 million to be transferred to the Alaska Capital Income Fund. The balance is for administrative and associated costs of the 2012 Permanent Fund Dividend Program.

The majority of the "Other" due from Other Funds and due to Other Funds balances are attributable to FY 12 activity during the reappropriation period in July and August 2012 that caused the movement of cash balances between funds after June 30, 2012. The amounts reported as "Other" are reconciling amounts resulting from reporting differences for certain funds included in the fund financial statements at June 30, 2012.

INTERFUND TRANSFERS

	Transfers to						
Transfers From	General Fund	Nonmajor Governmental Funds	International Airports	Nonmajor Enterprise Funds	Internal Service Funds	Other	Total
General Fund	$ -	$ 285,005	$ 3,368	$ 2,550	$ 15,676	$ 75	$ 306,674
Alaska Permanent Fund	622,307	-	-	-	-	-	622,307
Nonmajor Governmental Funds	405,496	8,626	-	-	-	-	414,122
International Airports	-	-	-	-	-	-	-
Nonmajor Enterprise Funds	2,866	-	-	-	-	-	2,866
Fiduciary Funds	-	543	-	-	-	(543)	-
Total	$ 1,030,669	$ 294,174	$ 3,368	$ 2,550	$ 15,676	$ (468)	$ 1,345,969

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 $565.3 million transfer for payment of the Permanent Fund dividends and for administrative and associated costs of the dividend program and a $17.1 million transfer to the Alaska Capital Income Fund.

Transfers from Fiduciary Funds to Nonmajor Governmental Funds of $543 thousand represent interest earnings on appropriations to the Investment Loss Trust (SBS) allocated by legislation for debt service expenditures not represented on SBS audited financial statements.

The transfer from the General Fund to Nonmajor Governmental Funds includes $200 million to the Alaska Housing Capital Corporation.

Transfers from the General Fund to Other represent payments made by the State of Alaska on behalf of Knik Arm Bridge & Toll Authority (KABATA) for $75 thousand that were not recorded by KABATA within their audited financial statements. Payments represent $40 thousand for pension related expenses and $35 thousand for other post-employment benefit related expenses.

NOTE 11 – RELATED PARTY ACTIVITY

Pursuant to understanding and agreements between the Alaska Industrial Development and Export Authority (AIDEA) and Alaska Energy Authority (AEA), AIDEA provides administrative, personnel, data processing, communications and other services to AEA. AIDEA recognized revenue totaling $6,955 thousand for providing these services during the year ending June 30, 2012. At June 30, 2012 AIDEA had $5,128 thousand receivable from AEA for services and borrowings.

On September 30, 2010, pursuant to legislation and an agreement, AIDEA purchased 37 loans from AEA with an outstanding balance of $24,254 thousand, plus accrued interest, for $20,631 thousand. Under the agreement, at AIDEA's request, AEA is required to repurchase any loan upon a payment default.

On July 17, 2009, the Alaska Student Loan Corporation (ASLC) entered into a Trust and Loan Agreement with the State of Alaska Department of Revenue. The Loan Agreement provides up to $100 million to ASLC for the purposes of financing education loans. The loan is a four-year bullet loan accruing interest on the outstanding principal balance using a variable rate of interest equal to the most current rolling five-year average return on the State's General Fund. The interest rate is reset annually and was 4.16% for the year ending June 30, 2012. Interest is payable semi-annually in January and July. The loan is a limited obligation secured by pledged assets. ASLC has the right to prepay 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. Loan proceeds drawn are 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. Loan payable was $67,500 thousand at June 30, 2012.

Northern Tobacco Securitization Corporation (NTSC) entered into a memorandum of agreement with Alaska Housing Finance Corporation (AHFC) that retains AHFC as administrator with respect to the preparation of all reports and other instruments and documents that are required by NTSC to prepare, execute, file or deliver pursuant to the bond indentures and the related agreements for a monthly fee. NTSC also entered into a sub-lease agreement with AHFC for office space, overhead and operating services from AHFC for a monthly fee. The cost to NTSC for these services provided by AHFC for the year ended June 30, 2012 was approximately $9 thousand.

Alaska Gasline Development Corporation (AGDC) is a subsidiary of AHFC and utilizes certain AHFC administrative and support services and products such as general commercial liability insurance and risk management, employee medical plans, accounting and financial systems and treasury, IS equipment and software, contract support and other administrative services.

The following amounts were owed, paid or received by AHFC on behalf of AGDC in FY12: Due to AHFC as of June 30, 2011 $1,267 thousand, payments to vendors and payroll $17,940 thousand, received from State of Alaska $18,823 thousand, AGDC insurance $23 thousand for a Total Due to AHFC at June 30, 2012 of $407 thousand.

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, 2012, is $22,268 thousand. This amount was calculated using the base pay on file for each employee as of June 30, 2012. 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 12 expended for school debt was $100,908 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 $1,146,378 thousand. The State has in the past and may in the future appropriate less than the full amount to which the municipalities are entitled under statute.

C. RISK MANAGEMENT AND SELF-INSURANCE

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

Risk Management acts as the insurance carrier for each state agency, funding all sudden and accidental property and casualty claims. The annual premiums allocated by Risk Management are the maximum each agency is called upon to pay. This planning for known and catastrophic losses forestalls the need for the affected agency to request a supplemental appropriation or disrupt vital state services after a major property loss, adverse civil jury award, or significant workers' compensation claim.

By effectively managing the state's property and liability exposures through a comprehensive self-insurance program, Risk Management expends less public funds than would be paid to private insurance companies, while at the same time providing streamlined claims services utilizing professional adjusting firms located throughout Alaska.

Property insurance with all-risk (including earthquake and flood) coverage is provided on a replacement cost basis for all state-owned or leased property; buildings (including contents, museum fine arts, etc.), aircraft, watercraft (Alaska Marine Highway System ferries and other agency vessels).

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

Additional specialty coverage include blanket public employee faithful performance and custom bonding, accidental death and disability (including medical expenses) for volunteers, computer fraud and foreign liability, etc. These insurance programs continually evolve, responding to new activities and special projects undertaken by each state agency. The state has not incurred a loss in excess of its insurance program.

In FY 12, the state completely self-insured all statutory workers' compensation claims, general (premises and operations) and professional liability, and automobile liability. The State had Self-Insured Retention (SIR) levels of $1 million per claim for property, $750,000 for marine risks, and $250,000 per incident for airport and aviation liability exposures. Limits of excess insurance vary by risk: $500 million per occurrence for marine, $200 million for property, and $500 million for aviation.

Both domestic and international insurance companies and various Lloyd's of London underwriting syndicates participate in the State of Alaska's excess insurance program. Independent brokers provide marketing. The state obtains an annual independent actuarial assessment of the state insurance program as required by AS 37.05.287(b) which calculates unfunded claims and allocated loss adjustment expenses (ALAE).

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

Risk Management's budget is funded entirely through interagency receipts annually billed to each agency through a "Cost of Risk" premium allocation system. The Risk Management information system generates the annual cost of risk allocation to each agency, reflecting their proportionate share of the state's overall cost of risk. Designed to achieve equitable distribution of the self-insurance program costs, it factors exposure values subject to loss and considers the past five years actual claims experience incurred by each department.

For most cost of risk allocations, 80 percent of the premium billing is based on the average of the past five years actual claims experience. This provides a direct fiscal incentive to each agency to reduce or control their claim costs.

The program compiles a property inventory schedule of all owned or leased buildings used or occupied by state agencies, listing age and type of building construction, occupancy, fire protection services and sprinkler systems, and projected replacement cost value. Individual premiums are then determined and, in cases of multiple occupancy, allocated to each department on the basis of their square foot use.

The "Cost of Risk" premium is collected through two methods from individual state agency operating budgets. Reimbursable Services Agreements (RSAs) are used for all categories of insurance other than Workers' Compensation and Combined Liability (general, auto, and professional), which are assessed on a rate per $100 payroll applied monthly to each agency's actual payroll until the allocated premium is paid.

The table below presents changes in policy claim liabilities for the fiscal years ending June 30, 2011 and June 30, 2012. 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 3.0 percent discount interest rate for FY 11 and a 3.0 percent discount interest rate for FY 12. Claims payment amounts include allocated loss adjustment expenses (legal and adjusting). The large increase from FY11 to FY12 is due to the actuarial moving away from a Reserve Development Methodology to a Historical Based Methodology. This is thought to be a more accurate method to reflect the true liability to the State's insurance program.

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
2011	$ 72,200,927	$ 35,340,735	$ (35,074,642)	$ 72,467,020
2012	72,467,020	54,545,742	(34,565,411)	92,447,351

D. LITIGATION

The State is involved in a number of legal actions. The Department of Law estimates the probable maximum liability for the cases associated with the governmental fund types to be approximately $5,552 thousand, with an additional possible liability of $9,462 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, 2012, the Alaska Clean Water and the Alaska Drinking Water Funds are committed to funding loans for which they have entered into agreements for communities but funds have not yet been disbursed. The total amounts to be disbursed under these agreements is uncertain as not all of the loans are expected to be fully drawn and some loans may increase with changes in scope of the underlying projects; accordingly, they are not included in the financial statements for these funds. As of June 30, 2012, the Alaska Clean Water and the Alaska Drinking Water Funds have entered into binding commitments, as evidenced by signed loan agreements, for which funds remain to be disbursed totaling $68,779 thousand and $70,413 thousand respectively.

At June 30, 2012, the Alaska Energy Authority had open loan commitments of $9,819 thousand.

At June 30, 2012, the Alaska Industrial Development and Export Authority (AIDEA) had extended loan participation purchase commitments of $9,226 thousand and loan guarantees of $539 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 million. No loans have been made pursuant to this authorization.

During 2011 the State legislature appropriated $2,450 thousand to the Alaska Municipal Bond Bank Authority to issue a 15 year, one percent interest loan to the City of Galena to retire existing debt obligations and make certain utility improvements.

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.	$ 14,552	$ 5,971	$ 163	$ 42
Limited Partership				
To be paid through 2022.	604,617	248,079	6,767	-
To be paid through 2019.	28,045	11,507	314	-
Real Estate Investment				
To be paid through 2014.	69,785	27,799	716	-
	$ 716,999	$ 293,356	$ 7,960	$ 42

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 AMHTA. While an obligating event, as defined by GASBS 49 has occurred, no liability has been recognized by AMHTA because the amounts are not material to the financial statements.

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, 2011, the General Fund had pollution remediation obligations of $74,032 thousand. As of June 30, 2012, the state had an increase to the obligation of $40,911 thousand and recognized a decrease of $6,844 thousand, for an ending balance of $108,099 thousand in pollution remediation obligation related activities. The state has an estimated potential recovery of $21,753 thousand from other responsible parties.

At July 1, 2011, the International Airports Fund (IAF) reported pollution remediation liabilities of $1,313 thousand for which IAF is in whole or in part a responsible party. As of June 30, 2012 IAF had recognized a decrease of $50 thousand, an increase of $50 thousand for an ending balance of $1,313 thousand. IAF has an identified $30 thousand expected to be collected from third parties. The estimated liabilities were measured using the estimated mean of the future cash flows of costs and recovery associated with those sites, measured at current value. This accrual includes the estimated obligation for five sites. IAF has also identified 22 other sites for which it is in whole or in part a responsible party, but for which no obligating event has occurred.

At December 31, 2010, the Alaska Railroad Corporation had pollution remediation obligations of $2,316 thousand. As of December 31, 2011, the Alaska Railroad Corporation had additional obligations of $653 thousand and reductions in obligations of $950 thousand, for an ending liability of $2,019 thousand. The Alaska Railroad Corporation estimated the liability for pollution remediation by estimating a reasonable range of potential outlays and multiplying those outlays by the probability of occurrence, reduced by the allocation of liability to other potentially responsible parties where applicable. The liabilities associated with these sites could change over time due to changes in costs of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation efforts.

J. ENCUMBRANCES

The State of Alaska utilizes encumbrance accounting to identify fund obligations.

The following shows encumbrances within the restricted and committed fund balances of the governmental funds for the fiscal year ended June 30, 2012 (in thousands):

	Amount (in thousands)
General Fund	$ 1,151,694
Alaska Permanent Fund	64
NonMajor Governmental Funds	97,095
Total Encumbrances	$ 1,248,853

NOTE 13 – SUBSEQUENT EVENTS

A. ALASKA MUNICIPAL BOND BANK AUTHORITY

At the beginning of FY 13, the Alaska Municipal Bond Bank Authority (AMBBA) released the 1976 Ordinary and Special Reserve to the Custodian account due to a springing covenant that shifted the reserve requirement to the lesser of the three tests (at least 125 percent of the average annual debt service requirement). Per the 1976 resolution the Bond Bank cannot remove principal from the reserve (special or ordinary) until all reserve obligations are paid off. AMBBA has defeased the remaining principal reserve obligations of the 1976 resolution reserves and released excess funds to the Custodial Account. The amount released to the Custodial Account was in excess of $16 million.

Subsequent to June 30, 2012, the AMBBA issued a preliminary statement for the potential upcoming 2012-Series Three general obligation bond issuance in the approximate amount of $20 to $22 million. The 2012-Series Three bond proceeds are going to be used to make four loans to local governments to fund various capital improvement projects and to pay a portion of the costs of issuance of the 2012 Series Three Bonds. The issuance took place October 18, 2012.

State of Alaska Senate Bill 160 included an appropriation of $1.3 million to AMBBA for the defeasance of the Inter-Island Authority's loan obligations to the Authority. The appropriation was effective as of April 15, 2012. The appropriation is shown as a transfer from the primary government in the financial statement activity; however, the actual defeasement through the use of an escrow account was not established until July 2012.

In October 2012 the Ketchikan Gateway Borough will optionally redeem their 2001A Revenue Bonds, which were purchased as a direct investment by AMBBA during FY 12.

B. ALASKA CLEAN WATER FUND

Pursuant to legislative authorization obtained during the 2012 session of the Alaska Legislature, plans are in place to issue Series A Revenue Bond Anticipation Notes for fiscal year 2013 in an amount not to exceed $1,785 thousand. Although this transaction has not yet been finalized, the issuance of the bonds will occur in mid-fiscal year 2013. The borrowing is to be secured by interest earnings of the Alaska Clean Water Fund.

C. ALASKA DRINKING WATER FUND

Pursuant to legislative authorization obtained during the 2012 session of the Alaska Legislature, plans are in place to issue Series A Revenue Bond Anticipation Notes for fiscal year 2013 in an amount not to exceed $1,864 thousand. Although this transaction has not yet been finalized, the issuance of the bonds is expected to occur in mid-fiscal year 2013. The borrowing is to be secured by interest earnings of the Alaska Drinking Water Fund.

D. ALASKA ENERGY AUTHORITY

Pursuant to legislation, effective January 1, 2013, the Bulk Fuel program, all outstanding Bulk Fuel loans, and the Bulk Fuel Revolving Loan Fund that provides the program's funding will be transferred from the Alaska Energy Authority to the Department of Commerce, Community and Economic Development's Division of Community and Regional Affairs.

E. ALASKA HOUSING FINANCE CORPORATION

In July 2012, the Alaska Housing Finance Corporation (AHFC) issued $145,890 thousand General Mortgage Revenue Bonds II, 2012 Series A and $50,000 thousand General Mortgage Revenue Bonds II, 2012 Series B. The bonds are general obligations of AHFC. The 2012 Series A bonds are tax exempt and bear interest at fixed rates between 0.35 percent and 4.25 percent payable each June 1 and December 1 with a final maturity of December 1, 2040. The 2012 Series B bonds are federally taxable and bear interest at a variable rate payable each June 1 and December 1 with a final maturity of December 1, 2042.

In October 2012, AHFC issued $99,360 thousand State Capital Project Bonds II, Series A and $50,000 thousand State Capital Project Bonds, Series B. The bonds are general obligations of the AHFC. The 2012 Series A bonds are tax exempt and bear interest at fixed rates between two percent and five percent payable each June 1 and December 1 with a final maturity of December 1, 2032. The 2012 Series B bonds are federally taxable and bear interest at a variable rate payable each June 1 and December 1 with a final maturity of December 1, 2042.

F. ALASKA STUDENT LOAN CORPORATION

On September 12, 2012 the Alaska Student Loan Corporation (ASLC) issued $53,120 of Education Loan Revenue Refunding Bonds, Senior Series 2012A, to retire $11,301 of auction rate securities, pay $40,987 of the other debt payable, fund a required reserve account and pay debt issue costs. The bonds are variable rate demand bonds with a weekly interest rate reset maturing December 1, 2043. Interest is payable semiannually on each June 1 and December 1 until maturity or redemption, commencing December 1, 2012. Principal and interest on the 2012A bonds are supported by irrevocable direct-pay letter of credit.

On September 12, 2012 ASLC issued $93,435 of Education Loan Revenue Refunding Bonds which represents $78,435 of Senior Series 2012B-1 bonds and $15,000 of Senior Series 2012B-2 bonds. These bonds are variable rate demand bonds and were issued to retire $92,408 of auction rate securities, fund a required reserve account and pay debt issue costs. The 2012B-1 bonds are term rate bonds whose interest rate rests annually each June 1. The 2012B-2 bonds are weekly interest rate reset bonds. The 2012B bonds mature on December 1, 2043. Interest is payable semiannually on each June 1 and December 1 until maturity or redemption, commending December 1, 2012. Principal and interest on the 2012B bonds are supported by an irrevocable direct-pay letter of credit. In addition, principal and interest on the 2012B bonds that are tendered by bond holders and purchased by the letter of credit provider are supported by a stand-by bond purchase agreement issued by the State of Alaska, Department of Revenue acting on behalf of the State.

On September 17, 2012 ASLC made a $40,987 principal payment on the loan payable to the State of Alaska.

On September 18, 2012 ASLC redeemed auction rate securities at par in the amount of $57,800.

On October 10, 2012 ASLC will redeem auction rate securities at par in the amount of $48,200.

On November 19, 2012, the Corporation legally defeased $20,980,000 in bonds representing those outstanding under the 2004 Indenture dated February 1, 2004. Cash in the amount of $21,989,683 was used to purchase State and Local Government Securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. As a result, the escrow account investments and the defeased bonds will no longer be recorded on the Corporation's balance sheet. The Corporation defeased the bonds to reduce its total debt service payments over the next six years by $1,192,317 and to have loans and other excess asserts released from the 2004 Indenture.

G. GOVERNMENTAL ACTIVITIES

In 1984 a class action complaint was filed against the State of Alaska alleging that 3:1 differential charged for non-resident Commercial Fisheries Entry Commission limited entry permits and commercial fishing crew licenses was unconstitutional under the Privileges and Immunities and Commerce Clauses of the U.S. Constitution.

In March, 2010, after being appealed to the Alaska Supreme Court four times, an $82.3 million judgment was entered against the State. The State immediately appealed to the Alaska Supreme Court on two grounds, but the parties stipulated, and the superior court ordered, that if the State paid the judgment on or before June 30, 2010, that no interest on the judgment amount would accrue beyond January 31, 2010. The State timely paid the judgment amount of $82.3 million, and it was held by a third-party trust administrator in an interest-earning trust account subject to further order of the court after the conclusion of any appeal by either party.

The State won the appeal on the grounds that the wrong interest rate had been applied, and in April, 2012, the Alaska Supreme Court's decision became final and the case was remanded back to the Superior Court for recalculation of the judgment amount according to the corrected interest rate. After an August 2012 order clarifying the proper application of interest, on October 19, 2012, the Court affirmed the revised calculations and ordered a refund of $48.8 million, plus proportional interest earned in the trust account until paid, which the State will receive in FY 13 and record into the General Fund.

The State of Alaska won a multi-million dollar arbitration award against BP Exploration (Alaska) Inc. The dispute related to money damages for oil production shortfalls caused by the 2006 pipeline leaks and pipeline replacements in the Prudhoe Bay oilfield. BP admitted liability for purposes of the arbitration, but contended that the State suffered no losses and asked the arbitration panel to award zero damages. Following a four week hearing in May and June, the three arbitrator panel issued a unanimous decision in favor of the State on October 31, 2012. The award is final, binding, and non-appealable. After adjustment for previously agreed upon credits, the final award with prejudgment interest is $245 million; in addition, BP will pay $10 million to settle civil assessments for the spills. In total, BP will pay the State $255 million for the 2006 spills and pipeline shutdowns.

H. STATE OF ALASKA – GENERAL OBLIGATION BONDS

A ballot measure, Bonding Proposition A, was approved by the voters in the 2012 general election held on November 6th, authorizing the State of Alaska to issue its general obligations bonds in the principal amount of not more than $453,499 thousand for the purpose of paying the cost of design and construction of state transportation projects. The State of Alaska plans to issue general obligation bond based upon future cash flow projections for the projects and the State Bond Committee's decisions.

NOTE 14 – SPECIAL ITEMS

A. ALASKA STUDENT LOAN CORPORATION

The Alaska Student Loan Corporation purchased $10,300 of its outstanding auction rate securities on November 30, 2011, for $9,579. On December 6, 2011, the Alaska Student Loan Corporation cancelled the bonds purchased resulting in a gain on the cancellation of $721.

The Alaska Student Loan Corporation purchased $5,000 of its outstanding auction rate securities on December 2, 2011, for $4,600. On December 6, 2011, the Alaska Student Loan Corporation cancelled the bonds purchased resulting in a gain on the cancellation of $400.

The Alaska Student Loan Corporation purchased $2,100 of its outstanding auction rate securities on March 21, 2012 for $1,932. On March 21, 2012, the Alaska Student Loan Corporation cancelled the bonds purchased resulting in a gain on the cancellation of $168.

This page intentionally left blank.

Required Supplementary Information

STATE OF ALASKA **STATEMENT 2.01**
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2012
(Stated in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Unrestricted:				
Taxes	$ 5,158,356	$ 5,158,357	$ 6,891,950	$ (1,733,593)
Licenses and Permits	121,195	122,914	117,872	5,042
Charges for Services	224,074	229,870	197,080	32,790
Fines and Forfeitures	15,850	15,850	13,333	2,517
Rents and Royalties	1,942,751	1,943,085	2,065,166	(122,081)
Premiums and Contributions	315	340	19,017	(18,677)
Interest and Investment Income	748,521	748,521	309,468	439,053
Other Revenues	65,214	65,214	25,549	39,665
Restricted:				
Federal Grants in Aid	7,026,374	6,986,281	2,322,567	4,663,714
Interagency	695,542	975,865	658,492	317,373
Payments In from Component Units	86,381	87,034	39,463	47,571
Other Revenues	29,888	29,888	1,173	28,715
Total Revenues	16,114,461	16,363,219	12,661,130	3,702,089
EXPENDITURES				
Current:				
General Government	825,530	835,494	627,546	207,948
Alaska Permanent Fund Dividend	761,956	761,956	757,576	4,380
Education	1,047,646	2,222,514	2,121,695	100,819
University	538,441	542,682	444,151	98,531
Health and Human Services	3,289,975	3,315,338	2,686,497	628,841
Law and Justice	306,580	347,911	323,225	24,686
Public Protection	949,090	1,090,128	901,809	188,319
Natural Resources	628,391	667,465	415,263	252,202
Development	1,293,583	1,514,037	862,958	651,079
Transportation	6,129,584	6,374,871	2,285,252	4,089,619
Intergovernmental Revenue Sharing	197,450	258,813	258,531	282
Debt Service:				
Principal	73,343	78,344	73,410	4,934
Interest and Other Charges	15,626	25,126	24,899	227
Total Expenditures	16,057,195	18,034,679	11,782,812	6,251,867
Excess (Deficiency) of Revenues Over Expenditures	57,266	(1,671,460)	878,318	(2,549,778)
OTHER FINANCING SOURCES (USES)				
Transfers In from Other Funds	4,724,157	4,729,157	5,535,491	(806,334)
Transfers (Out to) Other Funds	(4,811,844)	(4,811,844)	(4,811,844)	-
Total Other Financing Sources and Uses	(87,687)	(82,687)	723,647	(806,334)
Excess (Deficiency) of Revenues, Expenditures, Other Financing Sources, Special and Extraordinary Items, Budgetary Basis	$ (30,421)	$ (1,754,147)	1,601,965	$ (3,356,112)
RECONCILIATION OF BUDGETARY/ GAAP REPORTING:				
Adjust Expenditures for Encumbrances			1,927,035	
Basis Difference			253,110	
Excess (Deficiency) of Revenues, Expenditures, Other Financing Sources, Special and Extraordinary Items, GAAP Basis			3,782,110	
Fund Balances - Beginning of Year			17,782,072	
Fund Balances - End of Year			$ 21,564,182	

Note to Required Supplementary Information – Budgetary Reporting
For the Fiscal Year Ended June 30, 2012

The Budgetary Comparison Schedule – General Fund presents comparisons of the original and final adopted budget with actual data on a budgetary basis. The State issues a separate legal basis budgetary report, which demonstrates legal compliance with the budget. A copy of this report may be obtained by contacting the State of Alaska, Department of Administration, Division of Finance, P.O. Box 110204, Juneau, AK 99811-0204, or may be viewed online at http://doa.alaska.gov/dof/reports/cafr.html.

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

The types of differences are as follows:

- Encumbrances are included for total authorized expenditures, although for GAAP purposes they are excluded.

- There was financial activity related to reimbursable services agreements (RSA) and interfund transactions that were recorded in the general fund and in other funds. For budgetary purposes, that activity was left in the general fund, but for GAAP purposes it was eliminated from the general fund.

- Basis differences arise when the budgetary basis of accounting differs from the basis of accounting applicable to fund type when reporting on operations in accordance with GAAP. This difference is comprised of the following in the general fund (in thousands):

Petroleum Severance Taxes and Royalties	$ 264,020
Medical Assistance Program	(15,495)
Working Reserve	(28)
Tobacco Tax	2,769
Alcohol Tax	1,433
Tire Tax	(7)
Vehicle Rental Tax	2
Commercial Passenger Vessel Excise Tax	416
Total General Fund Basis Difference	$ 253,110

This page intentionally left blank.

Combining Fund Statements

This page intentionally left blank.

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.

- **Abandoned Motor Vehicles Fund (Fund 11211)** – AS 28.11.110 – Administered by the Department of Administration. This fund consists of money appropriated to the fund by the legislature and proceeds from the sale of abandoned motor vehicles. This fund was created to reimburse payment of services associated with impounding, advertising, and selling abandoned vehicles.
- **Adak Airport Operations Fund (Fund 11181)** – PL 101-510 – The Alaska Department of Transportation and Public Facilities and the United States Department of Defense entered into a cooperative agreement under which the State will undertake operation and maintenance of a portion of the former Naval Air Facility known as the Adak Airport. In accordance with the agreement, the Navy paid the State $10,000,000 to operate and maintain the airport.
- **Alaska Capital Income Fund (Fund 11185)** – AS 37.05.565 – Administered by the Department of Revenue. This fund consists of money deposited to the fund from income earned on money awarded in or received as a result of State v. Amerada Hess and of appropriations to the fund. Money may be appropriated from this fund for any public purpose, including covering annual debt service and reserves for debt service on bonds authorized by state law.
- **Alaska 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 Higher Education Investment Fund (Fund 11195)** – AS 37.14.750 – Administered by the Department of Education and Early Development. This fund consists of appropriations, income earned on investments of fund assets, donations and money redeposited under AS 14.43.915(c). This fund is used for making grants and scholarship payments.
- **Alaska Historical Commission Receipts Account (Fund 11111)** – AS 41.35.380 – Administered by the Department of Natural Resources. Consists of all monetary gifts, grants, bequests, royalties, and other income received by the Alaska Historical Commission and is used for commission projects.
- **Alaska Marine Highway System Fund (Fund 12149)** – AS 19.65.060 – Administered by the Department of Transportation and Public Facilities, Alaska Marine Highway System. Gross revenues of the Alaska Marine Highway System are deposited into the fund. The fund also consists of legislative appropriations of amounts necessary to provide stable services to the public, after consideration of gross revenue.

- **Alaska Marine Highway System Vessel Replacement Fund (Fund 11137)** – AS 37.05.550 – Managed by the Department of Revenue. The fund consists of money appropriated to it by the legislature. The legislature may appropriate money from the fund for refurbishment of existing state ferry vessels, acquisition of additional state ferry vessels, or replacement of retired or outmoded state ferry vessels.
- **Alaska Senior Care Fund (Fund 11182)** – AS 47.45.360 – Administered by the Department of Health and Social Services. The fund is used to pay for the costs incurred in the provision of senior services under the senior care program. The department shall provide cash assistance and prescription drug benefits as authorized under AS 47.45.300 – 47.45.390.
- **Alaska Technical and Vocational Education Program Fund (Fund 11166)** – AS 23.15.830 – Administered by the Department of Labor and Workforce Development. The fund consists of amounts collected under AS 23.15.835. The legislature may appropriate the annual estimated balance in the fund to the Alaska Workforce Investment Board to implement AS 23.15.820 – 23.15.850. The legislature may appropriate the lapsing balance of the fund to the Unemployment Compensation Fund established in AS 23.20.130.
- **Alaska Transportation Infrastructure Bank (Fund 21653)** – Section 350 of the National Highway System Designation Act of 1995 Federal Law – Managed by the Department of Transportation and Public Facilities. This fund was established as a pilot program with the U.S. Department of Transportation to increase infrastructure investment in the private sector. The fund has the ability to make loans and provide other forms of credit assistance to public and private entities to carry out highway construction and transit capital projects.
- **Alaska Veterans' Memorial Endowment (Fund 36010)** – AS 37.14.700(a) – Administered by the Department of Military and Veterans' Affairs. The fund is used to maintain and develop veteran or military memorials. The fund consists of appropriations to the fund, donations to the fund, and income earned on investments of fund assets.
- **Alcohol and Other Drug Abuse Treatment and Prevention Fund (Fund 11178)** – AS 43.60.050 – Administered by the Department of Health and Social Services. The fund is used to establish and maintain programs for the prevention and treatment of alcoholism, drug abuse, and misuse of hazardous volatile materials and substances by inhalant abusers under AS 47.37.030.
- **Anatomical Gift Awareness Fund (Fund 11183)** – AS 13.50.160(a) – Administered by the Department of Administration. This fund was established to promote gifts under AS 13.50 the Health Care Decisions Act and to administer the donation program established under AS 13.50.130. The fund consists of donations and fees collected to support the Donor Registry Program.
- **Art in Public Places Fund (Fund 11124)** – AS 44.27.060 – Administered by the Alaska State Council on the Arts. This fund consists of one percent of the construction cost of buildings exempt from AS 35.27. The money is used to commission or purchase art for public state-owned or leased buildings or facilities.
- **Assistive Technology Loan Guarantee Fund (Fund 11154)** – AS 23.15.125 – Administered by the Department of Labor and Workforce Development, Division of Vocational Rehabilitation (DVR). The fund consists of money appropriated to it. DVR may solicit and accept available public and private money for distribution from the fund. Money in the fund may be used to guarantee 90 percent of the principal amount of a loan or to subsidize the interest rate of a loan guaranteed by DVR for appropriate assistive technology.
- **Building Safety Account (Fund 11177)** – AS 44.31.025 – Administered by the Department of Labor and Workforce Development. The collection of fees associated with building inspection and the issuance of certificates of fitness will be deposited in the Building Safety Account. The legislature may appropriate money from the account for necessary costs incurred by the Department of Labor and Workforce Development in the administration of AS 18.60.180 – 18.60.395, 18.60.800 – 18.60.820 and AS 18.62 relating to building safety and certificates of fitness.
- **Civil Legal Services Fund (Fund 12154)** – AS 37.05.590 – The fund consists of appropriations made to it. Annually, the legislature may only appropriate to the fund amounts deposited into the general fund of the state under AS 09.17.020(j). The legislature may make appropriations from the fund to organizations that provide civil legal services to low-income individuals.
- **Commercial Passenger Vessel Environmental Compliance Fund (Fund 11174)** – AS 46.03.482 – Administered by the Department of Environmental Conservation. Sources of income for this fund include: (1) money received by the department in payment of fees under AS 46.03.480; (2) money received as a result of a violation; (3) money appropriated to the fund by the legislature; (4) earnings on the fund. The legislature may make appropriations from this fund to the department to pay for the department's operational costs necessary to prepare reports that assess the information received by the department for the cruise ship seasons of 2000, 2001,

2002, and 2003 and for the department's operational costs necessary to carry out activities under AS 46.03.460 – 46.03.490 relating to commercial passenger vessels.

- **Commercial Vessel Taxes Fund (Fund 11203)** – AS 43.35.220, AS 43.52.230(a) – Administered by the Department of Revenue. The fund consists of proceeds from the tax on travel on commercial passenger vessels providing overnight accommodations in the state's marine water, and proceeds on gambling activities on large passenger vessels in the state. Money appropriated from this fund can be used for state-owned harbor facilities, other services to properly provide for vessel or watercraft visits, to enhance the safety and efficiency of interstate and foreign commerce, and such other lawful purposes as determined by the legislature.
- **Community Revenue Sharing Fund (Fund 11200)** – AS 29.60.850 – Administered by the Department of Commerce, Community and Economic Development. The Fund provides community revenue sharing payments to municipalities, reserves, and communities for any public purpose. The fund consists of appropriations. Income earned on money in the fund may be appropriated to the fund. The legislature may appropriate 20 percent of the money received by the State during the previous calendar year under AS 43.55.011(g).
- **Constitutional Budget Reserve Fund (Fund 33041)** – Alaska Constitution, Article IX, Section 17; AS 37.13 – Administered by the Department of Revenue. All money received by the State as a result of the termination of administrative proceedings or litigation in a state or federal court involving mineral lease bonuses, rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments or bonuses, or involving taxes imposed on mineral income, production, or property are deposited in the fund, except for the share of those proceeds that are deposited into the Alaska Permanent Fund.
- **Crime Victims Compensation Fund (Fund 11207)** – AS 18.67.162 – Administered by the Department of Public Safety, Crime Victims Compensation Board. This fund consists of all money appropriated to it, including donations, recoveries of or reimbursements of awards made from the fund and investment income. The purpose of the fund is to facilitate and permit the payment of compensation to innocent persons as a result of certain serious crimes.
- **Disaster Relief Fund (Fund 12120)** – AS 26.23.300 – Administered by the Office of the Governor and the Department of Military and Veterans Affairs. This fund provides resources to alleviate the effects of disasters wherever and whenever they may occur in the State.
- **Donated Commodity Fee Fund (Fund 11120)** – USC 7 CFR, Part 250 – Administered by the Department of Education and Early Development. This fund consists of monies from federal agencies and recipients of goods. It is intended to cover the cost of the distribution of federal surplus food to schools, childcare institutions, nonprofit camps for children, charitable institutions for minors, nutrition programs for the elderly, and assistance to needy persons.
- **Educational Facilities Maintenance and Construction Fund (Fund 11142)** – AS 37.05.560 – Administered by the Department of Education and Early Development. Money in the fund may be appropriated to finance the design, construction, and maintenance of public school facilities and for maintenance of the University of Alaska facilities.
- **Election Fund (Fund 11179)** – Federal H.R. 3295, "The Help America Vote Act" – Administered by the Office of the Lieutenant Governor, Division of Elections. Funds will be used for election administration improvements, for replacement of voting equipment, to improve accessibility for individuals with disabilities, and to provide alternative language accessibility.
- **Employment Assistance and Training Program Account (Fund 11134)** – AS 23.15.625 – Administered by the Department of Labor and Workforce Development. The account consists of amounts collected under the provision of AS 23.15.630. The annual estimated balance in the account may be appropriated by the legislature to the department to implement AS 23.15.620 – 23.15.660. The legislature may appropriate the lapsing balance of the account to the Unemployment Compensation Fund established in AS 23.20.130.
- **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 Recovery Fund (Fund 11121)** – AS 08.88.450 – Administered by the Department of Commerce, Community, and Economic Development. This fund is composed of payments made by real estate licensees under AS 08.88.455 and filing fees under AS 08.88.460, income earned on investment of the money in the fund, and money deposited in the fund under AS 08.88.450(c). Amounts in the fund may be appropriated for claims against the fund, for hearing and legal expenses directly related to fund operations and claims, and real estate educational purposes.
- **Regional Cruise Ship Impact Fund (Fund 11205)** – AS 43.52.230(c) – Administered by the Department of Revenue. The fund consists of proceeds from the tax on travel on commercial passenger vessels providing overnight accommodations in the state's marine water. Money appropriated from this fund can be used for state-owned harbor facilities, other services to properly provide for vessel or watercraft visits, to enhance the safety and efficiency of interstate and foreign, commerce, and such other lawful purposes as determined by the legislature.
- **School Construction Grant Fund (Fund 11143)** – AS 14.11.005 – Administered by the Department of Education and Early Development. The fund shall be used to make grants for the costs of school construction. Legislative appropriations for school construction shall be deposited in the fund and the proceeds from the sale of general obligation bonds for school construction may be deposited in the fund.
- **School Trust Land Sales (Fund 11162)** – Established per attorney general memo regarding Public School Trust Litigation. Used to separately account for income from former public school trust land, the status of which is in litigation.
- **State Insurance Catastrophe Reserve Account (Fund 11133)** – AS 37.05.289 – Administered by the Department of Administration. Assets of the account may be used to obtain insurance, to establish reserves for the self-insurance program, and to satisfy claims or judgments arising under the program.
- **State Land Disposal Income Fund (Fund 11164)** – AS 38.04.022(a) – Administered by the Department of Natural Resources. The fund consists of revenue from the state land disposal program.
- **State Land Reforestation Fund (Fund 12130)** – AS 41.17.300 – Administered by the Department of Natural Resources. The money in the state land reforestation fund may be used only for the reforestation of state land, including site preparation; seed and seedling acquisition and cultivation; planting and other reforestation measures; timber stand improvement; and the development of materials and techniques for the reforestation of state land.

- **Statutory Budget Reserve Fund (Fund 11115)** – AS 37.05.540 – Administered by the Department of Revenue. This fund consists of appropriations to the fund. Money received by the State that is subject to the appropriation limit under AS 37.05.540(b) and that exceeds that limit may be appropriated to the budget reserve fund.

- **Surplus Property Revolving Fund (Fund 11112)** – AS 37.05.500(a)(2), AS 44.68.130 – Administered by the Department of Administration. This fund is to account for revenues from the users or purchasers of excess federal property that the State has acquired and is used to pay the administrative expenses incurred in managing this property.

- **Tobacco Use Education and Cessation Fund (Fund 11175)** – AS 37.05.580 – Administered by the Department of Health and Social Services. This fund consists of 20 percent of the annual revenue derived from the settlement of State of Alaska v. Philip Morris, Incorporated, et al, No. 1JU-97-915 CI (Alaska Super. 1997). The purpose of this fund is to provide a source to finance the comprehensive smoking education, tobacco use prevention, and tobacco control program authorized by AS 44.29.020(a)(15).

- **TAPS Rebate Fund (Fund 11163)** – Federal PL 101-380, sec. 8102(a)(B)(I) – The federal government has rebated the pro rata share of the federal Trans-Alaska Pipeline Liability (TAPS) Fund to the State of Alaska for its contributions as an owner of oil. The funds are to be used for the remediation of above-ground storage tanks.

- **Training and Building Fund (Fund 12121)** – AS 23.20.130(d) – Administered by the Department of Labor and Workforce Development. This fund consists of interest and penalties for failure to file timely reports and pay contributions to the Unemployment Compensation Fund. It may be used for the administration of the Employment Security Act when federal funds are not available and for the acquisition of land and buildings for the purpose of providing office space for the department.

- **Trauma Care Fund (Fund 11208)** – AS 18.08.085 – Administered by the Department of Health and Social Services. This fund consists of money appropriated to it by the legislature including donations, recoveries of or reimbursements for awards made from the fund and investment income. The purpose of this fund is to compensate certified trauma centers in the state that receive a special designation under AS 18.08.082(c) and that achieve or maintain the highest appropriate level of trauma care designation.

- **Unincorporated Community Capital Project Matching Grant Fund (Fund 11147)** – AS 37.06.020 – Administered by the Department of Commerce, Community, and Economic Development. This fund was created for unincorporated communities to acquire or improve an asset with an anticipated life exceeding one year and includes land acquisition, construction, repair or structural improvement of a facility, engineering and design for a facility, and acquisition or repair of equipment.

- **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.

This page intentionally left blank.

STATE OF ALASKA **STATEMENT 3.01**
Combining Balance Sheet
General Fund
June 30, 2012
(Stated in Thousands)

	General Fund		
	Constitutional Budget Reserve Subfund	Statutory Budget Reserve Subfund	Permanent Fund Dividend Subfund
ASSETS			
Cash and Investments	$ 10,641,985	$ 4,432,644	$ 17,938
Accounts Receivable - Net	28	-	2,450
Interest and Dividends Receivable	413	-	-
Due from Other Funds	13	805,067	605,226
Due from Component Units	-	-	-
Due from Other Governments	-	-	-
Loans, Notes, and Bonds Receivable	-	-	-
Inventories	-	-	-
Other Assets	-	-	19
Total Assets	$ 10,642,439	$ 5,237,711	$ 625,633
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Liabilities	$ -	$ -	$ 4,729
Due to Other Funds	-	-	1,459
Due to Component Units	-	-	-
Due to Other Governments	-	-	-
Unearned and Deferred Revenue	12	-	-
Other Liabilities	-	-	3
Total Liabilities	12	-	6,191
Fund Balances:			
Nonspendable:			
Compensating Balances	-	-	-
Inventory	-	-	-
Advances and Prepaid Items	-	-	-
Restricted for:			
Debt Service	-	-	-
Education	-	-	-
Health and Human Services	-	-	-
Development	-	-	-
Other Purposes	-	-	-
Committed to:			
Debt Service	-	-	-
Education	-	-	-
Health and Human Services	-	-	-
Public Protection	-	-	-
Permanent Fund	-	-	619,442
Development	-	-	-
Other Purposes	-	-	-
Unassigned	10,642,427	5,237,711	-
Total Fund Balances	10,642,427	5,237,711	619,442
Total Liabilities and Fund Balances	$ 10,642,439	$ 5,237,711	$ 625,633

Public Education Subfund	General and all Other Subfunds	Eliminations of Internal Balances	Total General Fund
$ 1,240,286	$ 4,455,497	$ -	$ 20,788,350
-	835,442	-	837,920
-	1,684	-	2,097
-	109,441	(806,541)	713,206
-	81,194	-	81,194
-	481,810	-	481,810
-	18,103	-	18,103
-	15,132	-	15,132
-	36,738	-	36,757
$ 1,240,286	$ 6,035,041	$ (806,541)	$ 22,974,569
$ 2	$ 776,706	$ -	$ 781,437
-	839,368	(806,541)	34,286
-	6,983	-	6,983
-	33	-	33
-	587,103	-	587,115
-	530	-	533
2	2,210,723	(806,541)	1,410,387
-	110,000	-	110,000
-	15,132	-	15,132
-	40,372	-	40,372
-	1,994	-	1,994
-	12,095	-	12,095
-	534	-	534
-	86,040	-	86,040
-	4,809	-	4,809
-	8,239	-	8,239
1,240,284	785,159	-	2,025,443
-	222,912	-	222,912
-	169,088	-	169,088
-	-	-	619,442
-	2,086,779	-	2,086,779
-	207,451	-	207,451
-	73,714	-	15,953,852
1,240,284	3,824,318	-	21,564,182
$ 1,240,286	$ 6,035,041	$ (806,541)	$ 22,974,569

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, 2012
(Stated in Thousands)

	General Fund		
	Constitutional Budget Reserve Subfund	Statutory Budget Reserve Subfund	Permanent Fund Dividend Subfund
REVENUES			
Taxes	$ 105,002	$ -	$ -
Licenses and Permits	-	-	-
Charges for Services	-	-	532
Fines and Forfeitures	75	-	174
Rents and Royalties	699	-	-
Premiums and Contributions	-	-	3
Interest and Investment Income	188,202	-	-
Federal Grants in Aid	-	-	-
Payments In from Component Units	-	-	-
Other Revenues	-	-	(22)
Total Revenues	293,978	-	687
EXPENDITURES			
Current:			
General Government	-	-	7,937
Alaska Permanent Fund Dividend	-	-	757,576
Education	-	-	-
University	-	-	-
Health and Human Services	-	-	15,395
Law and Justice	-	-	1
Public Protection	-	-	12,208
Natural Resources	-	-	-
Development	-	-	-
Transportation	-	-	-
Intergovernmental Revenue Sharing	-	-	-
Debt Service:			
Principal	-	-	-
Interest and Other Charges	-	-	-
Total Expenditures	-	-	793,117
Excess (Deficiency) of Revenues Over Expenditures	293,978	-	(792,430)
OTHER FINANCING SOURCES (USES)			
Capital Leases	-	-	-
Transfers In from Other Funds	-	2,605,067	605,226
Transfers (Out to) Other Funds	-	-	(1,649)
Total Other Financing Sources and Uses	-	2,605,067	603,577
Net Change in Fund Balances	293,978	2,605,067	(188,853)
Fund Balances - Beginning of Year	10,348,449	2,632,644	808,295
Fund Balances - End of Year	$ 10,642,427	$ 5,237,711	$ 619,442

Public Education Subfund	General and all Other Subfunds	Eliminations of Internal Balances	Total General Fund
$ -	$ 7,058,644	$ -	$ 7,163,646
-	117,873	-	117,873
-	196,548	-	197,080
-	13,084	-	13,333
-	2,061,404	-	2,062,103
-	19,014	-	19,017
-	121,266	-	309,468
-	2,464,928	-	2,464,928
-	39,463	-	39,463
-	24,428	-	24,406
-	12,116,652	-	12,411,317
-	391,913	-	399,850
-	-	-	757,576
1,141,742	703,509	-	1,845,251
-	444,083	-	444,083
-	2,553,724	-	2,569,119
-	277,331	-	277,332
-	721,828	-	734,036
-	295,205	-	295,205
-	565,558	-	565,558
-	1,122,635	-	1,122,635
-	254,525	-	254,525
-	73,410	-	73,410
-	24,899	-	24,899
1,141,742	7,428,620	-	9,363,479
(1,141,742)	4,688,032	-	3,047,838
-	10,277	-	10,277
1,193,857	425,443	(3,798,924)	1,030,669
-	(4,103,949)	3,798,924	(306,674)
1,193,857	(3,668,229)	-	734,272
52,115	1,019,803	-	3,782,110
1,188,169	2,804,515	-	17,782,072
$ 1,240,284	$ 3,824,318	$ -	$ 21,564,182

This page intentionally left blank.

Nonmajor Governmental Funds

STATE OF ALASKA **STATEMENT 3.11**
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012
(Stated in Thousands)

	Permanent Fund Public School Trust Fund	Special Revenue Funds
ASSETS		
Cash and Investments	$ 467,387	$ 675,838
Accounts Receivable - Net	977	3,789
Interest and Dividends Receivable	6	-
Due from Other Funds	625	3,454
Due from Other Governments	-	6,453
Loans, Notes, and Bonds Receivable	72	-
Other Assets	-	254
Total Assets	$ 469,067	$ 689,788
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	$ 6	$ 8,527
Due to Other Funds	-	5,901
Due to Component Units	-	407
Unearned and Deferred Revenue	1,740	465
Other Liabilities	2	405
Total Liabilities	1,748	15,705
Fund Balances:		
Nonspendable:		
Principal	460,527	-
Restricted for:		
Debt Service	-	-
Education	-	9,485
Health and Human Services	-	16,693
Development	-	38,926
Other Purposes	-	157
Committed to:		
Education	6,792	-
Development	-	608,822
Total Fund Balances	467,319	674,083
Total Liabilities and Fund Balances	$ 469,067	$ 689,788

STATEMENT 3.11

Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
$ 45,421	$ 193,611	$ 1,382,257
-	-	4,766
-	68	74
773	-	4,852
-	-	6,453
-	-	72
-	-	254
$ 46,194	$ 193,679	$ 1,398,728
$ -	$ 1,787	$ 10,320
-	11,328	17,229
-	2,352	2,759
-	-	2,205
-	-	407
-	15,467	32,920
-	-	460,527
46,194	-	46,194
-	106,221	115,706
-	-	16,693
-	71,991	110,917
-	-	157
-	-	6,792
-	-	608,822
46,194	178,212	1,365,808
$ 46,194	$ 193,679	$ 1,398,728

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, 2012
(Stated in Thousands)

	Permanent Fund Public School Trust Fund	Special Revenue Funds
REVENUES		
Taxes	$ -	$ 22,550
Licenses and Permits	-	30,185
Charges for Services	-	196
Fines and Forfeitures	4	395
Rents and Royalties	14,915	4,784
Premiums and Contributions	-	4,346
Interest and Investment Income	25,432	9,979
Federal Grants in Aid	-	36,013
Other Revenues	-	18,360
Total Revenues	40,351	126,808
EXPENDITURES		
Current:		
General Government	89	308
Education	13,202	21,273
University	-	-
Health and Human Services	-	4,739
Public Protection	-	23
Natural Resources	65	62,738
Development	-	29,804
Transportation	-	-
Debt Service:		
Principal	-	-
Interest and Other Charges	-	-
Total Expenditures	13,356	118,885
Excess (Deficiency) of Revenues Over Expenditures	26,995	7,923
OTHER FINANCING SOURCES (USES)		
Refunding Bonds Issued	-	-
Bonds Issued Premium	-	-
Payment to Refunded Bonds Escrow Agent	-	-
Transfers In from Other Funds	-	203,333
Transfers (Out to) Other Funds	-	(405,526)
Total Other Financing Sources and Uses	-	(202,193)
Net Change in Fund Balances	26,995	(194,270)
Fund Balances - Beginning of Year	440,324	868,353
Fund Balances - End of Year	$ 467,319	$ 674,083

Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
$ -	$ -	$ 22,550
-	-	30,185
-	-	196
-	-	399
-	-	19,699
-	-	4,346
78	980	36,469
-	-	36,013
23,993	-	42,353
24,071	980	192,210
-	-	397
-	19,654	54,129
-	47,774	47,774
-	-	4,739
-	-	23
-	20,699	83,502
-	-	29,804
-	24,132	24,132
61,415	-	61,415
52,917	-	52,917
114,332	112,259	358,832
(90,261)	(111,279)	(166,622)
204,390	-	204,390
33,007	-	33,007
(237,509)	-	(237,509)
90,841	-	294,174
(72)	(8,524)	(414,122)
90,657	(8,524)	(120,060)
396	(119,803)	(286,682)
45,798	298,015	1,652,490
$ 46,194	$ 178,212	$ 1,365,808

This page intentionally left blank.

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 Non-major Component Units section.
- **Alaska Permanent Fund (Fund 34030)** – Alaska Constitution, Article IX, Section 15 – Administered by the Alaska Permanent Fund Corporation. The Alaska Constitution provides that at least 25 percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments, and bonuses received by the State shall be placed in the Alaska Permanent Fund. This is a major fund and included in Statements 1.11, 1.13, and 3.23.
- **Public School Trust Fund (Fund 34010)** – AS 37.14.110 – Administered by the Department of Revenue. The principal consists of the balance of the public school permanent fund on July 1, 1978, and one-half of one percent of the receipts derived from the management of state land (AS 34.14.150). The net income of the fund may be appropriated only for the support of the state public school program. This is a non-major fund and is included in Statements 3.11, 3.12, and 3.23.

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Permanent Funds
For the Fiscal Year Ended June 30, 2012
(Stated in Thousands)

	Public School Trust		
	Budget	Actual	Variance with Budget
REVENUES			
Unrestricted:			
Fines and Forfeitures	$ 4	$ 4	$ -
Rents and Royalties	14,915	14,915	-
Interest and Investment Income	25,432	25,432	-
Total Revenues	40,351	40,351	-
EXPENDITURES			
Current:			
General Government	108	89	19
Education	13,231	13,202	29
Law and Justice	-	-	-
Natural Resources	583	65	518
Total Expenditures	13,922	13,356	566
Excess (Deficiency) of Revenues Over Expenditures	26,429	26,995	(566)
OTHER FINANCING SOURCES (USES)			
Transfers (Out to) Other Funds	-	-	-
Total Other Financing Sources and Uses	-	-	-
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, Budgetary Basis	$ 26,429	26,995	$ (566)
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, GAAP Basis		26,995	
Fund Balances - Beginning of Year		440,324	
Fund Balances - End of Year		$ 467,319	

Alaska Permanent			Total Permanent Funds		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
$ -	$ -	$ -	$ 4	$ 4	$ -
915,098	915,098	-	930,013	930,013	-
(1,559)	(1,559)	-	23,873	23,873	-
913,539	913,539	-	953,890	953,890	-
91,450	91,450	-	91,558	91,539	19
-	-	-	13,231	13,202	29
1,477	1,477	-	1,477	1,477	-
5,460	5,460	-	6,043	5,525	518
98,387	98,387	-	112,309	111,743	566
815,152	815,152	-	841,581	842,147	(566)
(622,307)	(622,307)	-	(622,307)	(622,307)	-
(622,307)	(622,307)	-	(622,307)	(622,307)	-
$ 192,845	192,845	$ -	$ 219,274	219,840	$ (566)
	192,845			219,840	
	40,140,214			40,580,538	
	$ 40,333,059			$ 40,800,378	

This page intentionally left blank.

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 Gasline Development Corporation (AGDC) (Fund 34077)** – AS 18.56.086 – Subsidiary of Alaska Housing Finance Corporation (AHFC). The purpose of this fund is for planning, constructing, and financing in-state natural gas pipeline projects or aiding in such projects. AGDC is authorized to issue bonds necessary to provide sufficient funds for carrying out this purpose.

- **Alaska Housing Capital Corporation (AHCC) (Fund 34076)** – AS 18.56.086 – Subsidiary of AHFC. The purpose of this fund is to fund capital projects, including financing expenses. AHCC is authorized to issue bonds necessary to provide sufficient funds for carrying out its purpose.

- **Alyeska Settlement Trust Fund (Fund 12138)** – Consent Decree between the United States, the State of Alaska, and Alyeska Pipeline Service Company – Administered by the Department of Revenue. The fund was created for the purpose of receiving, holding, and disbursing settlement proceeds from Alyeska under the Consent Decree. The funds are to be used to clean up oil spills and for other projects specified in the Consent Decree.

- **Clean Air Protection Fund (Fund 12133)** – AS 46.14.260 and Federal Clean Air Act – Administered by the Department of Environmental Conservation. The fund was established to collect and account for permit fees under the Federal Clean Air Act. Monies collected may only be used to cover reasonable costs required to support the permit program.

- **Exxon Valdez Oil Spill Restoration Fund (Fund 12136)** – United States (U.S.) District Court judgement in the criminal case U.S. v. Exxon Shipping Company and Exxon Corporation resulted in $50 million restitution being received by the State to be used exclusively for restoration projects related to the Exxon Valdez oil spill. Administered by the Department of Revenue.

- **Exxon Valdez Settlement Trust Fund (Fund 12160)** – AS 37.14.400 – Memorandum of Agreement and Consent Decree between the United States (U.S.) and the State of Alaska to maximize the funds available for restoration of natural resources and to resolve the governments' claims against one another relating to the Exxon Valdez Oil Spill, which occurred on the night of March 23-24, 1989, in Prince William Sound, Alaska. The funds are administered by the trustee council which consists of the Secretaries of the U.S. Departments of the Interior and Agriculture and the Administrator of the National Oceanic and Atmospheric Administration (the federal trustees) and the Commissioners of the Departments of Environmental Conservation and Fish and Game and the Attorney General of the State of Alaska (State trustees). The trustee council determines which projects shall be financed by monies from the trust. The Exxon Valdez Settlement Trust Fund established in the state accounting system accounts for those monies transferred to the State for projects approved by the trustee council. These projects are for the purpose of restoring, replacing, enhancing, rehabilitating, or acquiring the equivalent of natural resources injured, lost, or destroyed as a result of the oil spill.

- **Fish and Game Fund (Fund 12122)** – AS 16.05.100 – Administered by the Department of Fish and Game. Statutory revenue in this fund can only be used for the purpose of protection, propagation, investigation, and restoration of sport fish and game resources and the expenses of administering the sport fish and wildlife divisions of the Department of Fish and Game. These monies are received from the sale of state sport fishing and hunting licenses and special permits; sale of furs, skins, and specimens taken by predator hunters; money received in settlement of a claim or loss caused by damage to fish and game 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 – Administered by the Department of Natural Resources. The principal and earnings of the fund shall be held by the State for the purpose of protecting the public interest in reclaiming mine sites in the State. The fund is composed of the mine reclamation trust fund income account and the mine reclamation trust fund operating account. The fund's income account consists of payments and deposits made by miners to satisfy the miners' reclamation bonding or financial assurance obligation under AS 27.19.040 or AS 27.21.160 and earnings on the income account. The mine reclamation trust fund operating account consists of appropriations by the legislature of the annual balance of the mine reclamation trust fund income account and any earnings on those appropriations while in the operating account.

- **National Petroleum Reserve (NPR) Fund (Fund 12131)** – AS 37.05.530 – The commissioner of the Department of Revenue is responsible for the management of the NPR fund. The Department of Commerce, Community, and Economic Development administers the NPR grant program within the fund. This fund consists of all money disbursed to the State by the federal government under 42 USC 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.

This page intentionally left blank.

STATE OF ALASKA
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2012
(Stated in Thousands)

	Second Injury	Fishermen's	Fish and Game	School	National Petroleum Reserve	Reclamation Bonding Pool
ASSETS						
Cash and Investments	$ 5,480	$ 11,572	$ 14,126	$ 5,770	$ 32,570	$ 1,982
Accounts Receivable - Net	-	-	71	3,718	-	-
Due from Other Funds	-	285	-	-	-	-
Due from Other Governments	-	-	6,453	-	-	-
Other Assets	-	-	50	-	-	-
Total Assets	$ 5,480	$ 11,857	$ 20,700	$ 9,488	$ 32,570	$ 1,982
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable and Accrued Liabilities	$ 624	$ 10	$ 1,575	$ 3	$ 1,616	$ -
Due to Other Funds	10	-	3,593	-	177	-
Due to Component Units	-	-	-	-	-	-
Unearned and Deferred Revenue	-	-	465	-	-	-
Other Liabilities	-	-	-	-	-	405
Total Liabilities	634	10	5,633	3	1,793	405
Fund Balances:						
Restricted for:						
Education	-	-	-	9,485	-	-
Health and Human Services	4,846	11,847	-	-	-	-
Development	-	-	15,067	-	-	1,577
Other Purposes	-	-	-	-	-	-
Committed to:						
Development	-	-	-	-	30,777	-
Total Fund Balances	4,846	11,847	15,067	9,485	30,777	1,577
Total Liabilities and Fund Balances	$ 5,480	$ 11,857	$ 20,700	$ 9,488	$ 32,570	$ 1,982

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	Alaska Gasline Development Corporation	Total Nonmajor Special Revenue Funds
$ 4,128	$ 3,897	$ 8,525	$ 8,876	$ 157	$ 914	$ 577,841	$ -	$ 675,838
-	-	-	-	-	-	-	-	3,789
-	-	-	-	-	8	-	3,161	3,454
-	-	-	-	-	-	-	-	6,453
-	-	-	-	-	-	-	204	254
$ 4,128	$ 3,897	$ 8,525	$ 8,876	$ 157	$ 922	$ 577,841	$ 3,365	$ 689,788
$ -	$ -	$ -	$ 1,945	$ -	$ -	$ -	$ 2,754	$ 8,527
1,950	-	-	163	-	8	-	-	5,901
-	-	-	-	-	-	-	407	407
-	-	-	-	-	-	-	-	465
-	-	-	-	-	-	-	-	405
1,950	-	-	2,108	-	8	-	3,161	15,705
-	-	-	-	-	-	-	-	9,485
-	-	-	-	-	-	-	-	16,693
2,178	3,897	8,525	6,768	-	914	-	-	38,926
-	-	-	-	157	-	-	-	157
-	-	-	-	-	-	577,841	204	608,822
2,178	3,897	8,525	6,768	157	914	577,841	204	674,083
$ 4,128	$ 3,897	$ 8,525	$ 8,876	$ 157	$ 922	$ 577,841	$ 3,365	$ 689,788

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012
(Stated in Thousands)

	Second Injury	Fishermen's	Fish and Game	School	National Petroleum Reserve	Reclamation Bonding Pool
REVENUES						
Taxes	$ -	$ -	$ -	$ 22,550	$ -	$ -
Licenses and Permits	-	1,171	26,427	-	-	-
Charges for Services	-	-	122	-	-	74
Fines and Forfeitures	195	-	200	-	-	-
Rents and Royalties	-	-	-	-	4,784	-
Premiums and Contributions	3,036	-	1	-	-	-
Interest and Investment Income	-	-	124	-	-	27
Federal Grants in Aid	-	-	36,013	-	-	-
Other Revenues	16	-	6	-	-	-
Total Revenues	3,247	1,171	62,893	22,550	4,784	101
EXPENDITURES						
Current:						
General Government	-	-	-	-	73	-
Education	-	-	-	21,273	-	-
Health and Human Services	3,432	1,134	-	-	173	-
Public Protection	-	-	-	-	23	-
Natural Resources	-	-	54,912	-	13	-
Development	-	-	180	-	11,490	-
Total Expenditures	3,432	1,134	55,092	21,273	11,772	-
Excess (Deficiency) of Revenues Over Expenditures	(185)	37	7,801	1,277	(6,988)	101
OTHER FINANCING SOURCES (USES)						
Transfers In from Other Funds	-	-	3,261	-	-	-
Transfers (Out to) Other Funds	-	-	(5,526)	-	-	-
Total Other Financing Sources and Uses	-	-	(2,265)	-	-	-
Net Change in Fund Balances	(185)	37	5,536	1,277	(6,988)	101
Fund Balances - Beginning of Year	5,031	11,810	9,531	8,208	37,765	1,476
Fund Balances - End of Year	$ 4,846	$ 11,847	$ 15,067	$ 9,485	$ 30,777	$ 1,577

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	Alaska Gasline Development Corporation	Total Nonmajor Special Revenue Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 22,550
2,587	-	-	-	-	-	-	-	30,185
-	-	-	-	-	-	-	-	196
-	-	-	-	-	-	-	-	395
-	-	-	-	-	-	-	-	4,784
-		-	1,309	-	-	-	-	4,346
-	55	121	140	-	9	9,503	-	9,979
-	-	-	-	-	-	-	-	36,013
-	-	-	-	-	-	-	18,338	18,360
2,587	55	121	1,449	-	9	9,503	18,338	126,808
168	-	-	-	67	-	-	-	308
-	-	-	-	-	-	-	-	21,273
-	-	-	-	-	-	-	-	4,739
-	-	-	-	-	-	-	-	23
3,398	-	-	4,414	-	1	-	-	62,738
-	-	-	-		-	-	18,134	29,804
3,566	-	-	4,414	67	1	-	18,134	118,885
(979)	55	121	(2,965)	(67)	8	9,503	204	7,923
-	-	-	-	72	-	200,000	-	203,333
-	-	-	-	-	-	(400,000)	-	(405,526)
-	-	-	-	72	-	(200,000)	-	(202,193)
(979)	55	121	(2,965)	5	8	(190,497)	204	(194,270)
3,157	3,842	8,404	9,733	152	906	768,338	-	868,353
$ 2,178	$ 3,897	$ 8,525	$ 6,768	$ 157	$ 914	$ 577,841	$ 204	$ 674,083

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, 2012
(Stated in Thousands)

	Second Injury		
	Budget	Actual	Variance with Budget
REVENUES			
Unrestricted:			
Taxes	$ -	$ -	$ -
Licenses and Permits	-	-	-
Charges for Services	-	-	-
Fines and Forfeitures	-	195	(195)
Rents and Royalties	-	-	-
Premiums and Contributions	3,995	3,036	959
Interest and Investment Income	-	-	-
Other Revenues	-	16	(16)
Restricted:			
Federal Grants in Aid	-	-	-
Total Revenues	3,995	3,247	748
EXPENDITURES			
Current:			
General Government	-	-	-
Education	-	-	-
Health and Human Services	3,995	3,432	563
Law and Justice	-	-	-
Public Protection	-	-	-
Natural Resources	-	-	-
Development	-	-	-
Transportation	-	-	-
Total Expenditures	3,995	3,432	563
Excess (Deficiency) of Revenues Over Expenditures	-	(185)	185
OTHER FINANCING SOURCES (USES)			
Transfers In from Other Funds	-	-	-
Transfers (Out to) Other Funds	-	-	-
Total Other Financing Sources and Uses	-	-	-
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, Budgetary Basis	$ -	(185)	$ 185
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Adjust Expenditures for Encumbrances		-	
Basis Difference		-	
Perspective Difference		-	
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, GAAP Basis		(185)	
Fund Balances - Beginning of Year		5,031	
Fund Balances - End of Year		$ 4,846	

Fishermen's			Fish and Game		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
$ -	$ -	$ -	$ -	$ -	$ -
1,637	1,171	466	26,427	26,427	-
-	-	-	122	122	-
-	-	-	-	200	(200)
-	-	-	-	-	-
-	-	-	-	1	(1)
-	-	-	-	124	(124)
-	-	-	18,263	6	18,257
-	-	-	39,348	36,013	3,335
1,637	1,171	466	84,160	62,893	21,267
-	-	-	-	-	-
-	-	-	-	-	-
1,637	1,134	503	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	67,655	58,126	9,529
-	-	-	3,000	749	2,251
-	-	-	-	-	-
1,637	1,134	503	70,655	58,875	11,780
-	37	(37)	13,505	4,018	9,487
-	-	-	3,261	3,261	-
-	-	-	(7,000)	(5,526)	(1,474)
-	-	-	(3,739)	(2,265)	(1,474)
$ -	37	$ (37)	$ 9,766	1,753	$ 8,013
	-			3,783	
	-			-	
	-			-	
	37			5,536	
	11,810			9,531	
	$ 11,847			$ 15,067	

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, 2012
(Stated in Thousands)

	School		
	Budget	Actual	Variance with Budget
REVENUES			
Unrestricted:			
Taxes	$ 21,600	$ 22,550	$ (950)
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	-	-	-
Total Revenues	21,600	22,550	(950)
EXPENDITURES			
Current:			
General Government	-	-	-
Education	21,600	21,273	327
Health and Human Services	-	-	-
Law and Justice	-	-	-
Public Protection	-	-	-
Natural Resources	-	-	-
Development	-	-	-
Transportation	-	-	-
Total Expenditures	21,600	21,273	327
Excess (Deficiency) of Revenues Over Expenditures	-	1,277	(1,277)
OTHER FINANCING SOURCES (USES)			
Transfers In from Other Funds	-	-	-
Transfers (Out to) Other Funds	-	-	-
Total Other Financing Sources and Uses	-	-	-
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, Budgetary Basis	$ -	1,277	$ (1,277)
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Adjust Expenditures for Encumbrances		-	
Basis Difference		-	
Perspective Difference		-	
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), Special and Extraordinary Items, GAAP Basis		1,277	
Fund Balances - Beginning of Year		8,208	
Fund Balances - End of Year		$ 9,485	

National Petroleum Reserve			Clean Air Protection		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	2,587	2,587	-
-	-	-	-	-	-
-	-	-	-	-	-
4,784	4,784	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,784	4,784	-	2,587	2,587	-
295	73	222	168	168	-
75	15	60	-	-	-
607	173	434	-	-	-
-	-	-	-	-	-
1,456	1,456	-	-	-	-
308	67	241	3,398	3,398	-
37,392	35,916	1,476	-	-	-
-	-	-	-	-	-
40,133	37,700	2,433	3,566	3,566	-
(35,349)	(32,916)	(2,433)	(979)	(979)	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ (35,349)	(32,916)	$ (2,433)	$ (979)	(979)	$ -
	-			-	
	25,928			-	
	-			-	
	(6,988)			(979)	
	37,765			3,157	
	$ 30,777			$ 2,178	

This statement continued on the next page.

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012
(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	55	55	-
Interest and Investment Income	-	-	-
Other Revenues	-	-	-
Restricted:			
Federal Grants in Aid	-	-	-
Total Revenues	55	55	-
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	(2,998)	55	(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, Other Financing Sources (Uses), Special and Extraordinary Items, Budgetary Basis	$ (2,998)	55	$ (3,053)
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Adjust Expenditures for Encumbrances		-	
Basis Difference		-	
Perspective Difference		-	
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, GAAP Basis		55	
Fund Balances - Beginning of Year		3,842	
Fund Balances - End of Year		$ 3,897	

Alyeska Settlement Trust			Exxon Valdez Settlement Trust		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,309	1,309	-
121	121	-	140	140	-
-	-	-	-	-	-
-	-	-	-	-	-
121	121	-	1,449	1,449	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	18,985	9,109	9,876
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	18,985	9,109	9,876
121	121	-	(17,536)	(7,660)	(9,876)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ 121	121	$ -	$ (17,536)	(7,660)	$ (9,876)
	-			4,695	
	-			-	
	-			-	
	121			(2,965)	
	8,404			9,733	
	$ 8,525			$ 6,768	

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, 2012
(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	6	9	(3)
Other Revenues	-	-	-
Restricted:			
Federal Grants in Aid	-	-	-
Total Revenues	6	9	(3)
EXPENDITURES			
Current:			
General Government	-	-	-
Education	-	-	-
Health and Human Services	-	-	-
Law and Justice	-	-	-
Public Protection	-	-	-
Natural Resources	6	1	5
Development	-	-	-
Transportation	-	-	-
Total Expenditures	6	1	5
Excess (Deficiency) of Revenues Over Expenditures	-	8	(8)
OTHER FINANCING SOURCES (USES)			
Transfers In from Other Funds	-	-	-
Transfers (Out to) Other Funds	-	-	-
Total Other Financing Sources and Uses	-	-	-
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, Budgetary Basis	$ -	8	$ (8)
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Adjust Expenditures for Encumbrances		-	
Basis Difference		-	
Perspective Difference		-	
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, GAAP Basis		8	
Fund Balances - Beginning of Year		906	
Fund Balances - End of Year		$ 914	

Alaska Gasline Development Corporation			Funds Not Annually Budgeted		
			Reclamation Bonding Pool	Northern Tobacco Securitization Corporation	Alaska Housing Capital Corporation
Budget	Actual	Variance with Budget	Actual	Actual	Actual
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	101	-	-
28,200	18,338	9,862	-	-	-
-	-	-	-	-	-
28,200	18,338	9,862	101	-	-
-	-	-	-	67	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
28,200	18,134	10,066	-	-	-
-	-	-	-	-	-
28,200	18,134	10,066	-	67	-
-	204	(204)	101	(67)	-
-	-	-	-	72	-
-	-	-	-	-	-
-	-	-	-	72	-
$ -	204	$ (204)	101	5	-
	-		-	-	-
	131		-	-	-
	(131)		-	-	(190,497)
	204		101	5	(190,497)
	-		1,476	152	768,338
	$ 204		$ 1,577	$ 157	$ 577,841

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, 2012
(Stated in Thousands)

	Total Nonmajor Special Revenue Funds		
	Budget	Actual	Variance with Budget
REVENUES			
Unrestricted:			
Taxes	$ 21,600	$ 22,550	$ (950)
Licenses and Permits	30,651	30,185	466
Charges for Services	122	122	-
Fines and Forfeitures	-	395	(395)
Rents and Royalties	4,784	4,784	-
Premiums and Contributions	5,359	4,401	958
Interest and Investment Income	267	495	(228)
Other Revenues	46,463	18,360	28,103
Restricted:			
Federal Grants in Aid	39,348	36,013	3,335
Total Revenues	148,594	117,305	31,289
EXPENDITURES			
Current:			
General Government	463	308	155
Education	21,675	21,288	387
Health and Human Services	6,239	4,739	1,500
Law and Justice	400	-	400
Public Protection	1,456	1,456	-
Natural Resources	90,352	70,701	19,651
Development	68,592	54,799	13,793
Transportation	2,653	-	2,653
Total Expenditures	191,830	153,291	38,539
Excess (Deficiency) of Revenues Over Expenditures	(43,236)	(35,986)	(7,250)
OTHER FINANCING SOURCES (USES)			
Transfers In from Other Funds	3,261	3,333	(72)
Transfers (Out to) Other Funds	(7,000)	(5,526)	(1,474)
Total Other Financing Sources and Uses	(3,739)	(2,193)	(1,546)
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, Budgetary Basis	$ (46,975)	(38,179)	$ (8,796)
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Adjust Expenditures for Encumbrances		8,478	
Basis Difference		26,059	
Perspective Difference		(190,628)	
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, GAAP Basis		(194,270)	
Fund Balances - Beginning of Year		868,353	
Fund Balances - End of Year		$ 674,083	

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, 2012
(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	$ 1,837	$ 36,336	$ 7,248	$ 45,421
Due from Other Funds	-	-	773	773
Total Assets	$ 1,837	$ 36,336	$ 8,021	$ 46,194
LIABILITIES AND FUND BALANCES				
Liabilities:	$ -	$ -	$ -	$ -
Total Liabilities	-	-	-	-
Fund Balances:				
Restricted for:				
Debt Service	1,837	36,336	8,021	46,194
Total Fund Balances	1,837	36,336	8,021	46,194
Total Liabilities and Fund Balances	$ 1,837	$ 36,336	$ 8,021	$ 46,194

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, 2012
(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	$ -	$ 79	$ (1)	$ 78
Other Revenues	-	23,993	-	23,993
Total Revenues	-	24,072	(1)	24,071
EXPENDITURES				
Debt Service:				
Principal	52,095	6,305	3,015	61,415
Interest and Other Charges	32,724	17,837	2,356	52,917
Total Expenditures	84,819	24,142	5,371	114,332
Excess (Deficiency) of Revenues Over Expenditures	(84,819)	(70)	(5,372)	(90,261)
OTHER FINANCING SOURCES (USES)				
Refunding Bonds Issued	175,560	-	28,830	204,390
Bonds Issued Premium	30,035	-	2,972	33,007
Payment to Refunded Bonds Escrow Agent	(204,959)	-	(32,550)	(237,509)
Transfers In from Other Funds	84,180	-	6,661	90,841
Transfers (Out to) Other Funds	-	(72)	-	(72)
Total Other Financing Sources and Uses	84,816	(72)	5,913	90,657
Net Change in Fund Balances	(3)	(142)	541	396
Fund Balances - Beginning of Year	1,840	36,478	7,480	45,798
Fund Balances - End of Year	$ 1,837	$ 36,336	$ 8,021	$ 46,194

This page intentionally left blank.

Nonmajor Capital Projects Funds

The capital projects funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The following are the State's capital projects funds.

- **2008 Transportation Project Fund (GO Bonds) (Fund 13113)** – Chapter 30, SLA 2008 – This fund consists of the proceeds from the sale of $165,000,000 of general obligation bonds, and is to be used for the purpose of paying the cost of state transportation projects.

- **2010 Education Project Fund (GO Bonds) (Fund 13225)** – Chapter 95, SLA 2010 – This fund consists of the proceeds from the sale of $200,000,000 of general obligation bonds, and is to be used for the purpose of paying the cost of state education projects.

- **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.

STATE OF ALASKA **STATEMENT 3.51**
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2012
(Stated in Thousands)

	Accelerated Alaska Transportation Projects	Transportation Projects	Educational and Museum Facility Design, Construction, and Major Maintenance
ASSETS			
Cash and Investments	$ 472	$ 615	$ 98
Interest and Dividends Receivable	-	-	-
Total Assets	$ 472	$ 615	$ 98
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Liabilities	$ -	$ -	$ -
Due to Other Funds	-	30	-
Due to Component Units	-	-	-
Total Liabilities	-	30	-
Fund Balances:			
Restricted for:			
Education	-	-	98
Development	472	585	-
Total Fund Balances	472	585	98
Total Liabilities and Fund Balances	$ 472	$ 615	$ 98

Alaska Sport Fishing Construction Account	2008 Transportation Projects	2010 Education Projects	Total Nonmajor Capital Projects Funds
$ 9,349	$ 70,419	$ 112,658	$ 193,611
(4)	28	44	68
$ 9,345	$ 70,447	$ 112,702	$ 193,679
$ 66	$ 66	$ 1,655	$ 1,787
5,671	3,055	2,572	11,328
-	-	2,352	2,352
5,737	3,121	6,579	15,467
-	-	106,123	106,221
3,608	67,326	-	71,991
3,608	67,326	106,123	178,212
$ 9,345	$ 70,447	$ 112,702	$ 193,679

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, 2012
(Stated in Thousands)

	Accelerated Alaska Transportation Projects	Transportation Projects	Educational and Museum Facility Design, Construction, and Major Maintenance
REVENUES			
Interest and Investment Income	$ 2	$ 3	$ 1
Total Revenues	2	3	1
EXPENDITURES			
Current:			
Education	-	-	-
University	-	-	-
Natural Resources	-	-	-
Transportation	-	170	-
Total Expenditures	-	170	-
Excess (Deficiency) of Revenues Over Expenditures	2	(167)	1
OTHER FINANCING SOURCES (USES)			
Transfers (Out to) Other Funds	(23)	(24)	(391)
Total Other Financing Sources and Uses	(23)	(24)	(391)
Net Change in Fund Balances	(21)	(191)	(390)
Fund Balances - Beginning of Year	493	776	488
Fund Balances - End of Year	$ 472	$ 585	$ 98

Alaska Sport Fishing Construction Account	2008 Transportation Projects	2010 Education Projects	Total Nonmajor Capital Projects Funds
$ 48	$ 327	$ 599	$ 980
48	327	599	980
-	-	19,654	19,654
-	-	47,774	47,774
10,094	-	10,605	20,699
-	23,962	-	24,132
10,094	23,962	78,033	112,259
(10,046)	(23,635)	(77,434)	(111,279)
(6,631)	(1,455)	-	(8,524)
(6,631)	(1,455)	-	(8,524)
(16,677)	(25,090)	(77,434)	(119,803)
20,285	92,416	183,557	298,015
$ 3,608	$ 67,326	$ 106,123	$ 178,212

This page intentionally left blank.

Nonmajor Enterprise Funds

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

COMMERCIAL ASSISTANCE ENTERPRISE FUNDS

- **Alaska Capstone Avionics Revolving Loan Fund (Fund 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.

ENERGY ASSISTANCE ENTERPRISE FUNDS

- **Alternative Energy Conservation Revolving Loan Fund (Fund 21619)** – AS 45.88.010 – Administered by DCCED. This fund consists of monies appropriated by the legislature for the purpose of developing energy production utilizing one or more alternative energy systems and to purchase, construct, and install energy conservation improvements in commercial buildings.

- **Bulk Fuel 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.

- **Residential Energy Conservation Fund (Fund 21623)** – AS 45.88.010 – Administered by DCCED. This fund consists of money appropriated by the legislature for grants and loans to purchase, construct, or install energy conservation improvements.

OTHER AGENCIES ENTERPRISE FUNDS

- **Agricultural Revolving Loan Fund (Fund 21606)** – AS 03.10.040 – Administered by the Department of Natural Resources. The purpose of this fund is to promote the development of agriculture as an industry throughout the State by means of long-term, low interest loans.

- **Alaska Clean Water Fund (Fund 21658)** – AS 46.03.032 – Administered by the Department of Environmental Conservation. The fund consists of money appropriated by the legislature to meet federal matching requirements for public water and sewage treatment facilities and to provide financial assistance for this purpose.

- **Alaska Drinking Water Fund (Fund 21659)** – AS 46.03.036 – Administered by the Department of Environmental Conservation. The fund consists of federal capitalization grants. The capitalization grants are divided between two purposes: (1) part of each capitalization grant is to be deposited into the fund for providing loans for drinking water infrastructure projects; (2) the other part is to be used or set aside for non-project activities.

- **Alcoholism and Drug Abuse Revolving Loan Fund (Fund 21642)** – AS 44.29.210 – Administered by the Department of Health and Social Services. This fund is required under 42 U.S.C. 300x-25 to qualify the State to receive block grant money from the United States Department of Health and Human Services under 42 U.S.C. 300x-21. Money in the fund may be used to make loans to private nonprofit organizations for the cost of establishing programs to help pay the living expenses of individuals recovering from alcohol or drug abuse who may reside in group homes.

- **Knik Arm Bridge and Toll Authority (Fund 21680)** – AS 19.75.021 – Administered by the Department of Transportation and Public Facilities. This fund is to be used for the purpose of developing public transportation systems in the vicinity of Upper Cook Inlet with the construction of a bridge to span Knik Arm and connect the Municipality of Anchorage with the Matanuska-Susitna Borough. These monies may be used to own, acquire, construct, develop, create, reconstruct, equip, operate, maintain, extend, and improve the Knik Arm Bridge and its appurtenant facilities. The authority can fix and collect fees, rents, tolls, rates or other charges for the use of the bridge and its facilities which would become revenue to the fund.

- **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.

This page intentionally left blank.

STATE OF ALASKA **STATEMENT 4.01**
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2012
(Stated in Thousands)

	Commercial Assistance	Energy Assistance	Other Agencies	Total Nonmajor Enterprise Funds
ASSETS				
Current Assets:				
Cash and Investments	$ 91,711	$ 7,678	$ 384,201	$ 483,590
Accounts Receivable - Net	234	-	21,004	21,238
Interest and Dividends Receivable	4,277	-	1,678	5,955
Due from Other Funds	-	143	1,708	1,851
Due from Other Governments	-	-	480	480
Loans, Notes, and Bonds Receivable	7,481	1,006	20,274	28,761
Total Current Assets	103,703	8,827	429,345	541,875
Noncurrent Assets:				
Interest and Dividends Receivable	13,326	-	-	13,326
Loans, Notes, and Bonds Receivable	104,777	731	255,466	360,974
Repossessed Property	48	-	579	627
Investment in Projects, Partnerships, or Corporations	-	-	2,831	2,831
Other Noncurrent Assets	-	-	3,999	3,999
Capital Assets:				
Construction in Progress	-	-	52,632	52,632
Total Noncurrent Assets	118,151	731	315,507	434,389
Total Assets	221,854	9,558	744,852	976,264
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	152	4	4,633	4,789
Due to Other Funds	506	2	1,417	1,925
Due to Other Governments	-	-	2,797	2,797
Claims, Judgments, Compensated Absences, and Pollution Remediation	-	-	41	41
Other Current Liabilities	-	-	1,164	1,164
Total Current Liabilities	658	6	10,052	10,716
Noncurrent Liabilities:				
Claims, Judgments, Compensated Absences, and Pollution Remediation	-	-	135	135
Total Noncurrent Liabilities	-	-	135	135
Total Liabilities	658	6	10,187	10,851
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	-	-	52,632	52,632
Restricted for:				
Unemployment Compensation	-	-	248,564	248,564
Health and Human Services	-	-	407,705	407,705
Other Purposes	-	-	218	218
Unrestricted	221,196	9,552	25,546	256,294
Total Net Assets	$ 221,196	$ 9,552	$ 734,665	$ 965,413

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, 2012
(Stated in Thousands)

	Commercial Assistance	Energy Assistance	Other Agencies	Total Nonmajor Enterprise Funds
OPERATING REVENUES				
Premiums and Contributions	$ -	$ -	$ 200,070	$ 200,070
Charges for Goods and Services	302	1	962	1,265
Interest and Investment Income	7,214	-	3,019	10,233
Allowance for Uncollectible Interest	1,162	-	-	1,162
Fines and Forfeitures	36	-	13	49
Federal Reimbursements	-	-	117,274	117,274
Total Operating Revenues	8,714	1	321,338	330,053
OPERATING EXPENSES				
Benefits	-	-	302,406	302,406
Operating	3,708	2	5,187	8,897
Depreciation	-	-	36	36
Provision for Loan Losses and Forgiveness	1,134	207	-	1,341
Total Operating Expenses	4,842	209	307,629	312,680
Operating Income (Loss)	3,872	(208)	13,709	17,373
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Income	67	96	8,794	8,957
Interest and Investment Expense	-	-	(40)	(40)
Other Nonoperating Revenues (Expenses)	-	-	1,226	1,226
Total Nonoperating Revenues (Expenses)	67	96	9,980	10,143
Income Before Capital Contributions and Transfers	3,939	(112)	23,689	27,516
Capital Contributions	-	-	21,839	21,839
Transfers In from Other Funds	-	2,500	50	2,550
Transfers (Out to) Other Funds	(23)	-	(2,843)	(2,866)
Change in Net Assets	3,916	2,388	42,735	49,039
Total Net Assets - Beginning of Year	217,280	7,164	691,930	916,374
Total Net Assets - End of Year	$ 221,196	$ 9,552	$ 734,665	$ 965,413

STATE OF ALASKA **STATEMENT 4.03**
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2012
(Stated in Thousands)

	Commercial Assistance	Energy Assistance	Other Agencies	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Other Governments	$ -	$ -	$ 117,274	$ 117,274
Receipts from Customers	365	-	-	365
Receipts for Interfund Services Provided	-	5	-	5
Receipt of Principal from Loan Recipients	15,609	3,857	23,473	42,939
Receipt of Interest and Fees from Loan Recipients	10,938	-	4,617	15,555
Receipts from Insured	-	-	198,975	198,975
Payments to Employees	-	-	(745)	(745)
Payments to Suppliers	-	-	(3,953)	(3,953)
Payments to Other Governments	-	-	(4,390)	(4,390)
Payments to Loan Recipients	(19,021)	(3,605)	(17,629)	(40,255)
Claims Paid	-	-	(302,319)	(302,319)
Payments for Interfund Services Used	(4,339)	(143)	(423)	(4,905)
Other Receipts	554	-	993	1,547
Other Payments	(19)	-	(66)	(85)
Net Cash Provided (Used) by Operating Activities	4,087	114	15,807	20,008
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Subsidies and Transfers (Out to) Other Funds	-	-	(2,861)	(2,861)
Operating Subsidies and Transfers In from Other Funds	-	2,500	499	2,999
Federal Grants	-	-	12,790	12,790
Proceeds from Issuance of Short-term Debt	-	-	3,647	3,647
Payments on Short-term Debt	-	-	(3,489)	(3,489)
Interest and Fees Paid on Borrowing	-	-	(5)	(5)
Net Cash Provided (Used) by Noncapital Financing Activities	-	2,500	10,581	13,081
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Contributions	-	-	713	713
Acquisition and Construction of Capital Assets	-	-	(7,688)	(7,688)
Interest and Fees Paid on Capital Debt	-	-	(53)	(53)
Federal Grants	-	-	7,008	7,008
Other Receipts (Payments)	-	-	20	20
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sales/Maturities of Investments	-	-	19	19
Interest and Dividends on Investments	67	96	8,773	8,936
Change in Restricted Cash and Investments	-	-	(35)	(35)
Net Cash Provided (Used) by Investing Activities	67	96	8,757	8,920
Net Increase (Decrease) in Cash	4,154	2,710	35,145	42,009
Cash and Cash Equivalents - Beginning of Year	87,557	4,968	349,056	441,581
Cash and Cash Equivalents - End of Year	$ 91,711	$ 7,678	$ 384,201	$ 483,590

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, 2012
(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)	$ 3,872	$ (208)	$ 13,709	$ 17,373
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	-	-	36	36
Other Reconciling Items	25	-	(133)	(108)
Net Changes in Assets and Liabilities:				
Accounts Receivable - Net	-	-	(4,062)	(4,062)
Due from Other Funds	-	(138)	(195)	(333)
Due from Other Governments	-	-	2,294	2,294
Loans, Notes, and Bonds Receivable - Net	(2,284)	454	7,062	5,232
Repossessed Property	-	-	36	36
Investment in Projects, Partnerships, or Corporations	-	-	946	946
Interest and Dividends Receivable - Net	2,734	-	427	3,161
Other Assets	87	-	(1,116)	(1,029)
Due to Other Funds	(347)	2	(184)	(529)
Due to Other Governments	-	-	(3,788)	(3,788)
Accounts Payable and Accrued Liabilities	-	4	154	158
Other Liabilities	-	-	621	621
Net Cash Provided (Used) by Operating Activities	$ 4,087	$ 114	$ 15,807	$ 20,008
Reconciliation of Cash to the Statement of Net Assets:				
Total Cash and Investments per the Statement of Net Assets	$ 91,711	$ 7,678	$ 384,201	$ 483,590
Cash, End of Year	$ 91,711	$ 7,678	$ 384,201	$ 483,590
Noncash Investing, Capital, and Financing Activities:				
Contributed Capital Assets	-	-	1,209	1,209
Net Income (Loss) on Investment	61	-	-	61
Discharge of Advance from Other Funds	-	-	2,488	2,488

STATE OF ALASKA **STATEMENT 4.11**
Combining Statement of Net Assets
Commercial Assistance Enterprise Funds
June 30, 2012
(Stated in Thousands)

	Alaska World War II Veterans' Revolving Loan	Commercial Fishing Revolving Loan
ASSETS		
Current Assets:		
Cash and Investments	$ -	$ 27,192
Accounts Receivable - Net	234	-
Interest and Dividends Receivable	-	2,597
Loans, Notes, and Bonds Receivable	-	6,784
Total Current Assets	234	36,573
Noncurrent Assets:		
Interest and Dividends Receivable	-	1,535
Loans, Notes, and Bonds Receivable	-	66,878
Repossessed Property	-	48
Total Noncurrent Assets	-	68,461
Total Assets	234	105,034
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	-	152
Due to Other Funds	-	455
Total Current Liabilities	-	607
Total Liabilities	-	607
NET ASSETS		
Unrestricted	234	104,427
Total Net Assets	$ 234	$ 104,427

Historical District Revolving Loan	Fisheries Enhancement Revolving Loan	Mining Revolving Loan	Alaska Capstone Avionics Revolving Loan	Total Commercial Assistance Enterprise Funds
$ 96	$ 59,524	$ 205	$ 4,694	$ 91,711
-	-	-	-	234
-	1,666	-	14	4,277
12	629	-	56	7,481
108	61,819	205	4,764	103,703
-	11,791	-	-	13,326
13	37,422	-	464	104,777
-	-	-	-	48
13	49,213	-	464	118,151
121	111,032	205	5,228	221,854
-	-	-	-	152
46	-	5	-	506
46	-	5	-	658
46	-	5	-	658
75	111,032	200	5,228	221,196
$ 75	$ 111,032	$ 200	$ 5,228	$ 221,196

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, 2012
(Stated in Thousands)

	Alaska World War II Veterans' Revolving Loan	Commercial Fishing Revolving Loan
OPERATING REVENUES		
Charges for Goods and Services	$ -	$ 200
Interest and Investment Income	-	3,586
Allowance for Uncollectible Interest	-	238
Fines and Forfeitures	-	36
Total Operating Revenues	-	4,060
OPERATING EXPENSES		
Operating	-	3,322
Provision for Loan Losses and Forgiveness	-	512
Total Operating Expenses	-	3,834
Operating Income (Loss)	-	226
NONOPERATING REVENUES (EXPENSES)		
Interest and Investment Income	-	-
Total Nonoperating Revenues (Expenses)	-	-
Income Before Capital Contributions and Transfers	-	226
Transfers (Out to) Other Funds	-	-
Change in Net Assets	-	226
Total Net Assets - Beginning of Year	234	104,201
Total Net Assets - End of Year	$ 234	$ 104,427

Historical District Revolving Loan	Fisheries Enhancement Revolving Loan	Mining Revolving Loan	Alaska Capstone Avionics Revolving Loan	Total Commercial Assistance Enterprise Funds
$ -	$ 102	$ -	$ -	$ 302
3	3,604	-	21	7,214
-	924	-	-	1,162
-	-	-	-	36
3	4,630	-	21	8,714
25	334	-	27	3,708
(2)	626	(2)	-	1,134
23	960	(2)	27	4,842
(20)	3,670	2	(6)	3,872
-	-	-	67	67
-	-	-	67	67
(20)	3,670	2	61	3,939
(21)	-	(2)	-	(23)
(41)	3,670	-	61	3,916
116	107,362	200	5,167	217,280
$ 75	$ 111,032	$ 200	$ 5,228	$ 221,196

STATE OF ALASKA **STATEMENT 4.13**

Combining Statement of Cash Flows
Commercial Assistance Enterprise Funds
For the Fiscal Year Ended June 30, 2012
(Stated in Thousands)

	Alaska World War II Veterans' Revolving Loan	Commercial Fishing Revolving Loan
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$ -	$ 365
Receipts of Principal from Loan Recipients	-	10,439
Receipt of Interest and Fees from Loan Recipients	-	4,004
Payments to Loan Recipients	-	(14,747)
Payments for Interfund Services Used	-	(3,700)
Other Receipts	-	554
Other Payments	-	(19)
Net Cash Provided (Used) by Operating Activities	-	(3,104)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends on Investments	-	-
Net Cash Provided (Used) by Investing Activities	-	-
Net Increase (Decrease) in Cash	-	(3,104)
Cash and Cash Equivalents - Beginning of Year	-	30,296
Cash and Cash Equivalents - End of Year	$ -	$ 27,192
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	$ -	$ 226
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Other Reconciling Items	-	-
Net Changes in Assets and Liabilities:		
Loans, Notes and Bonds Receivable - Net	-	(3,704)
Interest and Dividends Receivable - Net	-	353
Other Assets	-	85
Due to Other Funds	-	(64)
Net Cash Provided (Used) by Operating Activities	$ -	$ (3,104)
Reconciliation of Cash to the Statement of Net Assets:		
Total Cash and Investments per the Statement of Net Assets	$ -	$ 27,192
Cash, End of Year	$ -	$ 27,192
Noncash Investing, Capital, and Financing Activities:		
Net Income (Loss) on Investment	-	-

STATEMENT 4.13

Historical District Revolving Loan	Fisheries Enhancement Revolving Loan	Mining Revolving Loan	Alaska Capstone Avionics Revolving Loan	Total Commercial Assistance Enterprise Funds
$ -	$ -	$ -	$ -	$ 365
18	5,093	-	59	15,609
3	6,913	-	18	10,938
-	(4,226)	-	(48)	(19,021)
(21)	(593)	2	(27)	(4,339)
-	-	-	-	554
-	-	-	-	(19)
-	7,187	2	2	4,087
-	-	-	67	67
-	-	-	67	67
-	7,187	2	69	4,154
96	52,337	203	4,625	87,557
$ 96	$ 59,524	$ 205	$ 4,694	$ 91,711
$ (20)	$ 3,670	$ 2	$ (6)	$ 3,872
25	-	-	-	25
16	1,393	-	11	(2,284)
-	2,384	-	(3)	2,734
-	-	2	-	87
(21)	(260)	(2)	-	(347)
$ -	$ 7,187	$ 2	$ 2	$ 4,087
$ 96	$ 59,524	$ 205	$ 4,694	$ 91,711
$ 96	$ 59,524	$ 205	$ 4,694	$ 91,711
-	-	-	61	61

STATE OF ALASKA **STATEMENT 4.21**
Combining Statement of Net Assets
Energy Assistance Enterprise Funds
June 30, 2012
(Stated in Thousands)

	Alternative Energy Conservation Revolving Loan	Residential Energy Conservation	Bulk Fuel Bridge Loan	Total Energy Assistance Enterprise Funds
ASSETS				
Current Assets:				
Cash and Investments	$ 2,668	$ 2	$ 5,008	$ 7,678
Due from Other Funds	-	-	143	143
Loans, Notes, and Bonds Receivable	-	-	1,006	1,006
Total Current Assets	2,668	2	6,157	8,827
Noncurrent Assets:				
Loans, Notes, and Bonds Receivable	-	-	731	731
Total Noncurrent Assets	-	-	731	731
Total Assets	2,668	2	6,888	9,558
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	-	-	4	4
Due to Other Funds	-	2	-	2
Total Current Liabilities	-	2	4	6
Total Liabilities	-	2	4	6
NET ASSETS				
Restricted for:				
Unrestricted	2,668	-	6,884	9,552
Total Net Assets	$ 2,668	$ -	$ 6,884	$ 9,552

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, 2012
(Stated in Thousands)

	Alternative Energy Conservation Revolving Loan	Residential Energy Conservation	Bulk Fuel Bridge Loan	Total Energy Assistance Enterprise Funds
OPERATING REVENUES				
Charges for Goods and Services	$ 1	$ -	$ -	$ 1
Total Operating Revenues	1	-	-	1
OPERATING EXPENSES				
Operating	-	2	-	2
Provision for Loan Losses and Forgiveness	2	-	205	207
Total Operating Expenses	2	2	205	209
Operating Income (Loss)	(1)	(2)	(205)	(208)
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Income	35	-	61	96
Total Nonoperating Revenues (Expenses)	35	-	61	96
Income Before Capital Contributions and Transfers	34	(2)	(144)	(112)
Transfers In from Other Funds	2,500	-	-	2,500
Change in Net Assets	2,534	(2)	(144)	2,388
Total Net Assets - Beginning of Year	134	2	7,028	7,164
Total Net Assets - End of Year	$ 2,668	$ -	$ 6,884	$ 9,552

STATE OF ALASKA **STATEMENT 4.23**
Combining Statement of Cash Flows
Energy Assistance Enterprise Funds
For the Fiscal Year Ended June 30, 2012
(Stated in Thousands)

	Alternative Energy Conservation Revolving Loan	Residential Energy Conservation	Bulk Fuel Bridge Loan	Total Energy Assistance Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts for Interfund Services Provided	$ 5	$ -	$ -	$ 5
Receipts of Principal from Loan Recipients	-	-	3,857	3,857
Payments to Loan Recipients	-	-	(3,605)	(3,605)
Payments for Interfund Services Used	-	-	(143)	(143)
Net Cash Provided (Used) by Operating Activities	5	-	109	114
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Subsidies and Transfers In from Other Funds	2,500	-	-	2,500
Net Cash Provided (Used) by Noncapital Financing Activities	2,500	-	-	2,500
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and Dividends on Investments	35	-	61	96
Net Cash Provided (Used) by Investing Activities	35	-	61	96
Net Increase (Decrease) in Cash	2,540	-	170	2,710
Cash and Cash Equivalents - Beginning of Year	128	2	4,838	4,968
Cash and Cash Equivalents - End of Year	$ 2,668	$ 2	$ 5,008	$ 7,678
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	$ (1)	$ (2)	$ (205)	$ (208)
Adjustments to Reconcile Operating Income to Net Cash				
Net Changes in Assets and Liabilities:				
Due from Other Funds	5	-	(143)	(138)
Loans, Notes, and Bonds Receivable - Net	1	-	453	454
Due to Other Funds	-	2	-	2
Accounts Payable and Accrued Liabilities	-	-	4	4
Net Cash Provided (Used) by Operating Activities	$ 5	$ -	$ 109	$ 114
Reconciliation of Cash to the Statement of Net Assets:				
Total Cash and Investments per the Statement of Net Assets	$ 2,668	$ 2	$ 5,008	$ 7,678
Cash, End of Year	$ 2,668	$ 2	$ 5,008	$ 7,678

This page intentionally left blank.

STATE OF ALASKA **STATEMENT 4.31**
Combining Statement of Net Assets
Other Agencies Enterprise Funds
June 30, 2012
(Stated in Thousands)

	Alcoholism and Drug Abuse Revolving Loan	Agricultural Revolving Loan	Alaska Clean Water
ASSETS			
Current Assets:			
Cash and Investments	$ 218	$ 5,150	$ 105,543
Accounts Receivable - Net	-	35	417
Interest and Dividends Receivable	-	121	819
Due from Other Funds	-	-	-
Due from Other Governments	-	-	-
Loans, Notes, and Bonds Receivable	-	1,365	10,371
Total Current Assets	218	6,671	117,150
Noncurrent Assets:			
Loans, Notes, and Bonds Receivable	-	11,820	116,256
Repossessed Property	-	579	-
Investment in Projects, Partnerships, or Corporations	-	2,831	-
Other Noncurrent Assets	-	1,316	-
Capital Assets:			
Construction in Progress	-	-	-
Total Noncurrent Assets	-	16,546	116,256
Total Assets	218	23,217	233,406
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	-	149	-
Due to Other Funds	-	28	-
Due to Other Governments	-	-	-
Claims, Judgments, Compensated Absences, and Pollution Remediation	-	41	-
Other Current Liabilities	-	-	-
Total Current Liabilities	-	218	-
Noncurrent Liabilities:			
Claims, Judgments, Compensated Absences, and Pollution Remediation	-	135	-
Total Noncurrent Liabilities	-	135	-
Total Liabilities	-	353	-
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	-	-	-
Restricted for:			
Unemployment Compensation	-	-	-
Health and Human Services	-	-	233,406
Other Purposes	218	-	-
Unrestricted	-	22,864	-
Total Net Assets	$ 218	$ 22,864	$ 233,406

Alaska Drinking Water	Knik Arm Bridge and Toll Authority	Unemployment Compensation	Total Other Agencies Enterprise Funds
$ 37,265	$ -	$ 236,025	$ 384,201
365	21	20,166	21,004
738	-	-	1,678
-	1,437	271	1,708
3	-	477	480
8,538	-	-	20,274
46,909	1,458	256,939	429,345
127,390	-	-	255,466
-	-	-	579
-	-	-	2,831
-	2,683	-	3,999
-	52,632	-	52,632
127,390	55,315	-	315,507
174,299	56,773	256,939	744,852
-	764	3,720	4,633
-	-	1,389	1,417
-	-	2,797	2,797
-	-	-	41
-	695	469	1,164
-	1,459	8,375	10,052
-	-	-	135
-	-	-	135
-	1,459	8,375	10,187
-	52,632	-	52,632
-	-	248,564	248,564
174,299	-	-	407,705
-	-	-	218
-	2,682	-	25,546
$ 174,299	$ 55,314	$ 248,564	$ 734,665

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, 2012
(Stated in Thousands)

	Alcoholism and Drug Abuse Revolving Loan	Agricultural Revolving Loan	Alaska Clean Water
OPERATING REVENUES			
Premiums and Contributions	$ -	$ -	$ -
Charges for Goods and Services	-	-	454
Interest and Investment Income	-	642	1,271
Fines and Forfeitures	-	13	-
Federal Reimbursements	-	-	-
Total Operating Revenues	-	655	1,725
OPERATING EXPENSES			
Benefits	-	-	-
Operating	-	399	-
Depreciation	-	36	-
Total Operating Expenses	-	435	-
Operating Income (Loss)	-	220	1,725
NONOPERATING REVENUES (EXPENSES)			
Interest and Investment Income	3	19	1,387
Interest and Investment Expense	-	(35)	(2)
Other Nonoperating Revenues (Expenses)	-	(117)	(3,294)
Total Nonoperating Revenues (Expenses)	3	(133)	(1,909)
Income Before Capital Contributions and Transfers	3	87	(184)
Capital Contributions	-	-	7,562
Transfers In from Other Funds	-	50	-
Transfers (Out to) Other Funds	(2)	-	-
Change in Net Assets	1	137	7,378
Total Net Assets - Beginning of Year	217	22,727	226,028
Total Net Assets - End of Year	$ 218	$ 22,864	$ 233,406

Alaska Drinking Water	Knik Arm Bridge and Toll Authority	Unemployment Compensation	Total Other Agencies Enterprise Funds
$ -	$ -	$ 200,070	$ 200,070
508	-	-	962
1,106	-	-	3,019
-	-	-	13
-	-	117,274	117,274
1,614	-	317,344	321,338
-	-	302,406	302,406
-	4,788	-	5,187
-	-	-	36
-	4,788	302,406	307,629
1,614	(4,788)	14,938	13,709
497	-	6,888	8,794
(3)	-	-	(40)
(2,429)	7,066	-	1,226
(1,935)	7,066	6,888	9,980
(321)	2,278	21,826	23,689
6,836	7,441	-	21,839
-	-	-	50
-	-	(2,841)	(2,843)
6,515	9,719	18,985	42,735
167,784	45,595	229,579	691,930
$ 174,299	$ 55,314	$ 248,564	$ 734,665

(Stated in Thousands)

	Alcoholism and Drug Abuse Revolving Loan	Agricultural Revolving Loan	Alaska Clean Water
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Other Governments	$ -	$ -	$ -
Receipts of Principal from Loan Recipients	-	1,669	12,789
Receipt of Interest and Fees from Loan Recipients	-	645	2,101
Receipts from Insured	-	-	-
Payments to Employees	-	(239)	-
Payments to Suppliers	-	(160)	-
Payments to Other Governments	-	-	(318)
Payments to Loan Recipients	-	(2,265)	(6,309)
Claims Paid	-	-	-
Payments for Interfund Services Used	-	-	-
Other Receipts	-	993	-
Other Payments	-	(66)	-
Net Cash Provided (Used) by Operating Activities	-	577	8,263
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating Subsidies and Transfers (Out to) Other Funds	-	(20)	-
Operating Subsidies and Transfers In from Other Funds	-	50	-
Federal Grants	-	-	4,268
Proceeds from Issuance of Short-term Debt	-	-	1,605
Payments on Short-term Debt	-	-	(1,605)
Interest and Fees Paid on Borrowing	-	-	(2)
Net Cash Provided (Used) by Noncapital Financing Activities	-	30	4,266
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Contributions	-	-	-
Acquisition and Construction of Capital Assets	-	-	-
Interest and Fees Paid on Capital Debt	-	-	-
Federal Grants	-	-	-
Other Receipts (Payments)	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sales/Maturities of Investments	-	19	-
Interest and Dividends on Investments	1	-	1,387
Change in Restricted Cash and Investments	-	(35)	-
Net Cash Provided (Used) by Investing Activities	1	(16)	1,387
Net Increase (Decrease) in Cash	1	591	13,916
Cash and Cash Equivalents - Beginning of Year	217	4,559	91,627
Cash and Cash Equivalents - End of Year	$ 218	$ 5,150	$ 105,543
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	$ -	$ 220	$ 1,725
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	-	36	-
Other Reconciling Items	-	(133)	-
Net Changes in Assets and Liabilities:			
Accounts Receivable - Net	-	47	124
Due From Other Funds	-	-	-
Due From Other Governments	-	-	-
Loans, Notes and Bonds Receivable - Net	-	632	6,470
Repossessed Property	-	36	-
Investment in Projects, Partnerships, or Corporations	-	946	-
Interest and Dividends Receivable - Net	-	(3)	262
Other Assets	-	(1,173)	-
Due to Other Funds	-	(9)	-
Due to Other Governments	-	-	-
Accounts Payable and Accrued Liabilities	-	(15)	(318)
Other Liabilities	-	(7)	-
Net Cash Provided (Used) by Operating Activities	$ -	$ 577	$ 8,263
Reconciliation of Cash to the Statement of Net Assets:			
Total Cash and Investments per the Statement of Net Assets	$ 218	$ 5,150	$ 105,543
Cash, End of Year	$ 218	$ 5,150	$ 105,543
Noncash investing, Capital, and Financing Activities:			
Contributed Capital Assets	-	-	-
Discharge of Advance from Other Funds	-	-	-

Alaska Drinking Water	Knik Arm Bridge and Toll Authority	Unemployment Compensation	Total Other Agencies Enterprise Funds
$ -	$ -	$ 117,274	$ 117,274
9,015	-	-	23,473
1,871	-	-	4,617
-	-	198,975	198,975
-	(506)	-	(745)
-	(3,793)	-	(3,953)
(4,072)	-	-	(4,390)
(9,055)	-	-	(17,629)
-	-	(302,319)	(302,319)
-	(423)	-	(423)
-	-	-	993
-	-	-	(66)
(2,241)	(4,722)	13,930	15,807
-	-	(2,841)	(2,861)
-	449	-	499
4,407	4,115	-	12,790
1,884	158	-	3,647
(1,884)	-	-	(3,489)
(3)	-	-	(5)
4,404	4,722	(2,841)	10,581
-	713	-	713
-	(7,688)	-	(7,688)
-	(53)	-	(53)
-	7,008	-	7,008
-	20	-	20
-	-	-	-
-	-	-	19
497	-	6,888	8,773
-	-	-	(35)
497	-	6,888	8,757
2,660	-	17,977	35,145
34,605	-	218,048	349,056
$ 37,265	$ -	$ 236,025	$ 384,201
$ 1,614	$ (4,788)	$ 14,938	$ 13,709
-	-	-	36
-	-	-	(133)
89	-	(4,322)	(4,062)
-	(12)	(183)	(195)
-	-	2,294	2,294
(40)	-	-	7,062
-	-	-	36
-	-	-	946
168	-	-	427
-	57	-	(1,116)
-	-	(175)	(184)
(4,072)	-	284	(3,788)
-	20	467	154
-	1	627	621
$ (2,241)	$ (4,722)	$ 13,930	$ 15,807
$ 37,265	$ -	$ 236,025	$ 384,201
$ 37,265	$ -	$ 236,025	$ 384,201
-	1,209	-	1,209
-	2,488	-	2,488

This page intentionally left blank.

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 ten state owned buildings and two parking facilities. The goals are to manage these buildings, in good order and a functional state, while providing cost effective and efficient space for state agencies and private tenants (until private tenant leases expire and space is converted to state agency use), to retain maximum value of these state assets, and to maximize revenue from non-general fund sources.

- **Group Health and Life Benefits Fund (Fund 11135)** – AS 39.30.095 – Administered by the Department of Administration. Effective July 1, 1997, the State began a self-insurance program to provide health care coverage for state employees covered by the retirement programs administered by the State. This fund consists of accumulated assets held for the purpose of paying health care claims for employees and accounts for transactions pertaining to the self-insurance program.

- **Highways Equipment Working Capital Fund (Fund 22652)** – AS 44.68.210 – Administered by the Department of Transportation and Public Facilities. This fund is used for necessary expenses resulting from the centralization of equipment maintenance and for the operation of supply depots.

- **Information Services Fund (Fund 22500)** – AS 44.21.045 – During the 1990 Legislative Session, the Legislature established the Information Services Fund (ISF) in the Department of Administration and classified it as an internal service fund. The ISF is used to account for the operation and financing of computing and telecommunication services for the State of Alaska. Included in these services is operation of the State's mainframe computer; the statewide consolidated data network; the telephone system in Juneau, Anchorage, and Fairbanks; and the microwave communications infrastructure.

STATE OF ALASKA **STATEMENT 4.41**
Combining Statement of Net Assets
Internal Service Funds
June 30, 2012
(Stated in Thousands)

	Group Health and Life Benefits	Alaska Public Building
ASSETS		
Current Assets:		
Cash and Investments	$ 47,588	$ 8,198
Accounts Receivable - Net	30	217
Due from Other Funds	-	607
Due from Other Governments	-	-
Inventories	-	-
Other Current Assets	1,014	-
Total Current Assets	48,632	9,022
Noncurrent Assets:		
Capital Assets:		
Equipment, Net of Depreciation	-	-
Buildings, Net of Depreciation	-	115,800
Construction in Progress	-	367
Total Noncurrent Assets	-	116,167
Total Assets	48,632	125,189
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	16,484	1,808
Due to Other Funds	1,435	-
Claims, Judgments, Compensated Absences, and Pollution Remediation	15	123
Total Current Liabilities	17,934	1,931
Noncurrent Liabilities:		
Claims, Judgments, Compensated Absences, and Pollution Remediation	12	11
Total Noncurrent Liabilities	12	11
Total Liabilities	17,946	1,942
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	-	116,167
Unrestricted	30,686	7,080
Total Net Assets	$ 30,686	$ 123,247

Information Services	Highways Equipment Working Capital	Total Internal Service Funds
$ 17,161	$ 33,713	$ 106,660
-	910	1,157
869	3,604	5,080
20	-	20
-	3,568	3,568
7,150	185	8,349
25,200	41,980	124,834
53,601	119,506	173,107
-	-	115,800
2,533	-	2,900
56,134	119,506	291,807
81,334	161,486	416,641
3,391	1,418	23,101
435	-	1,870
1,108	1,307	2,553
4,934	2,725	27,524
571	427	1,021
571	427	1,021
5,505	3,152	28,545
56,135	119,506	291,808
19,694	38,828	96,288
$ 75,829	$ 158,334	$ 388,096

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, 2012
(Stated in Thousands)

	Group Health and Life Benefits	Alaska Public Building
OPERATING REVENUES		
Premiums and Contributions	$ 108,979	$ -
Charges for Goods and Services	-	13,216
Other Operating Revenues	1,647	221
Total Operating Revenues	110,626	13,437
OPERATING EXPENSES		
Benefits	102,169	-
Operating	3,991	11,694
Depreciation	-	5,208
Total Operating Expenses	106,160	16,902
Operating Income (Loss)	4,466	(3,465)
NONOPERATING REVENUES (EXPENSES)		
Interest and Investment Income	606	-
Interest and Investment Expense	-	(1)
Gain (Loss) on Disposal of Capital Assets	-	-
Other Nonoperating Revenues (Expenses)	-	-
Total Nonoperating Revenues (Expenses)	606	(1)
Income Before Capital Contributions and Transfers	5,072	(3,466)
Capital Contributions	-	4,650
Transfers In from Other Funds	-	189
Change in Net Assets	5,072	1,373
Total Net Assets - Beginning of Year	25,614	121,874
Total Net Assets - End of Year	$ 30,686	$ 123,247

STATEMENT 4.42

Information Services	Highways Equipment Working Capital	Total Internal Service Funds
$ -	$ -	$ 108,979
35,690	55,905	104,811
-	-	1,868
35,690	55,905	215,658
-	-	102,169
50,337	34,484	100,506
6,122	15,735	27,065
56,459	50,219	229,740
(20,769)	5,686	(14,082)
-	-	606
-	-	(1)
-	(91)	(91)
-	890	890
-	799	1,404
(20,769)	6,485	(12,678)
-	5,517	10,167
13,801	1,686	15,676
(6,968)	13,688	13,165
82,797	144,646	374,931
$ 75,829	$ 158,334	$ 388,096

STATE OF ALASKA **STATEMENT 4.43**
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2012
(Stated in Thousands)

	Group Health and Life Benefits	Alaska Public Building
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Other Governments	$ -	$ -
Receipts from Customers	-	362
Receipts for Interfund Services Provided	-	14,292
Receipts from Insured	108,981	-
Payments to Employees	(227)	(1,696)
Payments to Suppliers	(3,898)	(9,504)
Claims Paid	(99,738)	-
Other Receipts	1,709	222
Other Payments	-	(2,178)
Net Cash Provided (Used) by Operating Activities	6,827	1,498
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Subsidies and Transfers In from Other Funds	-	189
Net Cash Provided (Used) by Noncapital Financing Activities	-	189
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Sale of Capital Assets	-	-
Acquisition and Construction of Capital Assets	-	(4,968)
Other Receipts (Payments)	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(4,968)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends on Investments	606	-
Net Cash Provided (Used) by Investing Activities	606	-
Net Increase (Decrease) in Cash	7,433	(3,281)
Cash and Cash Equivalents - Beginning of Year	40,155	11,479
Cash and Cash Equivalents - End of Year	$ 47,588	$ 8,198
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	$ 4,466	$ (3,465)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	-	5,208
Net Changes in Assets and Liabilities:		
Accounts Receivable - Net	(170)	282
Due from Other Funds	-	(607)
Inventories	-	-
Other Assets	62	-
Due to Other Funds	284	(415)
Accounts Payable and Accrued Liabilities	2,185	480
Other Liabilities	-	15
Net Cash Provided (Used) by Operating Activities	$ 6,827	$ 1,498
Reconciliation of Cash to the Statement of Net Assets:		
Total Cash and Investments per the Statement of Net Assets	$ 47,588	$ 8,198
Cash, End of Year	$ 47,588	$ 8,198
Noncash Investing, Capital, and Financing Activities:		
Contributed Capital Assets	-	4,650

Information Services	Highways Equipment Working Capital	Total Internal Service Funds
$ 116	$ -	$ 116
-	-	362
35,675	55,092	105,059
-	-	108,981
(15,347)	(16,736)	(34,006)
(39,123)	(17,529)	(70,054)
-	-	(99,738)
-	-	1,931
-	(934)	(3,112)
(18,679)	19,893	9,539
13,801	1,686	15,676
13,801	1,686	15,676
-	1,313	1,313
(4,522)	(19,035)	(28,525)
-	890	890
(4,522)	(16,832)	(26,322)
-	-	606
-	-	606
(9,400)	4,747	(501)
26,561	28,966	107,161
$ 17,161	$ 33,713	$ 106,660
$ (20,769)	$ 5,686	$ (14,082)
6,122	15,735	27,065
(17)	(891)	(796)
118	78	(411)
-	(150)	(150)
(5,418)	(184)	(5,540)
435	-	304
705	(381)	2,989
145	-	160
$ (18,679)	$ 19,893	$ 9,539
$ 17,161	$ 33,713	$ 106,660
$ 17,161	$ 33,713	$ 106,660
-	5,517	10,167

This page intentionally left blank.

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.

This page intentionally left blank.

Combining Statement of Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
June 30, 2012
(Stated in Thousands)

	Retiree Health	Deferred Compensation	Supplemental Benefits
ASSETS			
Cash and Cash Equivalents	$ 91,160	$ 14,173	$ 55,063
Investments:			
Short-Term Investments	-	721	2,063
Commercial Paper	186	-	-
U.S. Treasury	46,939	53,276	83,675
U.S. Government Agency	5,706	11,221	20,179
Municipal Bonds	-	-	-
Foreign Corporate Bonds	-	-	-
Foreign Government Bonds	-	-	-
Mortgage-Backed	49,922	68,716	114,975
Other Asset-Backed	3,827	3,043	5,283
Corporate Bonds	28,760	26,468	43,734
Yankees	9,802	10,198	18,636
Fixed Income Pool	-	-	-
Domestic Equity Pool	47,057	-	-
International Equity Pool	20,288	-	-
Emerging Markets Pool	-	-	-
Private Equity Pool	-	-	-
Absolute Return Pool	-	-	-
Real Assets	-	-	-
Energy Pool	-	-	-
Farmland Pool	-	-	-
Timber Pool	-	-	-
Participant-Directed	-	411,786	2,275,702
Other Net Investments	-	-	-
Investment Loss Trust Fund Assets	-	-	1,921
Accounts Receivable - Net	132	-	-
Contributions Receivable	198	1,857	7,647
Interest and Dividends Receivable	28	-	-
Due from Other Funds	-	-	-
Other Assets	419	-	-
Total Assets	304,424	601,459	2,628,878
LIABILITIES			
Accounts Payable and Accrued Liabilities	17,311	149	3,306
Due to Other Funds	546	-	-
Total Liabilities	17,857	149	3,306
NET ASSETS			
Held in Trust for:			
Pension Benefits	-	-	-
Postemployment Healthcare Benefits	286,567	-	-
Individuals, Organizations, and Other Governments	-	601,310	2,625,572
Total Net Assets	$ 286,567	$ 601,310	$ 2,625,572

Public Employees' Retirement	Teachers' Retirement	Judicial Retirement	Alaska National Guard and Alaska Naval Militia Retirement	Total Pension and Other Employee Benefit Trust Funds
$ 192,789	$ 93,983	$ 2,215	$ 487	$ 449,870
36,612	15,073	405	225	55,099
-	-	-	-	186
1,193,702	481,852	13,172	9,659	1,882,275
6,409	2,582	70	59	46,226
1,403	565	15	13	1,996
6,491	2,663	72	58	9,284
250,915	102,958	2,808	2,238	358,919
47,522	19,203	525	433	301,296
1,797	724	20	16	14,710
402,958	164,859	4,499	3,174	674,452
34,449	14,031	383	310	87,809
6,479	2,658	73	19	9,229
3,216,595	1,319,857	36,002	9,238	4,628,749
1,846,688	757,751	20,670	4,063	2,649,460
690,982	283,526	7,734	2,103	984,345
1,129,837	463,580	12,646	-	1,606,063
483,379	198,336	5,410	-	687,125
1,042,796	427,864	11,671	-	1,482,331
81,549	33,461	913	-	115,923
449,209	184,266	5,029	-	638,504
160,834	65,992	1,800	-	228,626
229,850	105,090	-	-	3,022,428
125,887	51,441	1,404	605	179,337
-	-	-	-	1,921
7	-	-	-	139
25,680	4,335	186	-	39,903
-	-	-	-	28
17,064	4,943	-	-	22,007
3,401	1,182	10	-	5,012
11,685,284	4,802,775	127,732	32,700	20,183,252
45,185	18,647	248	54	84,900
4,150	191	105	8	5,000
49,335	18,838	353	62	89,900
6,372,867	3,119,347	107,134	32,638	9,631,986
5,263,082	1,664,590	20,245	-	7,234,484
-	-	-	-	3,226,882
$ 11,635,949	$ 4,783,937	$ 127,379	$ 32,638	$ 20,093,352

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, 2012
(Stated in Thousands)

	Retiree Health	Deferred Compensation	Supplemental Benefits
ADDITIONS			
Premiums and Contributions:			
Employer	$ 1,517	$ -	$ 72,538
Member	58,626	39,568	76,160
Other	-	139	2,262
Total Premiums and Contributions	60,143	39,707	150,960
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	4,830	9,164	112,520
Interest	4,626	5,902	9,514
Dividends	1,007	-	-
Total Investment Income	10,463	15,066	122,034
Less Investment Expense	59	-	-
Net Investment Income	10,404	15,066	122,034
Other Additions			
Other	246	-	-
Total Additions	70,793	54,773	272,994
DEDUCTIONS			
Benefits Paid	34,389	33,916	138,440
Insurance Premiums	-	-	3,720
Refunds of Premiums and Contributions	-	-	-
Administrative Expenses	1,422	2,895	10,047
Total Deductions	35,811	36,811	152,207
Net Increase (Decrease) in Net Assets Held in Trust for:			
Pension Benefits	-	-	-
Postemployment Healthcare Benefits	34,982	-	-
Individuals, Organizations, and Other Governments	-	17,962	120,787
Net Assets - Beginning of the Year	251,585	583,348	2,504,785
Net Assets - End of the Year	$ 286,567	$ 601,310	$ 2,625,572

	Public Employees' Retirement	Teachers' Retirement	Judicial Retirement	Alaska National Guard and Alaska Naval Militia Retirement	Total Pension and Other Employee Benefit Trust Funds
	$ 457,855	$ 95,709	$ 3,685	$ 895	$ 632,199
	158,241	68,298	710	-	401,603
	242,610	234,517	2,332	-	481,860
	858,706	398,524	6,727	895	1,515,662
	(223,018)	(94,162)	(2,663)	(548)	(193,877)
	63,749	26,305	717	475	111,288
	217,701	91,682	2,453	415	313,258
	58,432	23,825	507	342	230,669
	23,336	9,924	274	54	33,647
	35,096	13,901	233	288	197,022
	31,924	12,552	99	-	44,821
	925,726	424,977	7,059	1,183	1,757,505
	899,947	471,834	10,593	1,334	1,590,453
	-	-	-	-	3,720
	20,136	5,428	-	-	25,564
	16,434	6,681	70	124	37,673
	936,517	483,943	10,663	1,458	1,657,410
	(86,061)	(90,435)	(3,467)	(275)	(180,238)
	75,270	31,469	(137)	-	141,584
	-	-	-	-	138,749
	11,646,740	4,842,903	130,983	32,913	19,993,257
	$ 11,635,949	$ 4,783,937	$ 127,379	$ 32,638	$ 20,093,352

STATE OF ALASKA **STATEMENT 5.11**
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2012
(Stated in Thousands)

	Deposits, Suspense, and Miscellaneous	Wage and Hour
ASSETS		
Cash and Cash Equivalents	$ 152,479	$ 125
Investments	-	-
Accounts Receivable - Net	5	-
Due from Other Funds	2,675	-
Total Assets	$ 155,159	$ 125
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 4,951	$ 5
Trust Deposits Payable	146,271	120
Due to Other Funds	3,937	-
Total Liabilities	$ 155,159	$ 125

Public Advocacy		Exxon Valdez Oil Spill Investment		Impact Aid PL 103-382		Total Agency Funds	
$	21,017	$	-	$	78	$	173,699
	-		179,884		-		179,884
	-		-		-		5
	-		-		-		2,675
$	21,017	$	179,884	$	78	$	356,263
$	-	$	-	$	-	$	4,956
	20,910		179,803		-		347,104
	107		81		78		4,203
$	21,017	$	179,884	$	78	$	356,263

STATE OF ALASKA **STATEMENT 5.12**
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2012
(Stated in Thousands)

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
DEPOSITS, SUSPENSE, AND MISCELLANEOUS				
ASSETS				
Cash and Cash Equivalents	$ 156,140	$ 146,765	$ 150,426	$ 152,479
Accounts Receivable - Net	5	-	-	5
Due from Other Funds	1,858	2,675	1,858	2,675
Total Assets	$ 158,003	$ 149,440	$ 152,284	$ 155,159
LIABILITIES				
Accounts Payable and Accrued Liabilities	$ 3,398	$ 82,654	$ 81,101	$ 4,951
Trust Deposits Payable	151,171	144,512	149,412	146,271
Due to Other Funds	3,434	3,937	3,434	3,937
Total Liabilities	$ 158,003	$ 231,103	$ 233,947	$ 155,159
WAGE AND HOUR				
ASSETS				
Cash and Cash Equivalents	$ 121	$ 147	$ 143	$ 125
Total Assets	$ 121	$ 147	$ 143	$ 125
LIABILITIES				
Accounts Payable and Accrued Liabilities	$ 2	$ 145	$ 142	$ 5
Trust Deposits Payable	119	148	147	120
Total Liabilities	$ 121	$ 293	$ 289	$ 125
PUBLIC ADVOCACY				
ASSETS				
Cash and Cash Equivalents	$ 18,110	$ 23,103	$ 20,196	$ 21,017
Total Assets	$ 18,110	$ 23,103	$ 20,196	$ 21,017
LIABILITIES				
Trust Deposits Payable	$ 17,911	$ 14,025	$ 11,026	$ 20,910
Due to Other Funds	199	107	199	107
Total Liabilities	$ 18,110	$ 14,132	$ 11,225	$ 21,017
EXXON VALDEZ OIL SPILL INVESTMENT				
ASSETS				
Investments	$ 184,994	$ 34,437	$ 39,547	$ 179,884
Total Assets	$ 184,994	$ 34,437	$ 39,547	$ 179,884
LIABILITIES				
Trust Deposits Payable	$ 184,911	$ 34,356	$ 39,464	$ 179,803
Due to Other Funds	83	81	83	81
Total Liabilities	$ 184,994	$ 34,437	$ 39,547	$ 179,884

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, 2012
(Stated in Thousands)

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
IMPACT AID PL 103-382				
ASSETS				
Cash and Cash Equivalents	$ -	$ 36,812	$ 36,734	$ 78
Total Assets	$ -	$ 36,812	$ 36,734	$ 78
LIABILITIES				
Trust Deposits Payable	$ -	$ 35,630	$ 35,630	$ -
Due to Other Funds	-	78	-	78
Total Liabilities	$ -	$ 35,708	$ 35,630	$ 78
TOTAL AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	$ 174,371	$ 206,827	$ 207,499	$ 173,699
Investments	184,994	34,437	39,547	179,884
Accounts Receivable - Net	5	-	-	5
Due from Other Funds	1,858	2,675	1,858	2,675
Total Assets	$ 361,228	$ 243,939	$ 248,904	$ 356,263
LIABILITIES				
Accounts Payable and Accrued Liabilities	$ 3,400	$ 82,799	$ 81,243	$ 4,956
Trust Deposits Payable	354,112	228,671	235,679	347,104
Due to Other Funds	3,716	4,203	3,716	4,203
Total Liabilities	$ 361,228	$ 315,673	$ 320,638	$ 356,263

This page intentionally left blank.

Nonmajor Component Units

The nonmajor component units listed are significant separate legal entities that are discretely presented in the State's financial statements. The inclusion of component units in the State's financial statements reflects the State's financial accountability for these entities.

- **Alaska Aerospace Corporation (AAC)** – AS 26.27.010 – is a public corporation of the State located for administrative purposes within the Department of Military and Veterans Affairs. The purpose of AAC is to allow the State to take a lead role in the exploration and development of space, to enhance human and economic development, and to provide a unified direction for space-related economic growth, education and research development, and tourism related activities.

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

- **Alaska Mental Health Trust Authority (AMHTA)** – AS 47.30.011 – is established as a public corporation of the State within the Department of Revenue. The purpose of AMHTA is to ensure an integrated comprehensive mental health program, by administering the trust established under the Alaska Mental Health Enabling Act of 1956.

- **Alaska Municipal Bond Bank Authority (AMBBA)** – AS 44.85.020 – is a public corporation and an instrumentality of the State within the Department of Revenue, but with a legal existence independent of and separate from the State. AMBBA was created for the purpose of making available to municipalities within the State, monies to finance their capital projects or for other authorized purposes by means of issuance of bonds by AMBBA and use of proceeds from such bonds to purchase from the municipalities their general obligation and revenue bonds.

- **Alaska Natural Gas Development Authority (ANGDA)** – AS 41.41.010 – is a public corporation and government instrumentality of the State within the Department of Revenue, but having a legal existence independent of and separate from the State. The purpose of ANGDA is to bring natural gas from the North Slope to market.

- **Alaska Railroad Corporation (ARRC)** – AS 42.40.010 – is a public corporation and an instrumentality of the State within the Department of Commerce, Community, and Economic Development, but with a legal existence independent of and separate from the State. ARRC was created to own and operate the railroad and manage its rail, industrial, port, and other properties.

- **Alaska Seafood Marketing Institute (ASMI)** – AS 16.51.010 – is a public corporation and an instrumentality of the State within the Department of Commerce, Community, and Economic Development, but with a legal existence independent of and separate from the State. The purpose of ASMI is to promote all species of seafood and their by-products harvested in Alaska for sale, and develop market-oriented quality specifications.

- **Alaska Student Loan Corporation (ASLC)** – AS 14.42.100 – is a public corporation and government instrumentality within the Department of Education and Early Development, but having a legal existence independent of and separate from the State. The purpose of ASLC is to improve higher educational opportunities for residents of the State.

STATE OF ALASKA **STATEMENT 6.01**
Combining Statement of Net Assets
Nonmajor Component Units
June 30, 2012
(Stated in Thousands)

	Alaska Municipal Bond Bank Authority	Alaska Student Loan Corporation	Alaska Railroad Corporation
ASSETS			
Cash and Investments	$ 86,368	$ 27,329	$ 48,523
Accounts Receivable - Net	-	-	19,039
Interest and Dividends Receivable	9,052	2,987	-
Due from Primary Government	30	-	671
Due from Component Units	-	-	-
Due from Other Governments	-	-	11,513
Loans, Notes, and Bonds Receivable	711,610	64,159	-
Inventories	-	-	9,828
Restricted Assets	-	558,674	32,010
Securities Lending Collateral	-	-	-
Other Assets	-	322	7,149
Capital Assets:			
Equipment, Net of Depreciation	-	-	146,146
Buildings, Net of Depreciation	-	-	251
Infrastructure, Net of Depreciation	-	-	566,700
Land / Right-of-Way	-	-	33,394
Construction in Progress	-	-	51,630
Total Assets	807,060	653,471	926,854
LIABILITIES			
Accounts Payable and Accrued Liabilities	97	861	32,228
Obligations Under Securities Lending	-	-	-
Due to Primary Government	-	74,139	173
Due to Component Units	-	-	-
Due to Other Governments	-	1,200	-
Interest Payable	8,870	2,893	2,672
Other Current Liabilities	-	496	936
Long-term Liabilities:			
Portion Due or Payable Within One Year:			
Claims, Judgments, Compensated Absences, and Pollution Remediation	-	-	801
Unearned and Deferred Revenue	1,665	-	3,322
Notes, Bonds, and Leases Payable	43,995	52,602	14,686
Other Long-term Debt	3,501	-	-
Portion Due or Payable After One Year:			
Claims, Judgments, Compensated Absences, and Pollution Remediation	-	-	1,218
Unearned and Deferred Revenue	-	7	469,598
Notes, Bonds, and Leases Payable	680,950	302,925	148,754
Other Long-term Debt	7,182	-	99
Other Noncurrent Liabilities	-	55	7,107
Total Liabilities	746,260	435,178	681,594
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	-	-	175,546
Restricted for:			
Permanent Funds			
Nonexpendable	-	-	-
Expendable	-	-	-
Education	-	125,147	-
Development	-	-	69,714
Debt Service	46,809	-	-
Other Purposes	-	-	-
Unrestricted	13,991	93,146	-
Total Net Assets	$ 60,800	$ 218,293	$ 245,260

Alaska Energy Authority	Alaska Aerospace Corporation	Alaska Mental Health Trust Authority	Alaska Natural Gas Development Authority	Alaska Seafood Marketing Institute	Total Nonmajor Component Units
$ 952,562	$ 7,154	$ 483,270	$ 273	$ 11,583	$ 1,617,062
8,737	1,421	29	-	15	29,241
1,084	-	4,773	-	-	17,896
3,824	-	-	-	6,989	11,514
1,356	-	-	-	-	1,356
3,252	-	-	-	943	15,708
5,839	-	4,373	-	-	785,981
-	511	-	-	-	10,339
22,773	-	-	-	-	613,457
-	-	31,951	-	-	31,951
-	-	9	-	34	7,514
129	39,570	90	-	-	185,935
-	30,359	5,871	-	-	36,481
215,454	8,245	-	-	-	790,399
-	-	3,111	7,848	-	44,353
13,727	581	-	-	-	65,938
1,228,737	87,841	533,477	8,121	19,564	4,265,125
31,811	332	12,102	1	2,609	80,041
-	-	31,951	-	-	31,951
22,235	-	1,099	1	3,752	101,399
5,430	-	-	-	-	5,430
-	-	-	-	-	1,200
2,610	-	-	-	-	17,045
-	-	-	-	-	1,432
-	441	588	-	159	1,989
-	-	164	-	-	5,151
6,880	-	-	-	-	118,163
-	-	-	-	-	3,501
-	-	-	-	198	1,416
-	3,427	-	-	-	473,032
87,607	-	-	-	-	1,220,236
-	-	-	-	-	7,281
1,536	-	-	-	-	8,698
158,109	4,200	45,904	2	6,718	2,077,965
134,822	78,755	9,072	7,848	-	406,043
-	-	384,536	-	-	384,536
-	-	93,965	-	-	93,965
-	-	-	-	-	125,147
-	-	-	-	-	69,714
20,163	-	-	-	-	66,972
13,535	-	-	-	12,846	26,381
902,108	4,886	-	271	-	1,014,402
$ 1,070,628	$ 83,641	$ 487,573	$ 8,119	$ 12,846	$ 2,187,160

(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	$ 33,338	$ 31,547	$ -	$ -
Alaska Student Loan Corporation	36,918	36,194	-	-
Alaska Railroad Corporation	173,069	140,621	11,440	32,138
Alaska Energy Authority	160,576	23,506	75,154	13,481
Alaska Aerospace Corporation	14,460	2,862	4,000	258
Alaska Mental Health Trust Authority	26,311	10,162	1,903	-
Alaska Natural Gas Development Authority	491	-	-	-
Alaska Seafood Marketing Institute	17,887	253	4,287	-
Total Nonmajor Component Units	$ 463,050	$ 245,145	$ 96,784	$ 45,877

General Revenues:
Taxes
Severance Taxes
Interest and Investment Income (Loss)
Payments In from Primary Government
Other Revenues
Special Items:
Gain on Cancellation of Bonds
Total General Revenues, Transfers, Special Items, and Extraordinary Items
Change in Net Assets
Net Assets - Beginning of Year
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 Corporation	Alaska Mental Health Trust Authority	Alaska Natural Gas Development Authority	Alaska Seafood Marketing Institute	Total Nonmajor Component Units
$ (1,791)	$	$	$	$	$	$	$	$ (1,791)
	(724)							(724)
		11,130						11,130
			(48,435)					(48,435)
				(7,340)				(7,340)
					(14,246)			(14,246)
						(491)		(491)
							(13,347)	(13,347)
(1,791)	(724)	11,130	(48,435)	(7,340)	(14,246)	(491)	(13,347)	(75,244)
-	-	-	-	-	-	-	11,205	11,205
1,829	900	110	14,050	5	-	-	-	16,894
14,500	-	-	29,020	301	-	345	7,932	52,098
-	-	1,391	84	-	-	-	-	1,475
-	1,289	-	-	-	-	-	-	1,289
16,329	2,189	1,501	43,154	306	-	345	19,137	82,961
14,538	1,465	12,631	(5,281)	(7,034)	(14,246)	(146)	5,790	7,717
46,262	216,828	232,629	1,075,909	90,675	501,819	8,265	7,056	2,179,443
$ 60,800	$ 218,293	$ 245,260	$ 1,070,628	$ 83,641	$ 487,573	$ 8,119	$ 12,846	$ 2,187,160

This page intentionally left blank.

Other Supplementary Information

STATE OF ALASKA **STATEMENT 6.03**

Balance Sheet

Nonmajor Component Unit Without Separately Issued Financial Statements

June 30, 2012

(Stated in Thousands)

	Alaska Seafood Marketing Institute
ASSETS	
Cash and Investments	$ 11,583
Accounts Receivable - Net	15
Due from Primary Government	6,989
Due from Other Governments	943
Other Assets	34
Total Assets	$ 19,564
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts Payable and Accrued Liabilities	$ 2,609
Due to Primary Government	3,752
Total Liabilities	6,361
Fund Balances:	
Reserved:	
Encumbrances	73
Other Purposes	13,130
Total Fund Balances	13,203
Total Liabilities and Fund Balances	$ 19,564

Reconciliation of the Balance Sheet to the Statement of Net Assets:

Total Fund Balances - Governmental Fund:	$ 13,203
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	(357)
Net Assets of Governmental Activities	$ 12,846

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, 2012

(Stated in Thousands)

	Alaska Seafood Marketing Institute
REVENUES	
Taxes	$ 11,205
Charges for Services	253
Federal Grants in Aid	4,287
Total Revenues	15,745
EXPENDITURES	
Current:	
Development	17,816
Total Expenditures	17,816
Excess (Deficiency) of Revenues Over Expenditures	(2,071)
OTHER FINANCING SOURCES (USES)	
Payments in from Primary Government	7,932
Total Other Financing Sources and Uses	7,932
Net Change in Fund Balances	5,861
Fund Balances - Beginning of Year	7,342
Fund Balances - End of Year	$ 13,203

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

Net Change in Fund Balances - Governmental Fund:	$ 5,861
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Expenses not reported in the fund:	
Compensated Absences	(71)
Change in Net Assets of Governmental Activities:	$ 5,790

This page intentionally left blank.

Statistical Section

This page intentionally left blank.

STATE OF ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2012

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 and GASB Statement No. 54 in FY 10; therefore, some schedules only include financial data beginning in those years.

STATE OF ALASKA **SCHEDULE A-1**
Financial Trends - Net Assets By Component
Last Ten Fiscal Years
(Stated in Thousands)

	2012	2011	2010	2009
Governmental Activities:				
Invested in Capital Assets,				
Net of Related Debt	$ 5,784,736	$ 5,618,713	$ 5,429,469	$ 5,293,353
Restricted[a]	39,109,760	38,808,084	32,819,206	30,007,939
Unrestricted	23,398,603	20,099,413	16,423,342	14,625,134
Total Governmental Activities Net Assets	68,293,099	64,526,210	54,672,017	49,926,426
Business-type Activities:				
Invested in Capital Assets,				
Net of Related Debt	805,993	783,353	765,841	706,236
Restricted	680,149	670,492	679,259	712,350
Unrestricted	343,417	292,783	317,371	327,661
Total Business-type Activities Net Assets	1,829,559	1,746,628	1,762,471	1,746,247
Primary Government:				
Invested in Capital Assets,				
Net of Related Debt	6,590,729	6,402,066	6,195,310	5,999,589
Restricted	39,789,909	39,478,576	33,498,465	30,720,289
Unrestricted	23,742,020	20,392,196	16,740,713	14,952,795
Total Primary Government Net Assets	$ 70,122,658	$ 66,272,838	$ 56,434,488	$ 51,672,673

NOTE:
This schedule is presented on the accrual basis of accounting.
[a] The majority of the amount reported as Restricted Net Assets for Governmental Activities represents the Alaska Permanent Fund. Further discussion of this fund is included in Management's Discussion and Analysis.

2008	2007	2006	2005	2004	2003
$ 5,063,796	$ 4,968,171	$ 4,721,066	$ 4,654,684	$ 3,921,815	$ 3,724,321
31,421,373	34,200,958	30,772,290	28,935,899	26,929,079	24,473,141
19,398,314	11,425,419	7,539,120	5,185,548	4,066,781	3,450,742
55,883,483	50,594,548	43,032,476	38,776,131	34,917,675	31,648,204
677,900	596,997	535,585	483,883	451,273	415,389
688,485	614,880	527,509	467,604	429,600	411,446
311,346	330,553	340,555	341,845	308,232	300,705
1,677,731	1,542,430	1,403,649	1,293,332	1,189,105	1,127,540
5,741,696	5,565,168	5,256,651	5,138,567	4,373,088	4,139,710
32,109,858	34,815,838	31,299,799	29,403,503	27,358,679	24,884,587
19,709,660	11,755,972	7,879,675	5,527,393	4,375,013	3,751,447
$ 57,561,214	$ 52,136,978	$ 44,436,125	$ 40,069,463	$ 36,106,780	$ 32,775,744

STATE OF ALASKA **SCHEDULE A-2**
Financial Trends - Government-wide Expenses, Program Revenues, and Net (Expense)/Revenue
Last Ten Fiscal Years
(Stated in Thousands)

	2012	2011	2010	2009
Program Revenues				
Governmental Activities:				
Charges for Services				
General Government	$ 13,807	$ 10,940	$ 10,706	$ 10,148
Education	2,977	3,195	3,277	3,045
University	-	-	10	15
Health and Human Services	45,775	43,166	41,816	41,375
Law and Justice	19,267	17,294	10,604	19,485
Public Protection	159,589	157,898	160,851	158,994
Natural Resources	3,053,020	2,798,551	2,278,392	2,322,398
Development	18,277	994	1,264	16,634
Transportation	60,945	59,215	54,746	57,306
Debt Service	-	-	1,320	-
Operating Grants and Contributions	1,827,888	2,029,375	1,912,537	1,488,782
Capital Grants and Contributions	648,810	659,305	591,510	633,661
Total Governmental Activities Program Revenues	5,850,355	5,779,933	5,067,033	4,751,843
Business-type Activities:				
Charges for Services				
Loans	12,030	12,652	16,372	11,818
Unemployment Compensation	200,070	190,321	168,524	178,073
Airports	106,764	106,604	105,441	95,244
Development	1,349	1,212	1,068	1,034
Operating Grants and Contributions	117,929	106,801	99,940	19,115
Capital Grants and Contributions	110,804	48,419	84,170	78,720
Total Business-type Activities Program Revenues	548,946	466,009	475,515	384,004
Total Primary Government Program Revenues	$ 6,399,301	$ 6,245,942	$ 5,542,548	$ 5,135,847
Expenses				
Governmental Activities:				
General Government	$ 504,434	$ 466,540	$ 423,411	$ 515,981
Alaska Permanent Fund Dividend [a b]	757,576	817,894	817,162	2,015,974
Education	1,912,994	1,864,934	1,688,586	1,647,531
University	492,576	449,650	404,071	410,805
Health and Human Services	2,596,033	2,420,412	2,261,984	2,067,733
Law and Justice	277,816	187,722	241,021	270,299
Public Protection	703,039	740,113	696,937	609,253
Natural Resources	403,746	394,500	342,556	295,183
Development	597,796	892,847	319,268	386,298
Transportation	1,110,674	1,026,604	1,135,249	959,586
Intergovernmental Revenue Sharing	254,159	189,741	177,531	231,574
Debt Service	72,718	50,864	48,377	42,662
Total Governmental Activities Expenses	9,683,561	9,501,821	8,556,153	9,452,879
Business-type Activities:				
Loans	11,190	5,095	5,062	3,514
Unemployment Compensation	302,406	325,040	339,964	199,792
Airports	144,009	134,020	114,885	117,499
Development	6,254	2,633	1,984	2,062
Total Business-type Activities Expenses	463,859	466,788	461,895	322,867
Total Primary Government Expenses	$ 10,147,420	$ 9,968,609	$ 9,018,048	$ 9,775,746
Net (Expense)/Revenue (To Schedule A-3)				
Governmental Activities	$ (3,833,206)	$ (3,721,888)	$ (3,489,120)	$ (4,701,036)
Business-type Activities	85,087	(779)	13,620	61,137
Total Primary Government Net Expense	$ (3,748,119)	$ (3,722,667)	$ (3,475,500)	$ (4,639,899)

NOTES:
This schedule is presented on the accrual basis of accounting.
[a] The permanent fund dividend function represents the portion of the income earned by the Alaska Permanent Fund that is paid out to eligible Alaska residents.
[b] In 2009 the Alaska Permanent Fund Dividend expenses includes a one time energy rebate in the amount of $738,767 (in thousands) that was paid to Alaska citizens to offset the cost of energy.

2008	2007	2006	2005	2004	2003
$ 11,754	$ 11,058	$ 13,908	$ 20,448	$ 13,048	$ 16,142
2,829	2,689	2,895	2,477	2,329	937
29	-	-	-	-	-
39,492	39,144	29,774	30,754	23,086	23,277
12,607	12,142	9,736	10,959	8,625	6,201
163,320	172,762	138,192	134,817	134,087	103,586
3,404,033	2,207,217	2,460,023	1,967,523	1,446,144	1,299,097
6,884	15,669	6,840	4,744	3,719	34,895
68,105	68,042	63,257	48,506	46,774	44,882
-	-	-	-	-	-
1,354,695	1,463,791	1,460,145	1,400,904	1,422,265	1,303,282
612,769	632,829	618,554	642,311	624,835	611,414
5,676,517	4,625,343	4,803,324	4,263,443	3,724,912	3,443,713
9,175	9,655	9,116	10,006	10,333	13,598
149,699	169,070	168,942	148,354	160,762	156,459
118,874	115,490	103,999	99,375	76,467	76,753
1,087	-	-	-	-	-
21,717	16,400	19,262	17,485	13,329	18,177
83,922	79,588	73,570	84,249	79,715	52,859
384,474	390,203	374,889	359,469	340,606	317,846
$ 6,060,991	$ 5,015,546	$ 5,178,213	$ 4,622,912	$ 4,065,518	$ 3,761,559
$ 520,244	$ 326,205	$ 292,265	$ 254,680	$ 227,516	$ 278,972
990,379	658,294	505,093	552,232	660,471	908,676
1,705,227	1,364,756	1,251,111	1,143,197	1,072,194	951,790
382,463	319,963	271,687	244,927	246,101	226,729
1,869,940	1,827,623	1,768,611	1,832,252	1,661,454	1,553,612
213,076	180,837	175,878	147,606	131,179	130,408
584,423	557,792	535,877	517,875	420,476	458,200
293,999	286,236	263,777	242,610	225,167	206,161
247,671	430,096	477,249	129,518	128,254	142,934
952,916	812,686	711,351	762,514	392,737	418,463
129,678	62,082	57,598	43,039	52,303	65,364
43,820	40,555	32,152	32,153	32,763	19,903
7,933,836	6,867,125	6,342,649	5,902,603	5,250,615	5,361,212
9,987	9,561	12,285	9,304	4,980	8,799
122,128	122,908	130,487	147,687	185,342	191,598
112,437	129,074	120,879	99,350	81,475	77,892
4,965	2,221	598	155	77	-
249,517	263,764	264,249	256,496	271,874	278,289
$ 8,183,353	$ 7,130,889	$ 6,606,898	$ 6,159,099	$ 5,522,489	$ 5,639,501
$ (2,257,319)	$ (2,241,782)	$ (1,539,325)	$ (1,639,160)	$ (1,525,703)	$ (1,917,499)
134,957	126,439	110,640	102,973	68,732	39,557
$ (2,122,362)	$ (2,115,343)	$ (1,428,685)	$ (1,536,187)	$ (1,456,971)	$ (1,877,942)

Financial Trends - Government-wide General Revenues and Other Changes in Net Assets
Last Ten Fiscal Years
(Stated in Thousands)

	2012	2011	2010	2009
Net (Expense)/Revenue (From Schedule A-2)				
Governmental Activities	$ (3,833,206)	$ (3,721,888)	$ (3,489,120)	$ (4,701,036)
Business-type Activities	85,087	(779)	13,620	61,137
Total Primary Government Net Expense	$ (3,748,119)	$ (3,722,667)	$ (3,475,500)	$ (4,639,899)
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes:				
Severance Taxes	$ 6,069,648	$ 4,217,074	$ 2,669,281	$ 3,345,993
Selective Sales/Use	251,826	249,705	251,414	235,121
Income Taxes	647,256	720,734	552,792	632,123
Property Taxes	215,407	184,254	118,780	111,251
Other Taxes	2,556	9,712	8,905	10,225
Interest and Investment Earnings	318,107	8,075,366	4,529,193	(6,460,729)
Tobacco Settlement	29,997	29,574	31,502	37,349
Payments In from Component Units	39,463	42,866	40,538	26,392
Other Revenues	28,887	48,106	37,573	91,857
Transfers - Internal Activity	(3,052)	(1,310)	(5,267)	(14,032)
Special Items	-	-	-	-
Extraordinary Items				
Pension Obligation and Other Post Employment	-	-	-	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	7,600,095	13,576,081	8,234,711	(1,256,021)
Business-type Activities:				
Interest and Investment Earnings	(13,772)	(16,374)	(13,201)	(11,037)
Other Revenues	8,564	-	10,538	5,562
Payments In from Component Units	-	-	-	53
Transfers - Internal Activity	3,052	1,310	5,267	14,032
Special Items	-	-	-	3,972
Prior Period Adjustments and Restatements	-	-	-	(3,685)
Changes in Accounting Principles	-	-	-	(1,518)
Total Business-type Activities General Revenues and Other Changes in Net Assets	(2,156)	(15,064)	2,604	7,379
Total Primary Government General Revenues and Other Changes in Net Assets	$ 7,597,939	$ 13,561,017	$ 8,237,315	$ (1,248,642)
Change in Net Assets				
Governmental Activities	$ 3,766,889	$ 9,854,193	$ 4,745,591	$ (5,957,057)
Business-type Activities	82,931	(15,843)	16,224	68,516
Total Primary Government Changes in Net Assets	$ 3,849,820	$ 9,838,350	$ 4,761,815	$ (5,888,541)

NOTE:
This schedule is presented on the accrual basis of accounting.

2008	2007	2006	2005	2004	2003
$ (2,257,319)	$ (2,241,782)	$ (1,539,325)	$ (1,639,160)	$ (1,525,703)	$ (1,917,499)
134,957	126,439	110,640	102,973	68,732	39,557
$ (2,122,362)	$ (2,115,343)	$ (1,428,685)	$ (1,536,187)	$ (1,456,971)	$ (1,877,942)
$ 6,929,895	$ 2,256,299	$ 1,332,880	$ 965,431	$ 697,394	$ 640,856
270,119	233,788	196,605	186,354	180,354	156,693
981,673	812,652	821,664	588,694	339,270	207,075
81,518	65,692	54,508	42,912	47,416	48,741
18,387	9,495	11,865	10,743	10,979	9,421
(910,362)	5,968,976	3,312,907	2,840,596	3,561,847	1,205,191
32,141	21,247	19,975	21,759	21,439	25,054
115,635	400,382	104,556	121,312	58,846	80,728
27,873	32,295	60,857	19,294	60,781	7,618
(625)	3,028	4,894	4,968	4,306	2,830
-	-	-	-	4,829	127,413
	-	-	-		
-	-	-	-	-	-
-	-	(125,041)	695,553	(192,287)	24,053
-	-	-	-	-	-
7,546,254	9,803,854	5,795,670	5,497,616	4,795,174	2,535,673
(281)	14,155	2,935	5,154	1,067	6,567
-	1,215	1,393	1,356	-	419
-	-	-	-	-	-
625	(3,028)	(4,894)	(4,968)	(4,306)	(2,830)
-	-	-	-	-	(5,453)
-	-	243	(288)	(3,928)	(10,654)
-	-	-	-	-	-
344	12,342	(323)	1,254	(7,167)	(11,951)
$ 7,546,598	$ 9,816,196	$ 5,795,347	$ 5,498,870	$ 4,788,007	$ 2,523,722
$ 5,288,935	$ 7,562,072	$ 4,256,345	$ 3,858,456	$ 3,269,471	$ 618,174
135,301	138,781	110,317	104,227	61,565	27,606
$ 5,424,236	$ 7,700,853	$ 4,366,662	$ 3,962,683	$ 3,331,036	$ 645,780

Financial Trends - Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Stated in Thousands)

	2012	2011	2010	2009
General Fund (Per GASB 54)[a]				
Nonspendable	$ 165,504	$ 146,525	$ 229,199	
Restricted	105,472	134,863	119,379	
Committed	5,339,354	4,448,973	4,782,302	
Assigned	-	-	-	
Unassigned	15,953,852	13,051,711	10,405,256	
General Fund (Prior GASB 54)[a]				
Reserved [b]	-	-	-	$ 1,101,357
Unreserved	-	-	-	13,222,879
Total General Fund	$ 21,564,182	$ 17,782,072	$ 15,536,136	$ 14,324,236
All Other Governmental Funds (Per GASB 54)[a]				
Nonspendable	$ 38,713,004	$ 38,261,469	$ 32,408,388	
Restricted	289,667	406,063	286,528	
Committed	615,614	817,352	418,643	
Assigned	2,080,582	2,307,820	1,209,837	
Unassigned	-	-	-	
All Other Governmental Funds (Prior GASB 54)[a]				
Reserved [c]	-	-	-	$ 29,983,196
Unreserved, reported in:				
Permanent funds	-	-	-	426,318
Special revenue funds	-	-	-	420,993
Capital projects funds	-	-	-	207,550
Total All Other Governmental Funds	$ 41,698,867	$ 41,792,704	$ 34,323,396	$ 31,038,057

NOTES:

This schedule is presented on the modified accrual basis of accounting.
In 2002, funds were reclassified in conjunction with implementing GASB Statement No. 34.
In 2010, funds were reclassified in conjunction with implementing GASB Statement No. 54.

[a] Prior to 2010 and the implementation of GASB statement No. 54, fund balances were classified as Reserved or Unreserved. Under GASB statement No. 54, fund balances are classified as Nonspendable, Reserved, Committed, Assigned, or Unassigned.
[b] The majority of the amount reported as reserved for 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.
[c] 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.

2008	2007	2006	2005	2004	2003
$ 898,734	$ 5,388,823	$ 5,447,085	$ 5,367,346	$ 5,369,520	$ 5,400,958
13,717,732	2,249,074	(123,785)	(1,297,611)	(1,929,657)	(1,850,881)
$ 14,616,466	$ 7,637,897	$ 5,323,300	$ 4,069,735	$ 3,439,863	$ 3,550,077

2008	2007	2006	2005	2004	2003
$ 31,388,842	$ 34,155,999	$ 30,788,066	$ 29,015,791	$ 27,068,135	$ 24,464,472
4,984,371	4,144,850	2,594,854	1,449,370	869,711	114,139
397,895	381,225	51,662	75,991	47,841	78,987
113,515	116,074	140,606	126,963	227,982	438,606
$ 36,884,623	$ 38,798,148	$ 33,575,188	$ 30,668,115	$ 28,213,669	$ 25,096,204

STATE OF ALASKA **SCHEDULE A-5**
Financial Trends - Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Stated in Thousands)

	2012	2011	2010	2009
Revenues				
Taxes	$ 7,186,196	$ 5,381,479	$ 3,602,345	$ 4,334,450
Licenses and Permits	148,058	147,331	144,160	146,460
Charges for Services	197,276	179,554	164,400	176,310
Fines and Forfeitures	13,732	11,867	14,745	14,306
Rents and Royalties	2,996,900	2,779,564	2,259,999	2,237,219
Premiums and Contributions	23,363	28,790	21,782	28,806
Interest and Investment Income	344,378	8,139,303	4,575,828	(6,480,492)
Federal Grants in Aid	2,500,941	2,442,957	2,422,985	2,119,109
Payments in from Component Units	39,463	42,866	40,538	26,392
Other Revenues	66,759	53,920	32,530	61,092
Total Revenues	13,517,066	19,207,631	13,279,312	2,663,652
Expenditures				
General Government	491,697	481,434	437,178	740,621
Alaska Permanent Fund Dividend [b]	757,576	817,894	817,162	2,015,974
Education	1,899,380	1,835,425	1,705,340	1,658,971
University	491,857	449,248	402,867	409,890
Health and Human Services	2,573,858	2,427,974	2,251,631	2,064,656
Law and Justice	278,809	238,083	303,662	202,860
Public Protection	734,059	784,268	715,945	620,975
Natural Resources	384,167	379,151	391,318	339,496
Development	595,362	893,417	330,074	387,633
Transportation	1,146,767	1,103,655	1,174,671	1,111,105
Intergovernmental Revenue Sharing	254,525	189,796	177,804	231,364
Debt Service:	-			
Principal	134,825	47,229	43,210	48,414
Interest and Other Charges	77,816	44,201	45,110	41,914
Existing Monies to Bond Escrow Agent	-	-	-	-
Bond Issuance Costs	-	-	-	524
Total Expenditures	9,820,698	9,691,775	8,795,972	9,874,397
Excess (Deficiency) of Revenues Over Expenditures	3,696,368	9,515,856	4,483,340	(7,210,745)
Other Financing Sources (Uses)				
Bonds Issued	-	200,000	-	165,000
Refunding Bonds Issued [a]	204,390	-	-	-
Bond Issue Premium	33,007	1,837	-	8,611
Other Debt Proceeds	-	-	-	-
Refunding Bond Issue Premium [a]	-	-	-	-
Bond Discount	-	-	-	-
Payment to Refunded Bond Escrow Agent [a]	(237,509)	-	-	-
Capital Leases	10,277	8,212	20,603	271,901
Transfers In from Other Funds	1,324,843	1,277,441	924,015	937,064
Transfers (Out to) Other Funds	(1,343,103)	(1,288,102)	(930,719)	(961,402)
Total Other Financing Sources and Uses	(8,095)	199,388	13,899	421,174
Special Items	-	-	-	-
Prior Period Adjustments and Restatements	-	-	-	(2,186)
Changes in Accounting Principles	-	-	-	652,961
Net Change in Fund Balances	$ 3,688,273	$ 9,715,244	$ 4,497,239	$ (6,138,796)
Debt Service as a Percentage of Noncapital Expenditures	2.18%	0.96%	1.02%	0.96%

NOTES:
This schedule is presented on the modified accrual basis of accounting.
[a] In 2005 new certificates of participation were issued to refund existing certificates of participation debt.
[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.
[c] In 2012 evaluation of GASB-44 caused a restatement of the debt service expenditures as a percentage of noncapital expenditures from 2003 through current year. The use of capital outlay stated on the governmentwide statement of activities is used to adjust the total expenditures.

2008	2007	2006	2005	2004	2003
$ 8,282,074	$ 3,462,462	$ 2,361,263	$ 1,764,465	$ 1,275,413	$ 1,062,786
150,207	142,204	129,604	122,888	116,164	100,814
179,213	180,695	159,410	152,992	184,178	167,505
18,673	32,367	10,441	11,030	17,598	10,477
3,354,696	2,162,495	2,418,169	1,957,615	1,428,982	1,286,742
17,520	16,369	17,906	17,153	17,984	29,809
(913,571)	6,023,532	3,339,127	2,874,284	3,586,212	1,224,015
1,925,558	2,021,414	1,997,567	1,951,921	1,941,037	1,769,144
115,635	400,382	104,555	121,312	58,846	80,728
43,908	31,349	74,163	30,957	32,363	37,809
13,173,913	14,473,269	10,612,205	9,004,617	8,658,777	5,769,829
596,754	346,530	294,151	261,596	257,207	278,604
990,379	658,294	505,093	552,232	660,471	908,676
1,716,876	1,359,413	1,227,523	1,136,016	1,042,702	990,384
382,459	320,238	272,193	244,917	246,168	226,794
1,881,458	1,819,084	1,794,439	1,748,751	1,707,996	1,571,025
209,031	179,851	171,185	141,890	135,026	131,359
577,377	553,412	527,332	525,855	431,261	459,321
301,660	297,410	259,087	236,146	227,132	221,088
251,051	429,894	477,945	128,257	132,452	145,242
1,036,352	988,857	894,571	804,546	764,003	737,768
128,564	61,925	59,477	43,081	52,259	65,743
45,870	39,110	39,965	39,570	15,568	18,107
46,546	42,253	38,429	38,989	34,369	18,332
-	27,009	-	-	-	-
-	-	-	-	-	-
8,164,377	7,123,280	6,561,390	5,901,846	5,706,614	5,772,443
5,009,536	7,349,989	4,050,815	3,102,771	2,952,163	(2,614)
-	218,938	92,060	-	14,145	461,935
-	193,050	-	25,725	-	-
-	-	856	-	-	39,310
-	(193,050)	1,957	-	-	-
-	-	-	1,251	-	-
-	(11,180)	-	-	-	-
-	-	-	(26,858)	-	-
59,651	4,241	8,628	10,751	15,615	-
1,479,573	1,338,871	807,093	604,541	614,250	706,507
(1,483,716)	(1,363,302)	(801,164)	(615,931)	(597,320)	(695,498)
55,508	187,568	109,430	(521)	46,690	512,254
-	-	-	-	4,829	127,413
-	-	393	(17,932)	3,569	(5,103)
-	-	-	-	-	-
$ 5,065,044	$ 7,537,557	$ 4,160,638	$ 3,084,318	$ 3,007,251	$ 631,950
1.15%	1.57%	1.23%	1.53%	0.90%	0.68%

STATE OF ALASKA **SCHEDULE B-1**

Revenue Capacity - Alaska Permanent Fund Investment Income
Last Ten Fiscal Years
(Stated in Millions)

Fiscal Year	Ending Fund Market Value [a]	Nonspendable Fund Assets	Assigned Fund Assets [b]	Total Fund Return
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%
2010	33,255	32,045	1,210	11.7%
2011	40,140	37,832	2,308	20.6%
2012	40,333	38,252	2,081	-0.01%

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
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%
2010	15.9%	11.8%	11.6%	11.5%	7.9%	-0.6%	13.5%	11.7%
2011	33.4%	28.7%	31.5%	5.3%	0.6%	16.9%	12.2%	20.6%
2012	2.3%	-14.6%	-4.7%	7.8%	6.5%	11.4%	1.4%	-0.01%

SOURCE:
Alaska Permanent Fund Corporation

NOTES:
[a] The Alaska Permanent Fund is made up of two parts: nonspendable and assigned assets. The nonspendable portion of the fund is invested in perpetuity and cannot be spent without amending the state constitution through a majority vote of the people.
[b] Assigned fund assets are defined in Alaska statute as the accumulation of cash flow and net realized gains from investments and are subject to appropriation by the Legislature. Historically, the assigned fund assets have primarily been used to distribute a portion of realized earnings to the citizens of Alaska and to protect the nonspendable fund assets from inflation. The assigned fund assets are where all income available for appropriation is recorded, retained and reinvested until distributed in accordance with State of Alaska law. The assigned fund assets shown above have already been reduced by the annual dividend and inflation proofing transfer each year. The nonspendable and assigned fund assets are commingled for investment purposes.
[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 Ten Fiscal Years)

Oil Severance Taxes

Fiscal Year	Well-Head Value	Weighted Average Severance Tax Rate	Weighted Average Economic Limit Factor (ELF)
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
2010	$68.89 per barrel	18.04%	Not Applicable
2011	$86.69 per barrel	24.21%	Not Applicable
2012	$103.56 per barrel	42.70%	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).
The effective severance tax rate was computed as: (Number of barrels produced less the number of royalty barrels) × the wellhead 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 Ten Years Prior)

	2012	2003
Alaska Statute 43.05.230 prohibits naming individual tax payers.	Five oil companies account for more than 99.9% of severance tax.	Five oil companies account for more than 99.6% of severance tax.
Amount of Revenue Base	Five oil companies account for 206,024 thousands of barrels of oil production.	Five oil companies account for 362,504 thousands of barrels of oil production.
Percent of top payers to total oil production	95.50%	97.50%
Percent of top payers to total severance tax revenue	99.90%	99.60%

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 Ten Fiscal Years)

Fiscal Year	Gross Number of Barrels	Number of Barrels for Which Royalties are Charged	Weighted Average Royalty Rate
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%
2010	232,152,553	29,674,841	12.78%
2011	219,360,412	27,863,774	12.70%
2012	212,436,387	26,738,403	12.59%

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.

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)

	2012	2003
Top Payers	Royalties from British Petroleum, ConocoPhillips, and Flint Hills corporations comprise about 88% of oil royalty barrels this fiscal year.	Royalties from British Petroleum, ConocoPhillips, Tesoro, and Williams corporations comprise about 89% of oil royalty barrels this fiscal year.
Amount of Revenue Base	British Petroleum, ConocoPhillips, and Flint Hills corporations paid royalties on about 24.6 million barrels of oil this fiscal year.	British Petroleum, ConocoPhillips, Tesoro, and Williams corporations paid royalties on about 44 milllion barrels of oil this fiscal year.
Percent of top payers to number of royalty barrels:	88.74%	88.76%
Percent of top payers to total royalty revenue:	87.77%	87.80%

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…"

This page intentionally left blank.

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 [d]	Percentage of Personal Income [a]	Per Capita [a]	Tobacco Revenue Bonds	Sport Fishing Revenue Bonds	Certificates of Participation [b]
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	433,916	1.85%	654	207,995	68,345	74,770
2007	404,866	1.56%	604	387,252	64,273	65,275
2008	375,808	1.38%	555	381,399	61,942	56,990
2009	520,019	1.72%	765	372,374	57,802	51,415
2010	489,517	1.62%	707	371,298	54,455	45,605
2011	655,633	2.08%	923	370,677	51,859	39,600
2012	609,961	1.85%	845	365,871	48,274	11,375

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] For fiscal years 2002-2004, Certificates of Participation (COPs) related to facilitlies 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] For 2006 and 2007 the capital leases have been corrected to include internal service funds data.

[d] General Obligation bonds do not have any external restrictions for the repayment of debt. Total and net bonded debt are the same.

	Business-type Activities			
Capital Leases [b, c]	International Airports Revenue Bonds	Total Primary Government	Percentage of Personal Income [a]	Per Capita [a]
$ 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
410,085	562,006	1,932,966	6.40%	2,792
392,636	593,597	2,104,002	6.67%	2,962
380,131	579,579	1,995,191	6.05%	2,763

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]						
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
2010	110,811	64,368	46,443	6,085	28,491	1.34
2011	110,835	72,203	38,632	7,040	27,447	1.12
2012	106,061	79,770	26,291	13,150	28,047	0.64
Northern Tobacco Securitization Corporation (NTSC) Tobacco Revenue Bonds: [b]						
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
2010	25,294	-	25,294	-	19,750	1.28
2011	23,598	-	23,598	-	18,092	1.30
2012	24,072	-	24,072	-	17,837	1.35
Sport Fishing Revenue Bonds: [c]						
2006	$ 1,296	$ -	$ 1,296	$ -	$ -	0.00
2007	7,418	-	7,418	2,415	2,883	1.40
2008	7,483	-	7,483	2,295	2,923	1.43
2009	6,636	-	6,636	2,385	2,831	1.27
2010	5,825	-	5,825	2,485	2,649	1.13
2011	5,957	-	5,957	2,580	2,510	1.17
2012	6,025	-	6,025	3,015	2,075	1.18

NOTES:

Details regarding the state's outstanding debt can be found in the Notes to the Basic Financial Statements. Gross revenues include nonoperating interest and investment income. Operating expenses do not include interest, depreciation or amortization expenses. Additional details regarding revenues and expenses can be found in the combining fund statements of this CAFR.

[a] The principal revenues of the International Airports are charges to customers for airfield operations, concession fees, rent, and user fees.

[b] Tobacco Revenue Bonds are debt of the Northern Tobacco Securitization Corporation (NTSC), which was incorporated on September 29, 2000. NTSC revenues include Tobacco Settlement Revenues (TSRs) and investment earnings, both of which are pledged as security under the revenue bond indentures.

[c] Sport Fishing Revenue Bonds were sold April 11, 2006. The coverage reflected is surcharge revenue only as required in the additional bonds test. Additional coverage is provided from the base license fee, king salmon stamp fee, and certain federal receipts which are also pledged to repayment of the bonds.

STATE OF ALASKA **SCHEDULE D-1**
Demographic and Economic Information - Statistics
Last Ten Calendar Years

Year	Population [1]	Personal Income (Stated in Millions) [2]	Alaska Per Capita Personal Income [2]	United States Per Capita Personal Income [2]	Median Age [1]	Unemployment Rate [1]
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%
2009	692,314	30,180	43,209	39,626	33.5	8.0%
2010	710,231	31,562	44,205	39,945	33.8	8.0%
2011	722,190	33,003	45,665	41,560	33.9	7.6%

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 - Employment by Industry
Calendar Year 2011 and Period Nine Years Prior

	2011			2002		
Industry	Employment	Rank	Percentage of Total State Employment	Employment	Rank	Percentage of Total State Employment
Retail Trade	35,500	1	10.15%	33,900	1	10.84%
Health Care	31,500	2	9.01%	21,100	3	6.75%
Local Government Education	24,100	3	6.89%	22,200	2	7.10%
Military	20,900	4	5.98%	17,800	4	5.69%
State Government (Non Education)	18,200	5	5.20%	16,900	6	5.40%
Local Government (Non Education)	17,800	6	5.09%	17,400	5	5.56%
Federal Government (Non Military)	17,000	7	4.86%	16,800	7	5.37%
Construction	15,200	8	4.35%	15,800	8	5.05%
Oil and Gas	13,000	9	3.72%	8,900	9	2.85%
Seafood Processing	9,800	10	2.80%	7,600	10	2.43%
State Education	7,700	11	2.20%	6,900	11	2.21%
Total	210,700		60.25%	185,300		59.24%
Total Employment [a]	349,700			312,800		

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

NOTES:
In 2012, data is being provided based on major industry rather than principal employers based on 20 CFR 603.

[a] Standard wage and salary employment totals supplemented by active-duty military totals.

This page intentionally left blank.

Operating Information - Full-time Equivalent Government Employees by Function
Last Ten Fiscal Years

FUNCTION	2012	2011	2010	2009
General Government	2,272	2,248	2,158	2,225
Education	421	434	432	419
Health and Human Services	2,930	2,921	2,873	2,694
Law and Justice	1,710	1,685	1,671	1,642
Public Protection	3,481	3,511	3,582	3,540
Natural Resources	2,230	2,195	2,131	2,031
Development	812	826	822	775
Transportation	3,169	3,131	3,052	3,060
Totals	17,025	16,951	16,721	16,386

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.

2008	2007	2006	2005	2004	2003
2,137	2,139	2,101	2,071	2,009	2,181
414	423	409	395	421	346
2,816	2,599	2,511	2,432	2,477	2,579
1,587	1,550	1,498	1,451	1,400	1,413
3,297	3,634	3,588	3,552	3,560	3,552
1,994	1,978	1,932	1,897	1,928	1,956
745	748	794	773	770	796
2,987	2,979	2,940	2,826	2,833	2,741
15,977	16,050	15,773	15,397	15,398	15,564

STATE OF ALASKA **SCHEDULE E-2**
Operating Information - Operating Indicators by Function
Last Ten Fiscal Years

FUNCTION	2012	2011	2010	2009
Alaska Permanent Fund Dividend				
Number of Dividends Paid [a]	-	644,156	641,112	623,707
Education				
Student Enrollment in State Supported				
Schools (pre-elementary through grade 12)	131,682	132,104	131,662	130,685
University				
Student Enrollment in the State University				
System (average head count over both semesters)	35,082	34,528	33,821	31,888
Health and Human Services				
Medicaid Beneficiaries	136,913	132,991	134,535	123,791
Temporary Assistance Caseload[h]	3,803	3,619	3,198	3,027
Protective Services Reports Regarding Children [b]	16,288	16,067	14,629	13,441
Law and Justice				
Criminal Caseload - Misdemeanors	21,672	23,138	23,818	22,351
Criminal Caseload - Felonies and Appeals	8,233	8,592	8,571	7,796
Civil Caseload [g]	6,485	6,116	6,493	6,290
Public Protection				
Adult Offenders in Correctional Facilities[f]	6,029	5,864	5,600	5,319
Juvenile Offenders in Detention or Treatment Facilities	199	185	211	202
National Guard Assigned Strength in Alaska [d]	3,949	4,043	3,845	3,785
Number of Homicides Investigated by State Troopers [g]	14	18	9	15
Natural Resources				
Wholesale Value of Alaska Commercial Fish				
Harvests (stated in thousands of dollars) [a]	-	2,903,915	2,497,060	1,970,607
Recreation Acres State Owned or Maintained	12,622,881	11,892,818	11,931,889	11,834,483
State Timber Sold Annually (million board feet)	22.5	24.1	12.5	15.5
State Acreage Leased for Oil and Gas Development[e]	4,185,961	3,193,020	3,859,116	4,933,466
Placer Mines Permitted	562	486	107	194
Development				
Number of State Business Licenses	66,737	63,618	65,096	59,751
Transportation				
Annual Fatalities per 100 Million Miles of Vehicle Travel in AK[a]	-	1.57	1.17	1.30
State Ferry Route Miles	3,290	3,274	2,829	2,829
Intergovernmental Revenue Sharing				
Number of Communities that Receive a Portion of Shared				
Taxes and Fees	144	147	148	146
Loans				
Number of Loans in Portfolio	1,846	2,158	2,280	2,064
Unemployment Compensation				
Initial Claims Paid [a]	-	72,696	94,592	122,830
Airports [c]				
Landings:				
Jets	66,787	71,499	69,927	65,945
Other Aircraft	46,432	45,632	42,959	45,399
Passengers:				
In	2,961,887	2,926,922	2,804,494	2,926,772
Out	2,955,646	2,939,191	2,823,969	2,893,374
Through	150,449	221,529	240,331	227,164
Freight (in tons):				
In	496,126	414,014	361,019	288,650
Out	441,201	374,048	326,277	326,797

SOURCES:
Various state departments and the University of Alaska.

NOTES:
Indicators are not available for the general government function.
[a] Data is only provided on a calendar year basis.
[b] 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 2003-2012.
[h] Name change: previously Welfare Caseload.

2008	2007	2006	2005	2004	2003
615,513	595,237	591,965	594,028	598,378	595,567
131,029	132,608	133,288	132,970	133,930	134,364
32,324	32,515	32,740	32,786	34,111	33,752
117,472	121,864	122,975	125,942	119,321	116,841
3,109	6,335	3,658	4,660	5,017	5,507
11,599	11,400	10,192	9,576	10,017	11,695
23,973	23,609	23,060	22,569	22,700	22,238
8,466	8,469	11,462	10,166	9,913	9,146
5,644	5,750	6,718	5,731	6,045	5,875
5,384	5,236	5,073	4,809	4,724	4,748
228	237	250	234	247	305
4,242	3,872	3,785	3,704	4,009	3,955
14	12	10	23	15	12
2,607,666	2,326,176	2,055,625	1,957,948	1,700,278	1,555,726
11,535,850	11,663,339	11,444,009	11,183,929	11,361,029	11,388,366
61.0	82.9	25.0	27.5	11.7	18.7
5,435,904	4,980,450	4,267,925	3,972,538	4,101,542	4,849,396
260	178	345	316	320	310
62,187	65,331	66,615	67,229	70,537	74,599
1.29	1.61	1.49	1.47	2.02	1.98
2,829	2,829	2,829	2,829	2,866	2,866
142	146	145	140	139	138
2,168	2,277	2,263	2,183	2,149	2,228
93,072	89,442	93,609	100,692	103,240	113,604
84,366	80,652	81,040	77,074	72,486	72,663
68,253	46,940	46,022	47,564	49,082	48,933
3,043,533	2,889,786	2,868,053	2,852,820	2,696,409	2,614,179
3,002,133	2,873,803	2,860,859	2,849,651	2,686,048	2,608,440
360,572	364,850	284,947	394,324	421,472	446,000
366,907	369,743	338,401	297,752	255,958	257,715
417,979	393,279	382,645	352,339	267,749	277,857

STATE OF ALASKA **SCHEDULE E-3**
Operating Information - Capital Asset Statistics by Function
Last Ten Fiscal Years

FUNCTION	2012	2011	2010	2009
Primary Government:				
General Government				
Buildings (square feet)	921,990	891,302	828,694	880,198
Education				
Buildings (square feet)	2,180,240	2,037,695	2,200,336	2,340,905
Schools	114	106	111	119
Schools Under Construction	25	23	36	39
Health and Human Services				
Buildings (square feet)	1,188,573	1,157,282	1,103,295	1,065,828
Pioneer Homes	6	6	6	6
Law and Justice				
Buildings (square feet)	693,392	667,637	641,456	649,529
Court Buildings	13	13	13	13
Public Protection				
Buildings (square feet)	1,411,646	1,391,021	1,375,250	1,400,619
Correctional Institutions	11	11	11	11
Aircraft	18	18	16	16
Motor Vessels	22	22	22	22
National Guard Armories [a]	21	21	21	21
Natural Resources				
Buildings (square feet)	904,724	869,809	818,066	803,675
Parks Acreage	3,357,393	3,300,000	3,381,858	3,356,810
Forest Acreage	2,144,680	2,121,499	2,122,899	2,097,608
Other State Land Acreage	94,909,670	92,134,583	91,858,588	90,309,649
Aircraft	3	3	3	3
Motor Vessels	11	9	9	9
Development				
Buildings (square feet)	329,430	327,102	315,477	306,678
Transportation				
Buildings (square feet)	1,285,261	1,240,569	1,172,039	1,210,953
Light Duty Vehicles	3,225	3,461	3,822	3,756
Heavy Duty Utility Vehicles	2,102	2,064	1,847	1,781
Ferries	11	11	11	11
Building Projects Under Construction	152	166	154	119
Rural Airports	253	252	253	256
Rural Airport Projects Under Construction	401	373	394	409
Centerline Road Miles [b]	-	5,608	5,619	5,601
Highway Projects Under Construction	831	827	807	801
Business-type Activities:				
Airports (Anchorage and Fairbanks International)				
Terminals (square feet)	1,271,568	1,271,568	1,271,568	1,295,864
International Airport (acreage)	8,244	8,244	8,244	8,244
International Airport Projects Under Construction	98	122	107	117
Runways (miles)	10	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.

2008	2007	2006	2005	2004	2003
803,175	764,192	738,676	731,101	691,070	930,674
2,331,178	2,354,648	2,728,657	2,832,934	2,923,628	2,962,440
119	105	117	129	145	144
39	35	17	10	8	12
1,058,616	928,505	882,511	858,468	852,057	1,100,412
6	6	6	6	6	6
596,631	553,687	526,659	512,094	481,805	602,962
13	13	13	12	13	12
1,239,332	1,298,482	1,261,043	1,253,724	1,224,620	1,515,444
11	11	11	11	11	11
16	16	16	16	14	14
21	21	19	18	16	16
21	21	21	20	10	10
749,618	706,814	678,899	669,406	663,345	834,591
3,356,810	3,353,805	3,326,019	3,325,939	3,325,939	3,353,276
2,097,608	2,232,400	2,066,000	2,066,000	2,243,100	2,243,100
88,505,417	86,166,329	84,430,236	82,967,314	82,797,376	83,779,277
3	3	3	3	3	3
9	9	9	9	8	11
279,924	267,229	279,168	272,816	264,948	339,321
1,122,960	1,064,449	1,033,511	997,525	974,654	1,169,505
3,671	3,609	3,366	3,323	3,433	3,403
1,760	1,668	1,861	1,824	1,828	1,795
11	11	11	11	10	11
119	105	112	94	101	108
256	256	256	258	260	259
383	339	358	415	397	361
5,595	5,606	5,603	5,613	5,612	5,562
808	782	767	766	760	768
1,280,864	1,280,864	1,280,864	1,178,602	773,681	783,900
8,153	8,153	8,153	8,153	8,153	8,153
105	121	117	162	187	213
8	8	6	6	6	6

This page intentionally left blank.

Index of Funds

This page intentionally left blank.

STATE OF ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2012

INDEX OF FUNDS

Fund Description	Authority	Separately Reported?	Fund or Group	Statement Number
2008 Transportation Project (GO Bonds)	Ch 30, SLA 2008	Yes	CPF	3.51, 3.52
2010 Education Project (GO Bonds)	Ch 95, SLA 2010	Yes	CPF	3.51, 3.52
Abandoned Motor Vehicles	AS 28.11.110	No	GF	3.01, 3.02
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 Corporation	AS 26.27.010	Yes	DPCU	6.01, 6.02
Alaska Capital Income	AS 37.05.565	No	GF	3.01, 3.02
Alaska Capstone Avionics Revolving Loan	AS 44.33.655	Yes	CAEF	4.11 - 4.13
Alaska Children's Trust	AS 37.14.200	No	GF	3.01, 3.02
Alaska Clean Water	AS 46.03.032	Yes	OAEF	4.31 - 4.33
Alaska Debt Retirement	AS 37.15.011	No	GF	3.01, 3.02
Alaska Drinking Water	AS 46.03.036	Yes	OAEF	4.31 - 4.33
Alaska Energy Authority	AS 44.83.020	Yes	DPCU	6.01, 6.02
Alaska Fish and Game Revenue Bond Redemption	AS 37.15.770	Yes	DSF	3.41, 3.42
Alaska Gasline Development Corporation	AS 18.56.086	Yes	SRF	3.31 - 3.33
Alaska Gasline Inducement Act Reimbursement	AS 43.90.400	No	GF	3.01, 3.02
Alaska Higher Education Investment	AS 37.14.750	No	GF	3.01, 3.02
Alaska Historical Commission Receipts Account	AS 41.35.380	No	GF	3.01, 3.02
Alaska Housing Capital Corporation	AS 18.56.086	Yes	SRF	3.31 - 3.33
Alaska Housing Finance Corporation	AS 18.56.020	Yes	DPCU	1.41, 1.42
Alaska Industrial Development and Export Authority	AS 44.88.020 AS 44.88.600 Ch 42, SLA 1987	Yes	DPCU	1.41, 1.42
Alaska Marine Highway System	AS 19.65.060	No	GF	3.01, 3.02
Alaska Marine Highway System Vessel Replacement	AS 37.05.550	No	GF	3.01, 3.02
Alaska Mental Health Trust Authority	AS 47.30.011	Yes	DPCU	6.01, 6.02
Alaska 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 Senior Care	AS 47.45.360	No	GF	3.01, 3.02
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

STATE OF ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2012

INDEX OF FUNDS

Fund Description	Authority	Separately Reported?	Fund or Group	Statement Number
Alcohol and Other Drug Abuse Treatment and Prevention	AS 43.60.050	No	GF	3.01, 3.02
Alcoholism and Drug Abuse Revolving Loan	AS 44.29.210	Yes	OAEF	4.31 - 4.33
Alternative Energy Conservation Revolving Loan	AS 45.88.010	Yes	EAEF	4.21 - 4.23
Alyeska Settlement Trust	Consent decree between U.S., Alaska, and Alyeska Pipeline Service Company	Yes	SRF	3.31 - 3.33
Anatomical Gift Awareness	AS 13.50.160(a)	No	GF	3.01, 3.02
Art in Public Places	AS 44.27.060	No	GF	3.01, 3.02
Assistive Technology Loan Guarantee	AS 23.15.125	No	GF	3.01, 3.02
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
Civil Legal Services	AS 37.05.590	No	GF	3.01, 3.02
Clean Air Protection	AS 46.14.260 Federal Clean Air Act	Yes	SRF	3.31 - 3.33
Commercial 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 43.35.220 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
Crime Victims Compensation	AS 18.67.162	No	GF	3.01, 3.02
Deferred Compensation	AS 39.45.010	Yes	PTF	5.01, 5.02
Deposits, Suspense, and Miscellaneous		Yes	AF	5.11, 5.12
Disaster Relief	AS 26.23.300	No	GF	3.01, 3.02
Donated Commodity Fee	USC 7 CFR, Part 250	No	GF	3.01, 3.02
Educational 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

STATE OF ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2012

INDEX OF FUNDS

Fund Description	Authority	Separately Reported?	Fund or Group	Statement Number
Fisheries Disaster	PL 108-7, Sec. 2, Division N, Title V - Fisheries Disasters, Sec. 501(a)	No	GF	3.01, 3.02
Fisheries Enhancement Revolving Loan	AS 16.10.505	Yes	CAEF	4.11 - 4.13
Fishermen's	AS 23.35.060	Yes	SRF	3.31 - 3.33
Fuel Emergency	AS 26.23.400	No	GF	3.01, 3.02
Fund for the Improvement of School Performance	AS 14.03.125	No	GF	3.01, 3.02
General Fund	Operating fund of the State	Yes	GF	3.01, 3.02
General Obligation Bond Redemption	Various SLAs	Yes	DSF	3.41, 3.42
Group Health and Life Benefits	AS 39.30.095	Yes	ISF	4.41 - 4.43
Highways Equipment Working Capital	AS 44.68.210	Yes	ISF	4.41 - 4.43
Historical District Revolving Loan	AS 45.98.010	Yes	CAEF	4.11 - 4.13
Impact Aid	Federal PL 103-382	Yes	AF	5.11, 5.12
Information Services	AS 44.21.045	Yes	ISF	4.41 - 4.43
International Airports	AS 37.15.410-550	Yes	OAEF	1.21 - 1.23
Investment Loss Trust	AS 37.14.300	No	PTF/SBS	5.01, 5.02
Judicial Retirement System	AS 22.25.048	Yes	PTF	5.01, 5.02
Knik Arm Bridge and Toll Authority	AS 19.75.021	Yes	OAEF	4.31 - 4.33
Major Maintenance Grant	AS 14.11.007	No	GF	3.01, 3.02
Memorial Education Revolving Loan	AS 14.43.255	No	GF	3.01, 3.02
Mine Reclamation Trust	AS 37.14.800	Yes	SRF	3.31 - 3.33
Mining Revolving Loan	AS 27.09.010	Yes	CAEF	4.11 - 4.13
Municipal Capital Project Matching Grant	AS 37.06.010	No	GF	3.01, 3.02
Municipal Harbor Facility Grant	AS 29.60.800	No	GF	3.01, 3.02
National Petroleum Reserve	AS 37.05.530	Yes	SRF	3.31 - 3.33
Northern Tobacco Securitization Corporation	AS 18.56.086	Yes	SRF	3.31 - 3.33
Northern Tobacco Securitization Corporation Bond Redemption	AS 18.56.086	Yes	DSF	3.41, 3.42
Oil and Gas Tax Credit	AS 43.55.028	No	GF	3.01, 3.02
Oil and Hazardous Substance Release Prevention and Response	AS 46.08.010	No	GF	3.01, 3.02
Oil and Hazardous Substance Release Prevention Mitigation Account	AS 46.08.020(b)	No	GF	3.01, 3.02
Oil and Hazardous Substance Release Response Mitigation Account	AS 46.08.025(b)	No	GF	3.01, 3.02
Originator Surety	AS 06.60.500	No	GF	3.01, 3.02
Permanent Fund Dividend	AS 43.23.045	Yes	GF	3.01, 3.02
Public Advocacy Trust	AS 44.21.410	Yes	AF	5.11, 5.12
Public Education	AS 14.17.300	Yes	GF	3.01, 3.02
Public Employees' Retirement System	AS 39.35.095-680 AS 39.35.700-990	Yes	PTF	5.01, 5.02
Public School Trust	AS 37.14.110	Yes	PF	3.11, 3.12
Railbelt Energy	AS 37.05.520	No	GF	3.01, 3.02
Randolph-Sheppard Small Business	AS 23.15.130 20 USC 107-107(f)	No	GF	3.01, 3.02

STATE OF ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2012

INDEX OF FUNDS

Fund Description	Authority	Separately Reported?	Fund or Group	Statement Number
Real Estate Recovery	AS 08.88.450	No	GF	3.01, 3.02
Reclamation Bonding Pool	AS 27.19.040	Yes	SRF	3.31 - 3.33
Regional Cruise Ship Impact Fund	AS 43.52.230(c)	No	GF	3.01, 3.02
Residential Energy Conservation	AS 45.89.010	Yes	EAEF	4.21 - 4.23
Retiree Health	AS 26.05.020, AS 22.25.048, AS 39.35.020, AS 14.25.010	Yes	PTF	5.01, 5.02
School	AS 43.50.140	Yes	SRF	3.31 - 3.33
School Construction Grant	AS 14.11.005	No	GF	3.01, 3.02
School Trust Land Sales	Attorney General Opinion	No	GF	3.01, 3.02
Second Injury	AS 23.30.040	Yes	SRF	3.31 - 3.33
State Insurance Catastrophe Reserve Account	AS 37.05.289	No	GF	3.01, 3.02
State Land Disposal Income	AS 38.04.022(a)	No	GF	3.01, 3.02
State Land Reforestation	AS 41.17.300	No	GF	3.01, 3.02
Statutory Budget Reserve	AS 37.05.540	Yes	GF	3.01, 3.02
Supplemental Benefits System	AS 39.30.150	Yes	PTF	5.01, 5.02
Surplus Property Revolving	AS 37.05.500(a)(2) AS 44.68.130	No	GF	3.01, 3.02
Teachers' Retirement System	AS 14.25.009-220 AS 14.25.310-590	Yes	PTF	5.01, 5.02
Tobacco Use Education and Cessation	AS 37.05.580	No	GF	3.01, 3.02
Training and Building	AS 23.20.130(d)	No	GF	3.01, 3.02
Trans-Alaska Pipeline Liability (TAPS) Rebate	Federal PL 101-380	No	GF	3.01, 3.02
Transportation Projects (GO Bonds)	Ch 114, SLA 2002	Yes	CPF	3.51, 3.52
Trauma Care Fund	AS 18.08.085	No	GF	3.01, 3.02
Unemployment Compensation	AS 23.20.130	Yes	OAEF	4.31 - 4.33
Unincorporated Community Capital Project Matching Grant	AS 37.06.020	No	GF	3.01, 3.02
University of Alaska	AS 14.40.040	Yes	DPCU	1.41, 1.42
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, 2012

LEGEND OF ACRONYMS

Acronym	Description
AAC	Alaska Aerospace Corporation
ACPE	Alaska Commission on Postsecondary Education
AEA	Alaska Energy Authority
AF	Agency Fund
AGDC	Alaska Gasline Development Corporation
AHCC	Alaska Housing Capital Corporation
AHFC	Alaska Housing Finance Corporation
AIDEA	Alaska Industrial Development and Export Authority
AIGA	Alaska Insurance Guarantee Association
ALAE	Allocated Loss Adjustment Expense
AMBBA	Alaska Municipal Bond Bank Authority
AMHTA	Alaska Mental Health Trust Authority
ANGDA	Alaska Natural Gas Development Authority
APFC	Alaska Permanent Fund Corporation
ARHCT	Alaska Retiree Health Care Trust
ARMB	Alaska Retirement Management Board
ARRC	Alaska Railroad Corporation
AS	Alaska Statute
ASLC	Alaska Student Loan Corporation
ASMI	Alaska Seafood Marketing Industry
ASPIB	Alaska State Pension Investment Board
CAEF	Commercial Assistance Enterprise Fund
CAFR	Comprehensive Annual Financial Report
CBRF	Constitutional Budget Reserve Fund
CFR	Code of Federal Regulations
CH	Chapter
COPs	Certificates of Participation
CPF	Capital Project Fund
CSED	Child Support Enforcement Division
DB	Defined Benefit
DCCED	Department of Commerce, Community, and Economic Development
DCP	Deferred Compensation Plan
DCR	Defined Contribution Retirement Plan

STATE OF ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2012

LEGEND OF ACRONYMS

Acronym	Description
DGS	Division of General Services
DPCU	Discretely Presented Component Unit
DSF	Debt Service Fund
DSMAF	Deposits, Suspense, and Miscellaneous Agency Funds
DVR	Division of Vocational Rehabilitation
EAEF	Energy Assistance Enterprise Fund
EF	Enterprise Fund
EMGF	Emerging Markets Growth Fund
EPORS	Elected Public Officers Retirement System
EVOS	Exxon Valdez Oil Spill
FDIC	Federal Deposit Insurance Corporation
FHWA	Federal Highway Administration
FICA	Federal Insurance Contributions Act
FIFO	First In First Out
FNMA	Federal National Mortgage Association
FSSLA	First Special Session Laws of Alaska
FX	Foreign Currency
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GeFONSI	General Fund and Other Non-segregated Investments
GF	General Fund
GO	General Obligation
H.R.	House Resolution
HRA	Health Reimbursment Arrangement
IAF	International Airport Fund
ISF	Internal Service Fund
JRS	Judicial Retirement System
KABTA	Knik Arm Bridge and Toll Authority
MD&A	Management Discussion & Analysis
MEBA	Marine Engineers' Beneficial Association
MSA	Master Settlement Agreement
NGNMRS	National Guard and Alaska Naval Militia Retirement System

STATE OF ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2012

LEGEND OF ACRONYMS

Acronym	Description
NHSD	National Highway System Designation
NMRT	Northwest Marine Retirement Trust
NPR	National Petroleum Reserve
NR	Not Reported in CAFR
NRSRO	Nationally Recognized Statistical Rating Organization
NTSC	Northern Tobacco Securitization Corporation
OAEF	Other Agencies Enterprise Fund
OAH	Office of Administrative Hearings
OPEB	Other Post-Employment Benefits
PERS	Public Employees' Retirement System
PF	Permanent Fund
PL	Public Law
PPA	Prior Period Adjustment
PSF	Public School Fund
PTF	Pension and Other Employee Benefit Trust Fund
RHF	Retiree Health Fund
RMP	Retiree Major Medical Insurance
RSAs	Reimbursable Services Agreements
SBJPA	Small Business Job Protection Act
SBS	Supplemental Benefits System
SF	Sport Fish
SIR	Self-Insured Retention
SLA	Session Laws of Alaska
SRF	Special Revenue Fund
SSSLA	Second Special Session Laws of Alaska
TAPS	Trans-Alaska Pipeline System
TRS	Teachers' Retirement System
TSR	Tobacco Settlement Revenues
U.S.C.	United States Code

APPENDIX C

FORM OF BOND COUNSEL OPINION

[THIS PAGE INTENTIONALLY LEFT BLANK]

March 27, 2013

State of Alaska
Department of Revenue
Juneau, Alaska

J.P. Morgan Securities LLC
New York, New York

Re: State of Alaska General Obligation Bond Anticipation Notes, Series 2013C - $149,645,000

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 Bond Anticipation Notes, Series 2013C, dated March 27, 2013, in the aggregate principal amount of $149,645,000 (the "Notes"). The Notes are issued pursuant to Chapter 18, SLA 2012 (HB 286) (the "State Transportation Bond Act") of the State, an approving vote of the State's voters, Resolution No. 2013-01 of the State (the "Note Resolution"), and other proceedings duly had and taken in conformity therewith. The Notes are issued for providing funds for the purposes provided in Sections 3 through 5 of the State Transportation Bond Act. Capitalized terms used in this opinion and not otherwise defined herein shall have the meanings given such terms in the Note Resolution.

The Notes are not subject to redemption prior to maturity.

Regarding questions of fact material to our opinion, we have relied on representations of the State in the Note 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 Notes are lawfully authorized and issued pursuant to and in full compliance with the Constitution and statutes of the State.

2. The Notes 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 Notes.

4. Interest on the Notes is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Notes is taken into account in determining adjusted current earnings for the purpose of computing the 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 Notes 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 Notes to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Notes.

5. Interest on the Notes is not included in taxable income for purposes of the Alaska income tax imposed on corporations. Interest on the Notes may be indirectly subject to the Alaska alternative minimum tax imposed on corporations to the extent that interest on the Notes is subject to the federal alternative minimum tax on corporations

The Notes 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 Notes. Owners of the Notes should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Notes, 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 Notes (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

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

[THIS PAGE INTENTIONALLY LEFT BLANK]

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 $149,645,000 General Obligation Bond Anticipation Notes Series 2013C (the "Notes"), required by Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, § 240.15c2 12) (the "Rule"), for the benefit of the beneficial owners or holders of the Bonds. The State is an "obligated person" with respect to the Bonds within the meaning of the Rule.

SECTION 1. Definitions: The following capitalized terms shall have the following meanings:

Annual Financial Information means the financial information (which shall be based on financial statements prepared in accordance with generally accepted accounting principles ("GAAP")) and operating and demographic data contained in the "Comprehensive Annual Financial Report" ("CAFR") of the State of Alaska, provided at least annually, and the annual "Alaska Public Debt Report" which together contain the type of financial and debt information included in the final official statement with respect to the Notes 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 Notes:

(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 IRS 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 Notes;
(vii) Modifications to rights of the owners of the Notes 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 Notes 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.

Material Event Notice shall mean the Notice required to be given in accordance with Section 4 hereof.

MSRB means the Municipal Securities Rulemaking Board or any successors to its functions.

Participating Underwriter shall mean any of the original underwriters of the Notes required to comply with the Rule in connection with offering of the Notes.

Resolution shall mean the resolution of the State Bond Committee of the State authorizing the issuance of the Notes.

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 Notes are outstanding, provide the Annual Financial Information to the MSRB on or before January 31 of each year (the “Report Date”), commencing January 31, 2014. The State may adjust the Report Date if the State changes its Fiscal Year by providing written notice of the change of Fiscal Year and the new Report Date to the MSRB; provided that the new Report Date shall be 210 days after the end of the new Fiscal Year, and provided further that the period between the final Report Date relating to the former Fiscal Year and the initial Report Date relating to the new Fiscal Year shall not exceed one year in duration.

(b) If the State is unable to provide to the MSRB the Annual Financial Information by the Report Date, the State shall send a notice to the MSRB in substantially the form attached hereto as Exhibit A.

(c) If the State is unable to provide the Audited Financial Statements to the MSRB by the Report Date, the State shall provide to the MSRB unaudited financial statements of the State, and, as required by the Rule, Audited Financial Statements, when and if available, must thereafter be provided to the MSRB.

SECTION 3. Content of Annual Financial Information. The State's Annual Financial Information shall contain or incorporate by reference the information described in Exhibit B attached hereto, as well as the following:

(i) The Audited Financial Statements,

(ii) the accounting principles pursuant to which the Audited Financial Statements were prepared, and

(iii) that the above-described information has been provided directly by the State.

The State reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the State; provided that the State agrees that any such modification will be done in a manner consistent with the Rule as provided in Section 6 hereof.

The Annual Financial Information may be included by specific reference to documents available to the public on the Internet Website of the MSRB or filed with the Securities and Exchange Commission.

SECTION 4. Reporting of Material Events.

(a) If a Material Event occurs while any Notes 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 Notes.

(b) The State shall provide, in a timely manner to the MSRB, notice of any failure while any Notes 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 Notes, 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 Notes of a Series, respectively. In addition, any provision hereof and any provision relating to the Rule as set forth in the Resolution shall be null and void in the event that the State delivers to the Bond Registrar, an opinion of counsel expert in federal securities laws to the effect that those portions of the Rule which require this Disclosure Certificate, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Notes; 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 Notes, as determined either by parties unaffiliated with the State (such as bond counsel), or by approving vote of such holders in accordance with the terms of the Resolution at the time of the amendment.

Further, the Annual Financial Information containing the amended operating data or financial information shall explain in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

Further provided, if an amendment is made to an undertaking hereunder specifying the accounting principles to be followed in preparing the Audited Financial Statements, the Annual Financial Information for the year in which the change is made shall present a comparison between the Audited Financial Statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the Audited Financial Statements, in order to provide information to investors to enable them to reevaluate the ability of the State to meets its obligations. To the extent reasonably feasible, the comparison also shall be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

SECTION 7. EMMA; Format for Filing with the MSRB. Until otherwise designated by the MSRB or the Securities and Exchange Commission, any filing required to be made with the MSRB under the undertaking are to be submitted through the MSRB's Electronic Municipal Market Access system ("EMMA"), currently located at www.emma.msrb.org. 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 Material Event Notice, 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 Material Event Notice 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 Material Event Notice.

SECTION 9. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the State, the Participating Underwriters and the holders and the beneficial owners of the Notes, 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: _________________ ___, 2013

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 Bond Anticipation Notes, Series 2013C
Date of Issuance:	March ___, 2013

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 _________________, 2013. 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

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY

[THIS PAGE INTENTIONALLY LEFT BLANK]

INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Notes. The Notes 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 Note certificate will be issued for the Notes, the principal amount of the maturity, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

4. To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

6. Redemption notices shall be sent to DTC. If less than all of the Notes within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the State or the Bond Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Registrar or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the State or the Bond Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the State or the Bond Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

10. The State may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the State believes to be reliable, but the State takes no responsibility for the accuracy thereof.

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

STATE OF ALASKA • General Obligation Bond Anticipation Notes, Series 2013C (Non-Callable)

MIX
From responsible sources
FSC
www.fsc.org
FSC™ C017146

Printed by: ImageMaster
www.ImageMaster.com