

State of Alaska

Comprehensive Annual Financial Report

For the Fiscal Year
July 1, 2007 – June 30, 2008



Prepared by:
Department of Administration
Division of Finance

The FY 2008 CAFR is expected to be available on or after December 15, 2008 on our Internet web site at http://fin.admin.state.ak.us/dof/financial_reports/cafr_toc.jsp.

This publication was released by the Department of Administration, Division of Finance to report on the State's financial status. Produced and printed in Juneau, Alaska at a cost of \$15.40 per copy. This publication is required by AS 37.05.210.



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STATE OF ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2008

TABLE OF CONTENTS

	<u>Page</u>	<u>Statement</u>
<u>INTRODUCTORY SECTION</u>		
Letter of Transmittal	i	
Certificate of Achievement	viii	
Exhibits	ix	
Organizational Chart	xiv	
Functions of State Departments	xv	
Alaska State Legislature	xvii	
<u>FINANCIAL SECTION</u>	1	
INDEPENDENT AUDITOR'S REPORT	3	
MANAGEMENT'S DISCUSSION AND ANALYSIS	5	
BASIC FINANCIAL STATEMENTS:	15	
Government-wide Financial Statements		
Statement of Net Assets	17	1.01
Statement of Activities	18	1.02
Fund Financial Statements		
Governmental Funds	21	
Balance Sheet	23	1.11
Reconciliation of the Balance Sheet to the Statement of Net Assets	24	1.12
Statement of Revenues, Expenditures, and Changes in Fund Balances	25	1.13
Reconciliation of the Change in Fund Balances to the Statement of Activities	26	1.14
Proprietary Funds	27	
Statement of Net Assets	28	1.21
Statement of Revenues, Expenses, and Changes in Fund Net Assets	29	1.22
Statement of Cash Flows	30	1.23
Fiduciary Funds	33	
Statement of Fiduciary Net Assets	34	1.31
Statement of Changes in Fiduciary Net Assets	35	1.32
Component Units	37	
Statement of Net Assets	39	1.41
Statement of Activities	40	1.42
Notes to the Basic Financial Statements	43	
REQUIRED SUPPLEMENTARY INFORMATION:	125	
Budgetary Comparison Schedule - General Fund	126	2.01
Notes to Required Supplementary Information - Budgetary Reporting	127	

STATE OF ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2008

TABLE OF CONTENTS

	<u>Page</u>	<u>Statement</u>
<u>SUPPLEMENTARY INFORMATION</u>		
COMBINING FUND STATEMENTS:	129	
Governmental Funds		
General Fund	131	
Combining Balance Sheet	138	3.01
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	140	3.02
Nonmajor Governmental Funds	143	
Combining Balance Sheet	144	3.11
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	146	3.12
Permanent Funds	149	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	150	3.23
Nonmajor Special Revenue Funds	153	
Combining Balance Sheet	156	3.31
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	158	3.32
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	160	3.33
Nonmajor Debt Service Funds	169	
Combining Balance Sheet	170	3.41
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	171	3.42
Nonmajor Capital Projects Funds	173	
Combining Balance Sheet	174	3.51
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	176	3.52
Proprietary Funds		
Nonmajor Enterprise Funds	179	
Combining Statement of Net Assets	182	4.01
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	183	4.02
Combining Statement of Cash Flows	184	4.03
Commercial Assistance Enterprise Funds		
Combining Statement of Net Assets	186	4.11
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	188	4.12
Combining Statement of Cash Flows	190	4.13
Energy Assistance Enterprise Funds		
Combining Statement of Net Assets	192	4.21
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	193	4.22
Combining Statement of Cash Flows	194	4.23
Other Agencies Enterprise Funds		
Combining Statement of Net Assets	196	4.31
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	198	4.32
Combining Statement of Cash Flows	200	4.33
Internal Service Funds	203	
Combining Statement of Net Assets	204	4.41
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	206	4.42
Combining Statement of Cash Flows	208	4.43

STATE OF ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2008

TABLE OF CONTENTS

	<u>Page</u>	<u>Statement</u>
Fiduciary Funds	211	
Pension and Other Employee Benefit Trust Funds		
Combining Statement of Fiduciary Net Assets	214	5.01
Combining Statement of Changes in Fiduciary Net Assets	216	5.02
Agency Funds		
Combining Statement of Fiduciary Assets and Liabilities	218	5.11
Combining Statement of Changes in Assets and Liabilities	220	5.12
Component Units		
Nonmajor Component Units	223	
Combining Statement of Net Assets	224	6.01
Combining Statement of Activities	226	6.02
<u>STATISTICAL SECTION</u>	229	
<u>INDEX OF FUNDS</u>	259	
<u>LEGEND OF ACRONYMS</u>	265	



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Introductory Section





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STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

SARAH PALIN, GOVERNOR

P.O. BOX 110200
JUNEAU, ALASKA 99811-0200

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December 15, 2008

The Honorable Sarah Palin, 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, 2008. 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 discretely presented 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, 2008, are free of material misstatement. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the CAFR, assessing the accounting principles used, and evaluating the overall financial statement presentation.

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

Management's Discussion and Analysis (MD&A)

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

PROFILE OF THE STATE OF ALASKA

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

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

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

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

Accounting System and Budgetary Control

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

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

Cash and Investment Management

As discussed more fully in Note 3 to the basic financial statements, the State's cash is managed by the Treasury Division in the Department of Revenue or by other administrative bodies as determined by law. All cash deposited in the State Treasury is managed to achieve a particular target rate of return as determined by the investment objectives set for a given fund. Cash in excess of the amount needed to meet current expenditures is invested pursuant to AS 37.10.070-071, which requires that investments shall be made with the judgement and care under circumstances then prevailing that an institutional investor of ordinary professional prudence, discretion, and intelligence exercises in managing large investment portfolios.

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

Cash Flow and Revenue Shortfalls

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

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

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

Also contributing to the potential for a cash deficiency is the fact that the inflow of unrestricted revenues does not mirror the outflow of cash expenditures. Revenues and expenditures are cyclic with high and low periods, which do not necessarily coincide. The first quarter expenditures of each fiscal year are generally higher than revenues for the same period. Clearly, if the General Fund (excluding the subfunds)

does not have a large cash balance at the beginning of the fiscal year or if other sources of funds are not available, the State faces the possibility of a cash deficiency before the end of the first quarter. A memorandum of understanding outlines the steps to be taken in various scenarios involving a cash deficiency.

Borrowing from the CBRF has been the solution for both cash flow shortages and revenue shortfalls. Between FY 93 and FY 05, the legislature addressed the possibility of a revenue shortfall by including language in the appropriation act permitting the executive branch to borrow cash from the statutory and constitutional budget reserve funds in the event expenditures exceeded revenues. In FY 93 and again in FY 96, funds were taken from the SBRF to balance revenues and expenditures. Cash was borrowed from the CBRF in FY 94, FY 95, FY 96, FY 98, FY 99, FY 00, FY 02, FY 03, FY 04, and FY 05 to balance revenues and expenditures. In FY 07 and FY 08, \$50 million and \$3 billion respectively, was appropriated from the General Fund to the CBRF to pay back a portion of the borrowed amount owed. As of June 30, 2008, \$150.1 million has been appropriated from the CBRF.

Risk Management

As more fully detailed in Note 10C to the basic financial statements, the State's risk management program provides a primary layer of self-insured retention supplemented by excess insurance coverage. The State's risk management program covers all state agencies and component units, except for the Alaska Housing Finance Corporation, Alaska Railroad Corporation, and the University of Alaska, who administer their own programs. Further, there is separate coverage provided by the individual component units, such as the Alaska Industrial Development and Export Authority, for certain individual projects.

General Fund Operations

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

The table on the following page shows General Fund revenues by category for the current and previous fiscal year. Clearly, the State's major source of unrestricted revenue is related to petroleum taxes, rents, and royalties. In FY 08, petroleum revenue was 77 percent of all General Fund revenues.

The largest source of nonpetroleum revenues is federal, which makes up 14 percent of revenues

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

(Stated in millions)	<u>FY 08</u>	<u>Percent</u>	<u>FY 07</u>	<u>Percent</u>
<u>Petroleum Revenue</u>				
Property Tax	\$ 81.5	0.6%	\$ 65.7	0.8%
Corporate Petroleum Income Tax	996.9	7.4%	678.0	8.6%
Severance Tax	6,870.6	50.7%	2,339.0	29.6%
Mineral Bonuses and Rents	11.6	0.1%	22.2	0.2%
Oil and Gas Royalties	2,473.5	18.2%	1,584.1	20.0%
Total Petroleum Revenue	10,434.1	77.0%	4,689.0	59.2%
<u>Nonpetroleum Revenue</u>				
Taxes	308.2	2.3%	352.8	4.4%
Licenses and Permits	114.7	0.9%	108.7	1.4%
Charges for Services	178.8	1.3%	180.3	2.3%
Fines and Forfeitures	18.5	0.1%	32.0	0.4%
Rents and Royalties	3.9	0.0%	0.5	0.1%
Interest and Investment Income	446.2	3.3%	431.2	5.4%
Other Revenue	144.3	1.1%	126.4	1.6%
Total Nonpetroleum Revenue	1,214.6	9.0%	1,231.9	15.6%
Federal Revenue	1,897.3	14.0%	1,993.0	25.2%
Total Revenues	<u>\$ 13,546.0</u>	<u>100.0%</u>	<u>\$ 7,913.9</u>	<u>100.0%</u>

The total expenditures charged against General Fund appropriations during FY 08 amounted to \$7.8 billion, an increase of \$1.1 billion from FY 07. This increase is mainly attributable the Department of Administration for the on-behalf payment to the pension funds for employer relief, and the Department of Revenue for the permanent fund dividend payment. These expenditures by department are compared with the prior year in the following table:

<u>Department Expenditures (stated in millions)</u>	<u>FY 08</u>	<u>Percent</u>	<u>FY 07</u>	<u>Percent</u>
Office of the Governor	\$ 43.1	0.6%	\$ 55.5	0.8%
Administration	655.1	8.4%	127.6	1.9%
Law	61.7	0.8%	50.6	0.7%
Revenue	1,104.7	14.1%	765.2	11.3%
Education and Early Development	1,406.5	18.0%	1,280.6	18.9%
Health and Social Services	1,816.2	23.2%	1,772.0	26.1%
Labor and Workforce Development	119.3	1.5%	114.5	1.7%
Commerce, Community, and Economic Development	328.3	4.2%	451.5	6.7%
Military and Veterans' Affairs	69.5	0.9%	71.5	1.0%
Natural Resources	138.0	1.8%	127.9	1.9%
Fish and Game	81.0	1.0%	75.3	1.1%
Public Safety	144.1	1.8%	130.2	1.9%
Environmental Conservation	149.2	1.9%	134.6	2.0%
Corrections	221.6	2.8%	214.7	3.2%
Transportation and Public Facilities	972.1	12.4%	959.2	14.2%
Legislature	50.2	0.6%	47.0	0.7%
Debt Service	11.1	0.1%	13.2	0.2%
Alaska Court System	92.0	1.2%	77.6	1.1%
University	372.0	4.7%	308.6	4.6%
Total Expenditures	<u>\$ 7,835.7</u>	<u>100.0%</u>	<u>\$ 6,777.3</u>	<u>100.0%</u>

Public Employees' and Teachers' Retirement Systems Pension Funds

Net assets at June 30, 2008 of the two largest pension funds, the Public Employees' (PERS) and Teachers' (TRS) Retirement Systems' funds, were \$10.8 billion and \$4.8 billion respectively. The funding status for PERS and TRS pensions and postemployment healthcare as of the June 30, 2007, actuarial valuations, indicated the actuarial accrued liabilities were 77.8 percent pensions and 28.5 percent postemployment funded for PERS, and 68.2 percent pension and 24.2 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 6, 7, and 8 to the basic financial statements.

Economic Condition and Outlook

As mentioned earlier, the State's major source of revenue is petroleum related. The price of oil has had its ups and downs over the years, and FY 08 was a good year. The Department of Revenue projected an Alaska North Slope West Coast price of \$85.73 per barrel for FY 08 in its Spring 2008 forecast. Actual Alaska North Slope oil prices were \$5.39 per barrel over that, averaging \$91.12 per barrel for the fiscal year. Record high oil prices were again set in FY 08, with a high price of \$132.57 set in May 2008. Oil price volatility continues however, and price fluctuations will persist as economic uncertainty, geopolitical tensions, and supply constraints exert pressure on world crude oil markets.

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

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, SSSLA 07).

The increase in petroleum revenues collected in FY 08 is attributable to higher oil prices and the change in Alaska petroleum tax structure as discussed in the MD&A and further explained in Schedule B-2 of the statistical section of this report. The resulting surplus was appropriated to repay a portion of the CBRF borrowing (\$3 billion) and to transfer \$1 billion to the statutory Budget Reserve Fund. The remaining surplus was transferred to the CBRF to repay previous borrowing as required by Article IX, section 17(d) of the Alaska Constitution.

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

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Alaska for its CAFR as of and for the fiscal year ended June 30, 2007. This is the fifth year the State of Alaska has received this award on the CAFR. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of government financial reports. It represents a significant accomplishment by a government and its management.

To be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR, the contents of which conform to GFOA standards and satisfy both generally

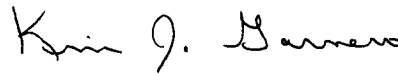
accepted accounting principles and applicable legal requirements. The certificate is valid for a period of one year only. We believe the CAFR for the State of Alaska as of and for the fiscal year ended June 30, 2008 conforms to the award criteria, and we are submitting it to the GFOA for review.

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

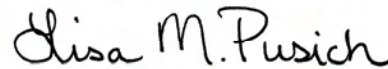
Sincerely,



Annette Kreitzer
Commissioner
Department of Administration



Kim J. Garner, CPA
Director
Division of Finance



Lisa M. Pusich, CPA
State Accountant
Division of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Alaska

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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



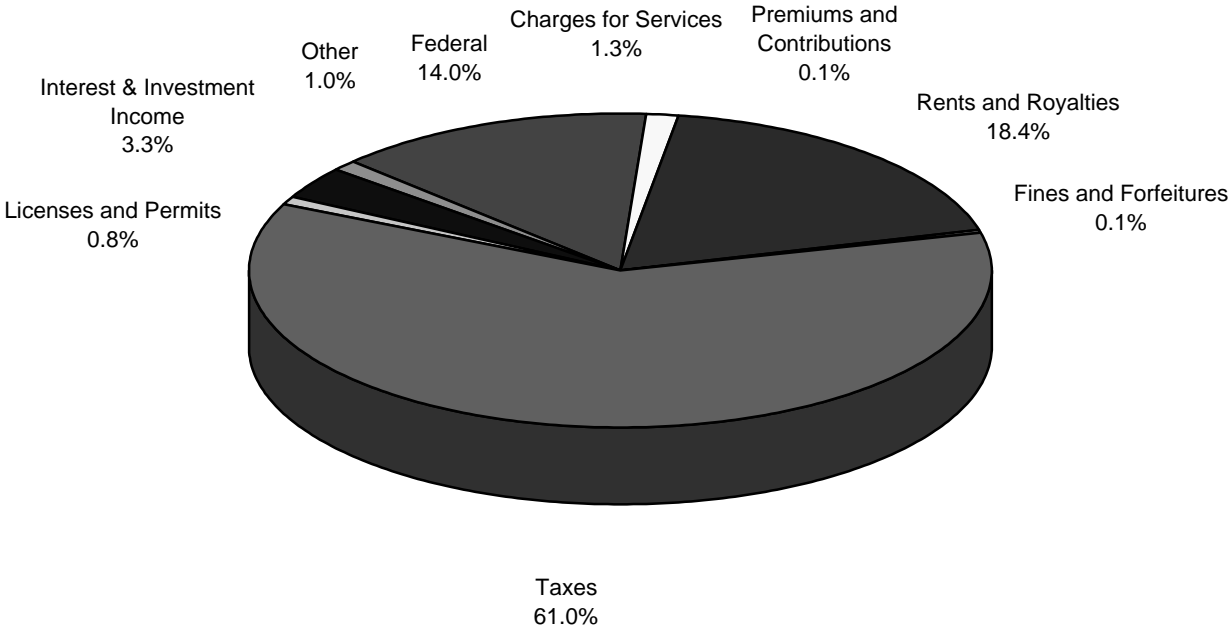
President

Executive Director

STATE OF ALASKA GENERAL FUND REVENUE SOURCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

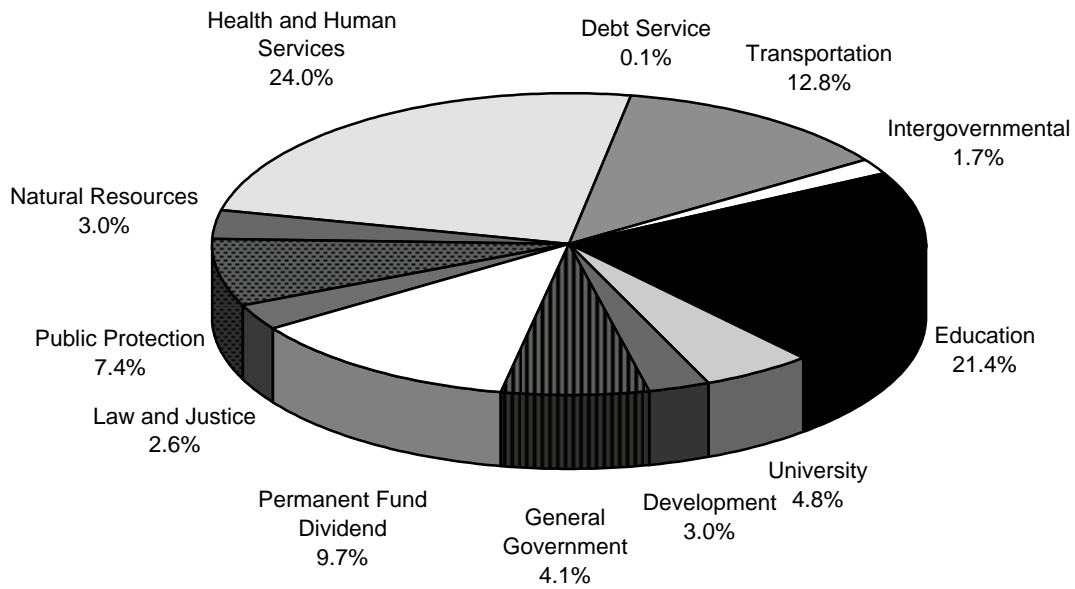
\$13,546
(Millions)



STATE OF ALASKA GENERAL FUND EXPENDITURES BY FUNCTION

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

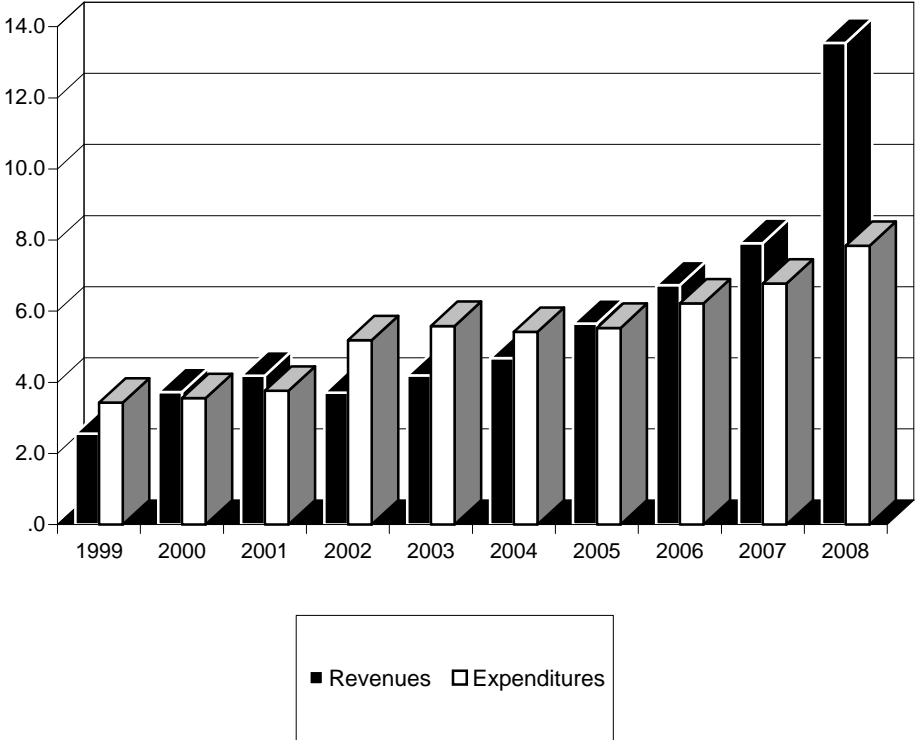
\$7,836
(Millions)



STATE OF ALASKA GENERAL FUND EXPENDITURES AND REVENUES

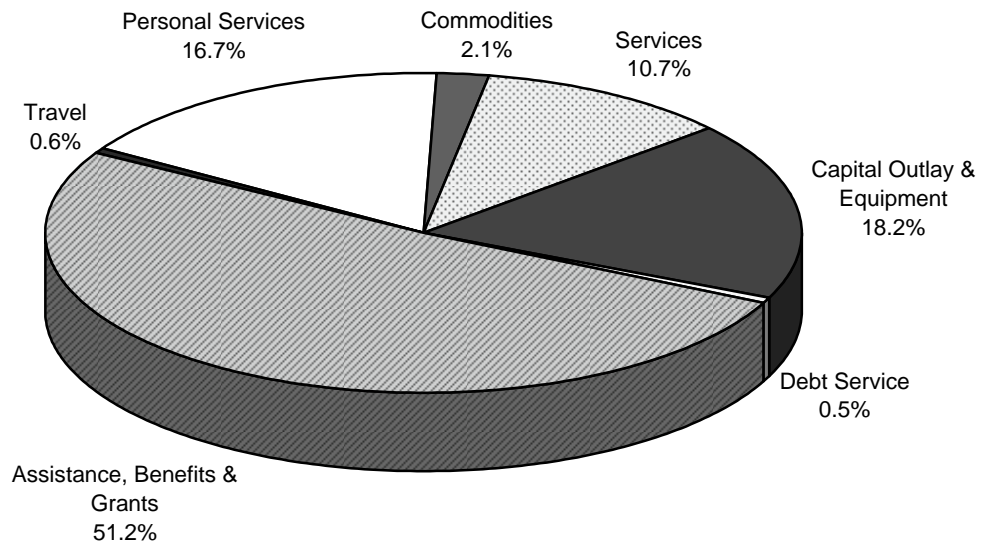
TEN YEAR COMPARISON
FOR THE FISCAL YEARS 1999 THROUGH 2008

(Stated in Billions)



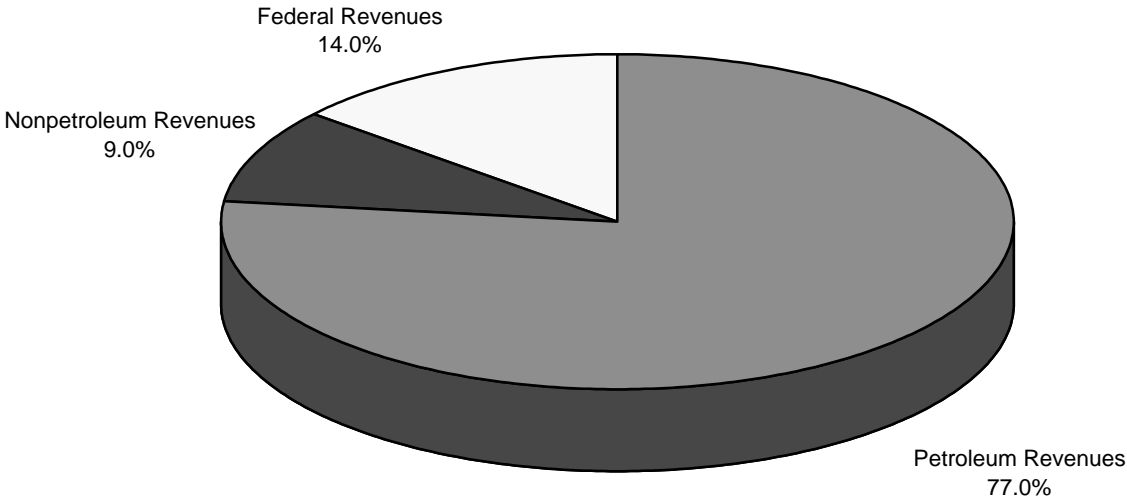
STATE OF ALASKA GENERAL FUND EXPENDITURES BY ACCOUNT

FOR THE FISCAL YEAR ENDED JUNE 30, 2008



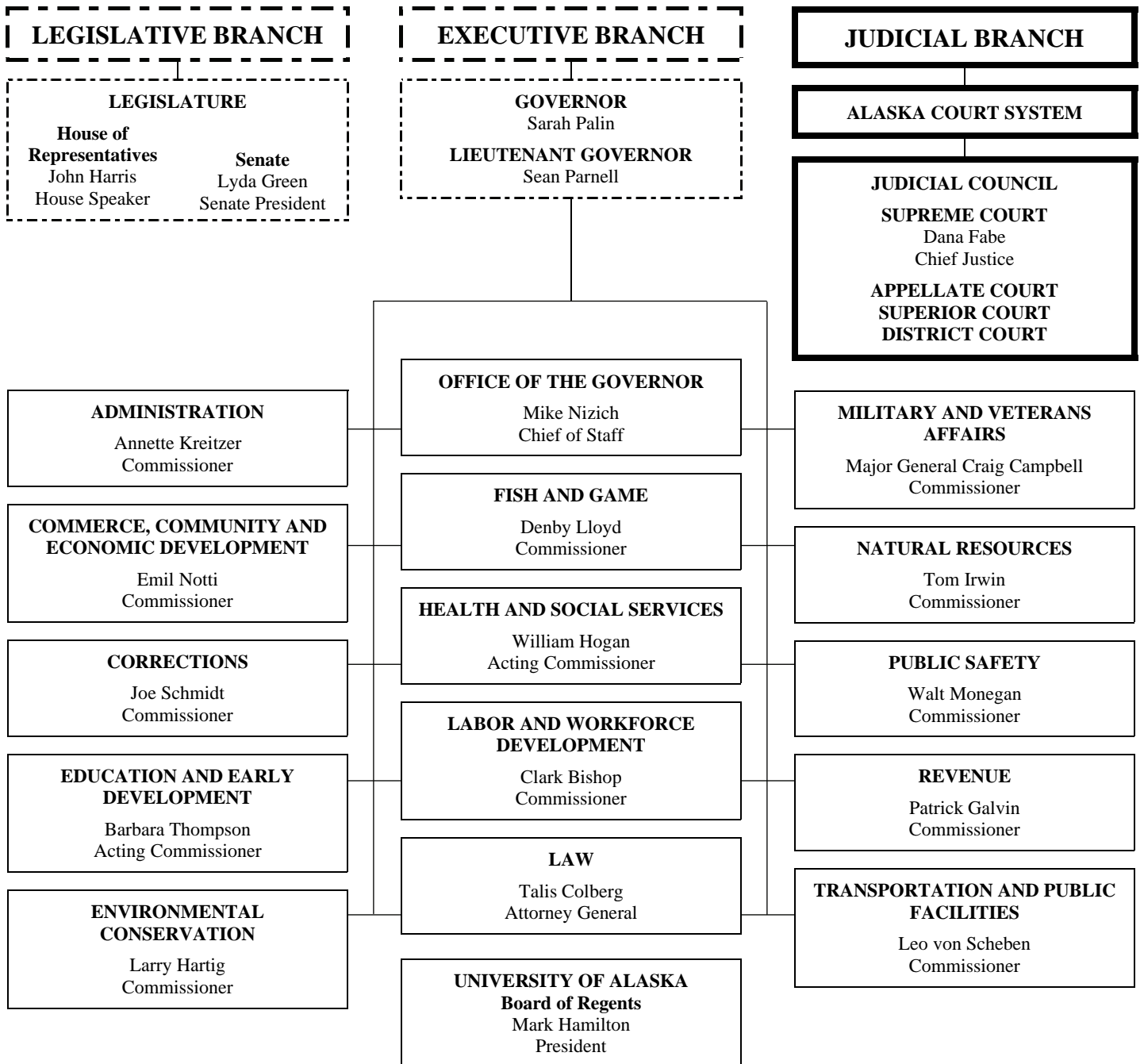
STATE OF ALASKA GENERAL FUND REVENUES

FOR THE FISCAL YEAR ENDED JUNE 30, 2008



STATE OF ALASKA ORGANIZATION CHART

(As of June 30, 2008)



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

FUNCTIONS OF STATE DEPARTMENTS

OFFICE OF THE GOVERNOR

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

ADMINISTRATION

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

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

COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT

The Department of Commerce, Community, and Economic Development provides consumer protection through the regulation of banking, securities and corporations, insurance, professional occupations, and business licensing.

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

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

CORRECTIONS

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

EDUCATION AND EARLY DEVELOPMENT

The Department of Education and Early Development is responsible for Alaska's system of public education. The State Board of Education and Early Development is the executive board of the department. The board develops educational policy, promulgates regulations governing education, appoints the commissioner of Education and Early Development with the Governor's approval, and is the channel of communication between state government and the public for educational matters. Education policies are determined by the board and administered by the commissioner through department divisions. Programs administered include: public

school funding, teacher certification, and student assessment. The department also operates Mt. Edgecumbe High School, the state's secondary boarding school program. The department administers the state libraries, archives, records and museum services, provides grants to the arts community, and provides financial aid to post-secondary students through the Alaska Commission on Postsecondary Education.

ENVIRONMENTAL CONSERVATION

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

To accomplish these results, the department establishes protective standards; cleans-up and controls pollution to air, land and water; controls sanitary practices related to food, drinking water and solid waste; and enforces these controls. Services to communities include financial and technical assistance for upgrading water, sewage and solid waste, assistance meeting health-based standards for air quality, and positioning of oil spill response equipment.

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

FISH AND GAME

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

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

HEALTH AND SOCIAL SERVICES

The Department of Health and Social Services' mission is to promote and protect the health and well-being of Alaskans. The overriding theme for the department's future direction is "helping individuals and families create safe and healthy communities" by strategically focusing on substance abuse, health and wellness, health care reform, long-term care and vulnerable Alaskans.

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

The department is committed to prevention of illness, health promotion and protection; overseeing community-based mental health and substance abuse services across the continuum of care (prevention, early intervention, treatment and recovery programs), including operation of the Alaska Psychiatric Institute; and provision of Medicaid services for low income and disabled Alaskans.

LABOR AND WORKFORCE DEVELOPMENT

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

LAW

The Department of Law is responsible for the prosecution and conviction of criminal offenders in Alaska to ensure safe communities. The department assists law enforcement agencies with criminal investigations, filing 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 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 4,242 Army and Air guardsmen. The strategic mission includes the responsibility for protecting lives and property from terrorism and all other hazards, and to provide rapid recovery from all disasters through the Division of Homeland Security and Emergency Management. The department is also responsible for managing the Alaska Military Youth Academy, which is an accredited special purpose school offering the ChalleNGe and STARBASE programs to both high school and elementary school aged students. Lastly, the department serves as an advocate on issues affecting Alaska's veteran population.

NATURAL RESOURCES

The Department of Natural Resources manages all state-owned land, water and natural resources, except fish and game. These resources include approximately 95.4 million acres of uplands; 60 million acres of tidelands, shorelands, and submerged lands; and 40,000 miles of coastline. Strategic missions include: develop, conserve, and enhance the natural resources of the State of Alaska; raise public awareness that Alaska's natural resources are the basic asset of our economy; and stimulate and encourage resource-based, value-added economic activity while conserving Alaska's wild and scenic value. The department plays an instrumental role in the Alaska Gasline Inducement Act (AGIA) process, a law designed to advance construction of a natural gas pipeline from the North Slope to a market where the gas will be sold. The department is also responsible for determining the potential of geologic hazards to people and facilities in Alaska due to volcanic and seismic activity, and for maintenance and accessibility of the state's land records.

The department serves the state from offices located in 30 Alaskan communities, and encompasses the divisions of Agriculture, Coastal & Ocean Management, Forestry, Geological & Geophysical Surveys, Mining Land & Water, Oil & Gas, and Parks & Outdoor Recreation; the Offices of Project Management and Permitting, the Mental Health Trust Land Office, and the Joint Pipeline Office; and the Citizens Advisory Commission on Federal Areas, and the Natural Resource Conservation and Development Board and the Seismic Hazards Safety Commission. The department is responsible for the two largest oil and gas fields in North America; a park system that contains one-third of the nation's state park lands; 40% of the nation's fresh water; fire suppression management for over 134 million acres; forest resource management in two state forests totaling 2 million acres; mineral management involving 44,335 mining claims; and an agricultural program that encompasses 600-800 farms.

PUBLIC SAFETY

The Department of Public Safety is responsible for the enforcement of state laws including criminal and fish and wildlife protection laws, fire prevention, search and rescue, highway safety and alcoholic beverage laws; providing forensic crime laboratory services to law enforcement statewide; certifying police proficiency; providing basic police academy and specialized training to municipal and state law enforcement agencies; oversight of the Village Public Safety Officer Program; and assisting victims of domestic violence and sexual assault.

REVENUE

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

TRANSPORTATION AND PUBLIC FACILITIES

The Department of Transportation and Public Facilities is responsible for the planning, research, design, construction, maintenance, operation, and protection of all state transportation systems and many public facilities. This includes approximately 260 state-owned airports and seaplane bases, 5,600 miles of state roads, 700 buildings ranging from maintenance shops to state office complexes, and 29 ports and harbors. In addition, the department owns and operates the Alaska Marine Highway System, serving 32 Alaskan communities with connections to Bellingham, WA and Prince Rupert, BC. The department also owns and operates the State Equipment Fleet, which provides full maintenance support and replacement activities of 8,200 light- and heavy-duty vehicles and attachments for state departments, agencies and offices.

ALASKA STATE LEGISLATURE

Twenty-Fifth Legislature, Second Session (2008)

Senate District	Senator (Party)	City	House District	Representative (Party)	City
A	Bert Stedman (R)	Sitka	1	Kyle Johansen (R)	Ketchikan
			2	Peggy Wilson (R)	Wrangell
B	Kim Elton (D)	Juneau	3	Beth Kerttula (D)	Juneau
			4	Andrea Doll (D)	Juneau
C	Albert Kookesh (D)	Angoon	5	William "Bill" Thomas, Jr. (R)	Haines
			6	Woodie Salmon (D)	Beaver
D	Joe Thomas (D)	Fairbanks	7	Michael "Mike" Kelly (R)	Fairbanks
			8	David Guttenberg (D)	Fairbanks
E	Gary Wilken (R)	Fairbanks	9	Scott Kawasaki (D)	Fairbanks
			10	Jay Ramras (R)	Fairbanks
F	Gene Therriault (R)	North Pole	11	John Coghill, Jr. (R)	North Pole
			12	John Harris (R)	Valdez
G	Lyda Green (R)	Matanuska-Susitna	13	Carl Gatto (R)	Palmer
			14	Wes Keller (R)	Wasilla
H	Charlie Huggins (R)	Wasilla	15	Mark Neuman (R)	Wasilla
			16	Bill Stoltze (R)	Chugiak/Mats
I	Fred Dyson (R)	Eagle River	17	Anna Fairclough (R)	Eagle River
			18	Nancy Dahlstrom (R)	Anchorage
J	Bill Wielechowski (D)	Anchorage	19	Bob Roses (R)	Anchorage
			20	Max Gruenberg (D)	Anchorage
K	Bettye Davis (D)	Anchorage	21	Harry Crawford (D)	Anchorage
			22	Sharon Cissna (D)	Anchorage
L	Johnny Ellis (D)	Anchorage	23	Les Gara (D)	Anchorage
			24	Berta Gardner (D)	Anchorage
M	Hollis French (D)	Anchorage	25	Mike Doogan (D)	Anchorage
			26	Lindsey Holmes (D)	Anchorage
N	Lesil McGuire (R)	Anchorage	27	Robert Buch (D)	Anchorage
			28	Craig Johnson (R)	Anchorage
O	John Cowdery (R)	Anchorage	29	Ralph Samuels (R)	Anchorage
			30	Kevin Meyer (R)	Anchorage
P	Con Bunde (R)	Anchorage	31	Bob Lynn (R)	Anchorage
			32	Mike Hawker (R)	Anchorage
Q	Thomas Wagoner (R)	Kenai	33	Kurt Olson (R)	Soldotna
			34	Mike Chenault (R)	Nikiski
R	Gary Stevens (R)	Kodiak	35	Paul Seaton (R)	Homer
			36	Gabrielle LeDoux (R)	Kodiak
S	Lyman Hoffman (D)	Bethel	37	Bryce Edgmon (D)	Dillingham
			38	Mary Sattler Nelson (D)	Bethel
T	Donald Olson (D)	Nome	39	Richard Foster (D)	Nome
			40	Reggie Joule (D)	Kotzebue

LEADERSHIP

STATE SENATE
Lyda Green, Senate President

HOUSE OF REPRESENTATIVES
John Harris, House Speaker

FINANCE COMMITTEES

STATE SENATE
Lyman Hoffman, Co-Chair
Bert Stedman, Co-Chair
Charlie Huggins, Vice-Chair

HOUSE OF REPRESENTATIVES
Mike Chenault, Co-Chair
Kevin Meyer, Co-Chair
Bill Stoltze, Vice-Chair

Members:
Fred Dyson, Kim Elton,
Donald Olson, and Joe Thomas

Members:
Harry Crawford, Richard Foster, Les Gara,
Mike Hawker, Reggie Joule, Mike Kelly,
Mary Nelson, and Bill Thomas, Jr.



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Financial Section





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ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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Juneau, AK 99811-3300
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Independent Auditor's Report

Citizens of the State of Alaska

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alaska, as of and for the year ended June 30, 2008, 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 three Discretely Presented Component units: Alaska Municipal Bond Bank Authority, Alaska Mental Health Trust Authority, and Alaska Natural Gas Development Authority. Those financial statements reflect total assets, net assets and revenues of the indicated opinion units:

<u>Opinion Unit</u>	<u>Percent of Assets</u>	<u>Percent of Net Assets/ Fund Balance</u>	<u>Percent of Revenues</u>
Governmental Activities	66%	64%	-4%
Aggregate Discretely Presented Component Units	10%	10%	2%
Major Funds:			
Alaska Permanent Fund	100%	100%	100%
Aggregate Remaining Fund Information:			
Fiduciary Funds	88%	89%	66%

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, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

A handwritten signature in black ink that reads "Pat Davidson". The signature is written in a cursive, flowing style with a long horizontal line extending to the right.

Pat Davidson, CPA
Legislative Auditor

December 12, 2008

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, 2008. 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 08 by \$57.5 billion (net assets). Of this amount, \$5.7 billion is invested in capital assets, \$32.1 billion is restricted for various purposes (of which the Alaska Permanent Fund represents \$30.9 billion), and unrestricted net assets are \$19.7 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 \$5.4 billion. This increase is primarily attributable to higher taxes from petroleum production.

Fund level

- As of the close of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$51.5 billion, with \$19.2 billion unreserved fund balance and a fund balance reserved for specific purposes of \$32.3 billion. The Alaska Permanent Fund principal is \$30.9 billion of the reserved fund balance with the balance reserved for the Constitutional Budget Reserve Fund (CBRF, a subfund of the General Fund), encumbrances, debt, and other purposes.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was a surplus of \$13.7 billion. This is an increase of \$11.5 billion from FY 07, which is attributable to the repayment of borrowing from CBRF and record high price of petroleum combined with the tax rate increase discussed later under "Significant Facts."

Long-term debt

- The State's total long-term debt increased by \$25 million (1 percent) during the current fiscal year. The key factors in this increase include deferred revenue and capital leases. The Department of Natural Resources deferred revenue related to large scale enhanced oil recovery project credits taken by North Slope Kuparuk against revenues not earned in the current year. The capital lease increase is related to the addition of the Atwood Parking Garage.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

- Capital assets (land, buildings, equipment, infrastructure, and construction in progress) used in governmental activities are not reported in governmental fund statements.
- Internal service funds are reported as governmental activities in the government-wide financial statements, but are reported as proprietary funds in the fund financial statements.
- Certain revenues, unavailable to pay for current period expenditures, are not reported in the governmental fund statements.
- Unless due and payable in the current period, certain long-term liabilities such as capital lease obligations, compensated absences, litigation, and others only appear as liabilities in the government-wide statements.
- Capital outlay spending results in capital assets in the government-wide statements, but are reported as expenditures on the governmental fund statements.
- Bonds 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 funds statements, and the International Airports Fund, which is included in the business-type activities funds 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 87.7 percent of total government-wide net assets (excluding component units). The governmental funds financial statements present detail on each of these funds, with summarized information on all other governmental funds. In addition, detail for each of the nonmajor governmental funds is available in combining statements elsewhere in this report.

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

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

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

The proprietary fund financial statements are statement numbers 1.21 through 1.23. The International Airports Fund is a major enterprise fund of the State of Alaska with 10.6 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 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 \$57.5 billion at the close of the most recent fiscal year (see table below). By far the largest portion of

the State's net assets (62 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 (\$30.9 billion) may not be spent.

The remainder of the State's net assets (38 percent) represents amounts invested in capital assets net of related debt (\$5.7 billion), resources that are subject to external restrictions of how they may be used (\$1.2 billion), and unrestricted net assets of \$19.7 billion, of which \$5.0 billion is within the Alaska Permanent Fund.

Net Assets						
(Stated in millions)						
	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	FY 08	FY 07	FY 08	FY 07	FY 08	FY 07
Current and Other Noncurrent Assets	\$ 56,162	\$ 54,326	\$ 1,273	\$ 1,349	\$ 57,435	\$ 55,675
Capital Assets	5,555	5,394	1,055	915	6,610	6,309
Total Assets	61,717	59,720	2,328	2,264	64,045	61,984
Long-term Liabilities	1,641	1,598	629	648	2,270	2,246
Other Liabilities	4,193	7,527	21	73	4,214	7,600
Total Liabilities	5,834	9,125	650	721	6,484	9,846
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	5,064	4,968	678	597	5,742	5,565
Restricted	31,421	34,201	689	615	32,110	34,816
Unrestricted	19,398	11,426	311	331	19,709	11,757
Total Net Assets	\$ 55,883	\$ 50,595	\$ 1,678	\$ 1,543	\$ 57,561	\$ 52,138

The net assets of governmental activities increased \$5,288 million and business-type activities increased \$135 million. The increase for governmental activities is primarily due to higher petroleum revenues. The increase in business-type activities is due to the increase in construction in progress of the International Airports Fund, and cash and investments of the Unemployment Compensation Fund.

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the State's net assets changed during FY 08.

	Changes in Net Assets					
	(Stated in millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 08	FY 07	FY 08	FY 07	FY 08	FY 07
Revenues						
Program Revenues						
Charges for Services	\$ 3,709	\$ 2,529	\$ 279	\$ 294	\$ 3,988	\$ 2,823
Operating Grants	1,355	1,464	21	17	1,376	1,481
Capital Grants	613	633	84	80	697	713
General Revenues						
Taxes	8,281	3,378	-	-	8,281	3,378
Interest and Investment Income/(Loss)	(910)	5,969	-	14	(910)	5,983
Payments In from Component Units	115	400	-	-	115	400
Other Revenues	60	53	-	1	60	54
Total Revenues	13,223	14,426	384	406	13,607	14,832
Expenses						
General Government	520	326	-	-	520	326
Alaska Permanent Fund Dividend	990	658	-	-	990	658
Education and University	2,088	1,685	-	-	2,088	1,685
Health and Human Services	1,870	1,828	-	-	1,870	1,828
Law and Justice	213	181	-	-	213	181
Public Protection	584	558	-	-	584	558
Natural Resources	294	286	-	-	294	286
Development	248	430	5	2	253	432
Transportation	953	812	-	-	953	812
Intergovernmental	130	62	-	-	130	62
Debt Service	44	-	-	-	44	-
Interest Expense	-	40	-	-	-	40
Loans	-	-	10	10	10	10
Unemployment Compensation	-	-	122	123	122	123
Airports	-	-	112	129	112	129
Total Expenses	7,934	6,866	249	264	8,183	7,130
Excess (Deficiency) of Revenues						
Over Expenditures	5,289	7,560	135	142	5,424	7,702
Transfers	(1)	3	1	(3)	-	-
Change in Net Assets	5,288	7,563	136	139	5,424	7,702
Net Assets - Beginning of Year	50,595	43,032	1,542	1,404	52,137	44,436
Net Assets - End of Year	\$ 55,883	\$ 50,595	\$ 1,678	\$ 1,543	\$ 57,561	\$ 52,138

Financial Analysis of the State's Funds

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

Governmental Funds

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. In particular, unreserved

fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$51.5 billion, an increase of \$5.1 billion in comparison with the prior year. This increase is a combination of the Alaska Permanent Fund receipt of mineral revenues and the increase within the General Fund from petroleum taxes. The unreserved fund balance, which is available for spending at the government's discretion, was a balance of \$19.2 billion, consisting of \$13.7 billion in the General Fund, \$5.0 billion in the Alaska Permanent Fund (earnings reserve account), \$398 million in special revenue funds, and \$129 million in other governmental funds. The General Fund and the Alaska Permanent Fund unreserved fund balance for FY 08 is at the highest level ever. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) for the Alaska Permanent Fund (\$30.9 billion), 2) to liquidate contracts and purchase orders of the prior period (\$746 million), 3) for the Constitutional Budget Reserve Fund (\$150 million), or 4) for a variety of other restricted purposes (\$479 million).

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$13.7 billion, while total fund balance reached \$14.6 billion. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 175 percent of total General Fund expenditures, while total fund balance represents 187 percent of that same amount.

The fund balance of the State's General Fund increased by \$7 billion during the current fiscal year, of which, \$1 billion was appropriated to the statutory Budget Reserve Fund. The key factors in this increase are higher oil prices and a revision to the oil tax structure resulting in increased taxes. There was no appropriated borrowing from the Constitutional Budget Reserve Fund during the fiscal year, and \$3 billion owed to the Constitutional Budget Reserve Fund was repaid by appropriated transfers from the General Fund. In addition, the year-end repayment of the Constitutional Budget Reserve Fund per Alaska's Constitution amounted to \$2 billion. As of June 30, 2008, the ending balance owed by the General Fund to the Constitutional Budget Reserve Fund was \$150 million.

General Fund revenues for FY 08 were \$13.5 billion, an increase of \$5.6 billion compared to revenues of \$7.9 billion for FY 07. Revenues by source for FY 08 are compared to FY 07 in the following schedule (in millions):

<u>Revenue Source</u>	<u>FY 08</u>	<u>Percent</u>	<u>FY 07</u>	<u>Percent</u>
Taxes	\$ 8,257.2	60.9%	\$ 3,435.5	43.4%
Rents and Royalties	2,489.0	18.4%	1,606.8	20.3%
Interest and Investment Income	446.1	3.3%	431.2	5.4%
Federal	1,897.3	14.0%	1,993.0	25.2%
Miscellaneous	456.4	3.4%	447.4	5.7%
Total Revenue	<u>\$ 13,546.0</u>	<u>100.0%</u>	<u>\$ 7,913.9</u>	<u>100.0%</u>

The primary components of this revenue increase are petroleum-related taxes (\$4,866 million), plus oil and gas rents and royalties (\$879 million).

Alaska Permanent Fund

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

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

The fund is made up of two parts.

- **Reserved Fund Balances:** The reserved fund balances, or principal, include all historical contributions and appropriations, which are the main body of the fund. At June 30, 2008, this amounted to \$29.1 billion. The sources

of contributions and appropriations of the fund, since inception, were as follows: \$10.5 billion in dedicated mineral revenues; \$11.6 billion of fund realized earnings transferred to principal for inflation proofing; and \$7.0 billion in additional deposits approved by special legislative appropriation.

Accumulated unrealized appreciation on invested assets is also part of the reserved fund balances (see 2003 Attorney General Opinion, June 18; 663-03-0153). The balance of the unrealized appreciation at the end of the fiscal year amounted to \$1.8 billion.

- **Unreserved Fund Balances:** The unreserved fund balances, which are available for legislative appropriation, consist of the realized earnings of the fund. From inception through June 30, 2008, realized earnings have amounted to \$38.0 billion. Of this amount \$16.7 billion has been paid out for dividends, \$11.6 billion has been transferred to principal for inflation proofing, \$4.3 billion has been added to principal by special appropriation, \$4 billion has been paid out to the General Fund, and \$5.0 billion remains in the fund at June 30, 2008 in the realized earnings account.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was a \$2 billion increase in appropriations (or 14.5 percent) and can be briefly summarized as follows:

- \$4.6 billion allocated to transfers in and transfers out between funds
- \$927.3 million allocated to education
- \$459.2 million allocated transportation
- \$303.3 million allocated to health and human services
- The balance is allocated across several expenditure functions.

Of this increase in appropriated expenditures, \$297 million was to be funded out of an increase in interagency receipts, which reflect transfers between appropriations, with the balance coming from other financing sources. The large variances in transfers in and transfers out are the result of supplemental appropriations transferring cash between funds.

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.

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, 2008, amounts to \$5.7 billion. The table below displays total capital assets, net of accumulated depreciation. Depreciation charges for FY 08 totaled \$324 million for governmental activities and \$39 million for business-type activities.

Capital Assets
(net of depreciation, in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 08	FY 07	FY 08	FY 07	FY 08	FY 07
Land	\$ 754	\$ 731	\$ 30	\$ 30	\$ 784	\$ 761
Buildings	808	753	449	454	1,257	1,207
Equipment	411	414	17	12	428	426
Infrastructure	2,210	2,065	317	295	2,527	2,360
Construction in Progress	1,372	1,431	242	124	1,614	1,555
Total Capital Assets	\$ 5,555	\$ 5,394	\$ 1,055	\$ 915	\$ 6,610	\$ 6,309

In FY 08, infrastructure and construction in progress increased \$167 million and \$59 million respectively. The capital budget has substantially increased for the past two fiscal years, the increases in construction in progress and infrastructure during the

year are a direct result of these budgetary increases. Additional information on the State's capital assets can be found in Note 4 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 \$1,437 million. Of this amount, \$376 million was general obligation bonds, and \$1,061 million of revenue bonds payable is comprised of \$381 million issued by the Northern Tobacco Securitization Corporation (NTSC), and \$62 million of sport fishing revenue bonds. 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 \$618 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 08	FY 07	FY 08	FY 07	FY 08	FY 07
Revenue Bonds Payable	\$ 443	\$ 452	\$ 618	\$ 633	\$ 1,061	\$ 1,085
General Obligation Debt	376	405	-	-	376	405
Capital Leases Payable	172	130	-	-	172	130
Deferred Revenues and Advances	261	206	5	5	266	211
Certificates of Participation	57	65	-	-	57	65
Compensated Absences	132	126	-	-	132	126
Claims and Judgments	61	72	-	-	61	72
Other Noncurrent Liabilities	1	2	3	5	4	7
Net Pension Obligation	138	140	4	5	142	145
Total	<u>\$ 1,641</u>	<u>\$ 1,598</u>	<u>\$ 630</u>	<u>\$ 648</u>	<u>\$ 2,271</u>	<u>\$ 2,246</u>

The State's total debt increased by \$25 million (1 percent) during the current fiscal year. The increase is mainly attributable to capital leases related to the Atwood Parking Garage, and the Department of Natural Resources deferred revenue related to the large scale enhanced oil recovery project. Principal payments on the general obligation bonds and revenue bonds were made during the year reducing the outstanding balance.

Additional information of the State's long-term debt can be found in Note 5 in the notes to the basic financial statements.

Significant Facts

The State of Alaska earned record revenues in FY 08, primarily as a result of ACES (Alaska's Clear and Equitable Share), a new oil tax structure passed in November 2007, Chapter 1, SSSLA 07. This legislation made several revisions, some of which were retroactive to the beginning of the fiscal year. The weighted average production tax rate increased from 16.9% in FY 2007 to 40% in FY 08. This rate was applied to wellhead value of \$84.85 per barrel, a substantial increase over the \$55.79 per barrel in FY 07.

Another significant factor affecting revenues was a decrease of \$6.9 billion in interest and investment income between FY 07 and FY 08 from losses incurred by the Alaska Permanent Fund. The fund experienced a negative 3.6% total rate of return in FY 2008, the largest negative return in its history.

Economic Factors and Next Year's Budgets and Rates

- The State's average unemployment rate for FY 08 was 6.5 percent, which is slightly higher than the average unemployment rate for FY 07 of 6.2 percent. Alaska's five year average (2004 to 2008) was 6.7 percent. The United

States unemployment rate at fiscal year end was 5.0 percent.

- The State's major source of unrestricted revenue for the General Fund is petroleum related, which accounted for 77 percent of total revenue, with federal revenue making up another 14 percent, and the balance coming from other sources. As a result, the State's budget is structured around these two revenue sources. Although oil production has declined, the high price per barrel and higher tax rates more than made up for this reduction, resulting in an increase of \$5.7 billion in petroleum revenues. Federal funds are generally restricted for use in federal programs and therefore do not provide resources for balancing the State budget.
- FY 08 crude oil and natural gas liquids production for the Alaska North Slope and Cook Inlet averaged 727 thousand barrels per day. This is 29 thousand barrels per day less than in the prior year. FY 08 production, compared to peak production of 2.049 million barrels per day in FY 88, has declined by 64 percent.
- The State of Alaska FY 08 budgeted expenditures include certain items that are unique to Alaska, such as the Alaska Permanent Fund Dividend that is paid to each qualifying Alaskan (\$1,654/resident, total \$990 million in FY 08), and State-operated Pioneer Homes.

Requests for Information

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



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Basic Financial Statements





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STATE OF ALASKA
Statement of Net Assets
Government-wide
June 30, 2008
(Stated in Thousands)

STATEMENT 1.01

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and Investments	\$ 50,888,150	\$ 665,822	\$ 51,553,972	\$ 1,690,129
Accounts Receivable - Net	2,302,292	21,905	2,324,197	41,455
Interest and Dividends Receivable	142,100	30,259	172,359	44,494
Internal Balances	52,708	(52,708)		
Due from Primary Government				25,098
Due from Component Units	9,456		9,456	2,310
Due from Other Governments	380,228	6,587	386,815	45,710
Loans, Notes, and Bonds Receivable	20,531	307,442	327,973	4,509,052
Inventories	17,940		17,940	25,515
Repossessed Property		1,053	1,053	300
Net Investment in Direct Financing Leases				333,478
Investments in Projects, Partnerships, or Corporations		5,280	5,280	77,399
Securities Lending Collateral	2,282,400		2,282,400	25,888
Restricted Assets	21,852	284,080	305,932	2,170,504
Other Assets	45,055	3,213	48,268	186,378
Capital Assets:				
Equipment, Net of Depreciation	410,380	18,947	429,327	225,252
Buildings, Net of Depreciation	808,345	448,375	1,256,720	678,452
Infrastructure, Net of Depreciation	2,209,865	315,843	2,525,708	637,716
Land	754,254	29,738	783,992	72,610
Construction in Progress	1,372,078	242,005	1,614,083	298,956
Total Assets	<u>61,717,634</u>	<u>2,327,841</u>	<u>64,045,475</u>	<u>11,090,696</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	1,699,025	8,717	1,707,742	104,161
Obligations Under Securities Lending	2,282,400		2,282,400	25,888
Due to Primary Government				27,535
Due to Component Units	16,831		16,831	1,844
Due to Other Governments	126	3,514	3,640	
Interest Payable	10,006	7,658	17,664	29,723
Other Current Liabilities	184,875	683	185,558	153,788
Long-term Liabilities:				
Portion Due or Payable Within One Year:				
Claims, Judgments, and Compensated Absences	146,106	71	146,177	3,039
Unearned and Deferred Revenue	233,535	4,909	238,444	24,941
Notes, Bonds, and Leases Payable	54,702	19,880	74,582	147,450
Other Long-term Debt				6,600
Other Noncurrent Liabilities	948		948	
Portion Due or Payable After One Year:				
Claims, Judgments, and Compensated Absences	46,883	119	47,002	2,141
Unearned and Deferred Revenue	27,024		27,024	437,377
Notes, Bonds, and Leases Payable	992,895	597,585	1,590,480	4,740,021
Other Long-term Debt				4,406
Other Noncurrent Liabilities	138,795	6,974	145,769	53,658
Total Liabilities	<u>5,834,151</u>	<u>650,110</u>	<u>6,484,261</u>	<u>5,762,572</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	5,063,796	677,900	5,741,696	1,260,740
Restricted for:				
Permanent Funds				
Nonexpendable	31,262,940		31,262,940	339,495
Expendable	15,597		15,597	141,397
Education	16,787		16,787	368,374
Conservation, Environment, and Natural Resources	30,469		30,469	
Unemployment Compensation		331,262	331,262	
Health and Human Services		324,057	324,057	
Debt Service	40,972	22,705	63,677	682,764
Other Purposes	54,608	10,461	65,069	78,007
Unrestricted	19,398,314	311,346	19,709,660	2,457,347
Total Net Assets	<u>\$ 55,883,483</u>	<u>\$ 1,677,731</u>	<u>\$ 57,561,214</u>	<u>\$ 5,328,124</u>

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

STATE OF ALASKA
Statement of Activities
Government-wide
For the Fiscal Year Ended June 30, 2008
(Stated in Thousands)

STATEMENT 1.02

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services, Royalties and Other Fees	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 520,244	\$ 11,754	\$ 31,222	\$ 2,813
Alaska Permanent Fund Dividend	990,379			
Education	1,705,227	2,829	151,374	195
University	382,463	29	111	
Health and Human Services	1,869,940	39,492	899,720	61,115
Law and Justice	213,076	12,607	19,875	108
Public Protection	584,423	163,320	74,798	9,928
Natural Resources	293,999	3,404,033	79,240	24,967
Development	247,671	6,884	76,872	2,110
Transportation	952,916	68,105	3,721	499,745
Intergovernmental Revenue Sharing	129,678		15,725	
Debt Service	43,820		2,037	11,788
Total Governmental Activities	7,933,836	3,709,053	1,354,695	612,769
Business-type Activities:				
Loans	9,987	9,175	1,279	23,651
Unemployment Compensation	122,128	149,699	15,754	
Airports	112,437	118,874	1,362	58,347
Development	4,965	1,087	3,322	1,924
Total Business-type Activities	249,517	278,835	21,717	83,922
Total Primary Government	\$ 8,183,353	\$ 3,987,888	\$ 1,376,412	\$ 696,691
Component Units:				
University of Alaska	\$ 725,896	\$ 149,175	\$ 219,095	\$ 3,463
Alaska Housing Finance Corporation	360,148	210,546	48,948	24,655
Alaska Industrial Development and Export Authority	38,056	48,769	305	11,200
Nonmajor Component Units	370,254	241,621	86,867	(24,829)
Total Component Units	\$ 1,494,354	\$ 650,111	\$ 355,215	\$ 14,489

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
Total General Revenues and Transfers
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.

STATEMENT 1.02

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (474,455)	\$	\$ (474,455)	\$
(990,379)		(990,379)	
(1,550,829)		(1,550,829)	
(382,323)		(382,323)	
(869,613)		(869,613)	
(180,486)		(180,486)	
(336,377)		(336,377)	
3,214,241		3,214,241	
(161,805)		(161,805)	
(381,345)		(381,345)	
(113,953)		(113,953)	
(29,995)		(29,995)	
<u>(2,257,319)</u>		<u>(2,257,319)</u>	
	24,118	24,118	
	43,325	43,325	
	66,146	66,146	
	1,368	1,368	
	<u>134,957</u>	<u>134,957</u>	
<u>(2,257,319)</u>	<u>134,957</u>	<u>(2,122,362)</u>	
			(354,163)
			(75,999)
			22,218
			<u>(66,595)</u>
			<u>(474,539)</u>
6,929,895		6,929,895	
270,119		270,119	
981,673		981,673	
81,518		81,518	
18,387		18,387	
(910,362)	(281)	(910,643)	94,878
32,141		32,141	
115,635		115,635	39,688
			385,405
27,873		27,873	3,376
(625)	625	0	
<u>7,546,254</u>	<u>344</u>	<u>7,546,598</u>	<u>523,347</u>
5,288,935	135,301	5,424,236	48,808
50,594,548	1,542,430	52,136,978	5,279,316
<u>\$ 55,883,483</u>	<u>\$ 1,677,731</u>	<u>\$ 57,561,214</u>	<u>\$ 5,328,124</u>



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Governmental Funds Financial Statements

MAJOR FUNDS

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

Alaska Permanent Fund – Alaska Constitution, Article IX, Section 15 – Administered by the Alaska Permanent Fund Corporation. The Alaska Constitution provides that at least 25 percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments, and bonuses received by the State shall be placed in the Alaska Permanent Fund.

NONMAJOR FUNDS

Other nonmajor governmental funds are presented by fund type in the Combining Fund Statements.





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STATE OF ALASKA
 Balance Sheet
 Governmental Funds
 June 30, 2008
 (Stated in Thousands)

STATEMENT 1.11

	General Fund	Alaska Permanent Fund	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 12,560,375	\$ 37,301,600	\$ 937,222	\$ 50,799,197
Accounts Receivable - Net	1,291,908	957,775	4,661	2,254,344
Interest and Dividends Receivable	6,161	131,480	1,007	138,648
Due from Other Funds	1,427,103		72,526	1,499,629
Due from Component Units	8,942		514	9,456
Due from Other Governments	375,009		4,946	379,955
Loans, Notes, and Bonds Receivable	20,455		76	20,531
Inventories	15,072			15,072
Securities Lending Collateral		2,282,400		2,282,400
Other Assets	26,062		70	26,132
Total Assets	<u>\$ 15,731,087</u>	<u>\$ 40,673,255</u>	<u>\$ 1,021,022</u>	<u>\$ 57,425,364</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 634,756	\$ 998,883	\$ 7,441	\$ 1,641,080
Obligations Under Securities Lending		2,282,400		2,282,400
Due to Other Funds	120,213	1,326,170	8,399	1,454,782
Due to Component Units	16,831			16,831
Due to Other Governments	126			126
Unearned and Deferred Revenue	341,747		1,114	342,861
Other Liabilities	948	184,872	375	186,195
Total Liabilities	<u>1,114,621</u>	<u>4,792,325</u>	<u>17,329</u>	<u>5,924,275</u>
Fund Balances:				
Reserved:				
Encumbrances	663,222		82,909	746,131
Nonliquid Assets	199,440			199,440
Debt Service			42,098	42,098
Other Purposes	36,072	30,912,156	351,679	31,299,907
Unreserved:				
General Fund	13,717,732			13,717,732
Special Revenue Funds			397,895	397,895
Capital Projects Funds			113,515	113,515
Permanent Funds		4,968,774	15,597	4,984,371
Total Fund Balances	<u>14,616,466</u>	<u>35,880,930</u>	<u>1,003,693</u>	<u>51,501,089</u>
Total Liabilities and Fund Balances	<u>\$ 15,731,087</u>	<u>\$ 40,673,255</u>	<u>\$ 1,021,022</u>	<u>\$ 57,425,364</u>

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

STATE OF ALASKA
 Reconciliation of the Balance Sheet to the Statement of Net Assets
 Governmental Funds
 June 30, 2008
 (Stated in Thousands)

STATEMENT 1.12

Total Fund Balances - Governmental Funds \$ 51,501,089

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 4)

These assets consist of:

Equipment, net of depreciation	289,633	
Buildings, net of depreciation	758,901	
Infrastructure, net of depreciation	2,209,865	
Land	754,254	
Construction in progress	<u>1,349,313</u>	5,361,966

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)

288,017

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

93,994

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 5)

Capital lease obligations	(167,553)	
Compensated absences	(129,192)	
Claims and judgments (net of federal reimbursement)	(60,478)	
Pension benefit obligation	(135,668)	
Other post employment benefits	<u>11,780</u>	(481,111)

Long-term bonded debt is not due and payable in the current period and therefore is not reported in the funds. (Note 5)

Notes and bonds payable	(876,139)	
Unamortized costs of issuance	5,553	
Accrued interest receivable	120	
Accrued interest payable	<u>(10,006)</u>	(880,472)

Net Assets of Governmental Activities \$ 55,883,483

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

STATE OF ALASKA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008
(Stated in Thousands)

STATEMENT 1.13

	General Fund	Alaska Permanent Fund	Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 8,257,149	\$	\$ 24,925	\$ 8,282,074
Licenses and Permits	114,669		35,538	150,207
Charges for Services	178,835		378	179,213
Fines and Forfeitures	18,503		170	18,673
Rents and Royalties	2,489,036	843,760	21,900	3,354,696
Premiums and Contributions	12,625		4,895	17,520
Interest and Investment Income	446,107	(1,378,559)	18,881	(913,571)
Federal Grants in Aid	1,897,299		28,259	1,925,558
Payments In from Component Units	115,635			115,635
Other Revenues	16,148		27,760	43,908
Total Revenues	<u>13,546,006</u>	<u>(534,799)</u>	<u>162,706</u>	<u>13,173,913</u>
EXPENDITURES				
Current:				
General Government	516,377	78,491	1,886	596,754
Alaska Permanent Fund Dividend	990,379			990,379
Education	1,677,120		39,756	1,716,876
University	373,726		8,733	382,459
Health and Human Services	1,877,353		4,105	1,881,458
Law and Justice	207,554	1,477		209,031
Public Protection	577,377			577,377
Natural Resources	233,166	4,781	63,713	301,660
Development	238,540		12,511	251,051
Transportation	1,004,380		31,972	1,036,352
Intergovernmental Revenue Sharing	128,564			128,564
Debt Service:				
Principal	8,285		37,585	45,870
Interest and Other Charges	2,860		43,686	46,546
Total Expenditures	<u>7,835,681</u>	<u>84,749</u>	<u>243,947</u>	<u>8,164,377</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>5,710,325</u>	<u>(619,548)</u>	<u>(81,241)</u>	<u>5,009,536</u>
OTHER FINANCING SOURCES (USES)				
Capital Leases	59,651			59,651
Transfers In from Other Funds	1,352,253	552	126,768	1,479,573
Transfers (Out to) Other Funds	(143,660)	(1,326,170)	(13,886)	(1,483,716)
Total Other Financing Sources and Uses	<u>1,268,244</u>	<u>(1,325,618)</u>	<u>112,882</u>	<u>55,508</u>
Net Change in Fund Balances	<u>6,978,569</u>	<u>(1,945,166)</u>	<u>31,641</u>	<u>5,065,044</u>
Fund Balances - Beginning of Year	7,637,897	37,826,096	972,052	46,436,045
Fund Balances - End of Year	<u>\$ 14,616,466</u>	<u>\$ 35,880,930</u>	<u>\$ 1,003,693</u>	<u>\$ 51,501,089</u>

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

STATE OF ALASKA
 Reconciliation of the Change in Fund Balances to the Statement of Activities
 Governmental Funds
 June 30, 2008
 (Stated in Thousands)

STATEMENT 1.14

Net Change in Fund Balances - Total Governmental Funds	\$ 5,065,044
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Primarily this is the amount by which capital outlays exceeded depreciation in the current period (Note 4).	
Capital Outlay	452,371
Depreciation Expense	<u>(303,842)</u>
	148,529
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	26,387
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund.	
	26,836
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.	
Accrued interest	498
Repayment of bond principal	45,870
Amortization of bond issue costs	<u>(608)</u>
	45,760
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.	
	(59,651)
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	10,798
Compensated absences	(6,148)
Capital lease payments	17,634
Pension benefit obligation	1,966
Other post employment benefits	<u>11,780</u>
	36,030
Change in Net Assets of Governmental Activities	\$ <u>5,288,935</u>

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

Proprietary Funds Financial Statements

MAJOR FUND

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

NONMAJOR FUNDS

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



STATE OF ALASKA
Statement of Net Assets
Proprietary Funds
June 30, 2008
(Stated in Thousands)

STATEMENT 1.21

	Business-type Activities			Governmental
	Enterprise Funds			Activities
	International Airports	Nonmajor Enterprise Funds	Total	Internal Service Funds
ASSETS				
Current Assets:				
Cash and Investments	\$ 136,932	\$ 528,890	\$ 665,822	\$ 110,805
Accounts Receivable - Net	12,091	9,814	21,905	436
Interest and Dividends Receivable		6,699	6,699	
Due from Other Funds		59	59	4,520
Due from Other Governments	6,109	478	6,587	
Loans, Notes, and Bonds Receivable		21,467	21,467	
Inventories				2,868
Securities Lending Collateral				
Other Current Assets		9	9	1,456
Total Current Assets	155,132	567,416	722,548	120,085
Noncurrent Assets:				
Interest and Dividends Receivable		23,560	23,560	
Loans, Notes, and Bonds Receivable		285,975	285,975	
Repossessed Property		1,053	1,053	
Investment in Projects, Partnerships, or Corporations		5,280	5,280	
Restricted Assets	284,080		284,080	
Other Noncurrent Assets		3,204	3,204	134
Capital Assets:				
Equipment, Net of Depreciation	18,947		18,947	120,747
Buildings, Net of Depreciation	448,375		448,375	49,444
Infrastructure, Net of Depreciation	315,843		315,843	
Land	29,738		29,738	
Construction in Progress	208,938	33,067	242,005	22,765
Total Noncurrent Assets	1,305,921	352,139	1,658,060	193,090
Total Assets	1,461,053	919,555	2,380,608	313,175
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	2,631	6,086	8,717	14,851
Due to Other Funds	48,615	4,152	52,767	601
Due to Other Governments		3,514	3,514	
Interest Payable	7,658		7,658	
Claims, Judgments, and Compensated Absences		71	71	2,255
Unearned and Deferred Revenue	4,909		4,909	
Notes, Bonds, and Leases Payable	19,880		19,880	1,471
Other Current Liabilities		683	683	
Total Current Liabilities	83,693	14,506	98,199	19,178
Noncurrent Liabilities:				
Claims, Judgements, and Compensated Absences		119	119	791
Notes, Bonds, and Leases Payable	597,585		597,585	2,434
Other Noncurrent Liabilities	6,825	149	6,974	2,755
Total Noncurrent Liabilities	604,410	268	604,678	5,980
Total Liabilities	688,103	14,774	702,877	25,158
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	644,833	33,067	677,900	189,309
Restricted for:				
Unemployment Compensation		331,262	331,262	
Health and Human Services		324,057	324,057	
Debt Service	22,705		22,705	
Other Purposes	10,263	198	10,461	
Unrestricted	95,149	216,197	311,346	98,708
Total Net Assets	\$ 772,950	\$ 904,781	\$ 1,677,731	\$ 288,017

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

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

Proprietary Funds

For the Fiscal Year Ended June 30, 2008

(Stated in Thousands)

	Business-type Activities Enterprise Funds			Governmental Activities
	International Airports	Nonmajor Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES				
Premiums and Contributions	\$	\$ 147,107	\$ 147,107	\$ 71,743
Charges for Goods and Services	117,676	909	118,585	94,267
Interest and Investment Income		8,795	8,795	
Allowance for Uncollectible Interest		(35)	(35)	
Fines and Forfeitures		53	53	
Federal Grants in Aid		732	732	
Other Operating Revenues	1,198	2,592	3,790	721
Total Operating Revenues	<u>118,874</u>	<u>160,153</u>	<u>279,027</u>	<u>166,731</u>
OPERATING EXPENSES				
Benefits		122,128	122,128	66,883
Operating	72,054	8,832	80,886	79,983
Depreciation	39,471	36	39,507	19,814
Provision for Loan Losses and Forgiveness		4,135	4,135	
Other Operating Expenses		249	249	
Total Operating Expenses	<u>111,525</u>	<u>135,380</u>	<u>246,905</u>	<u>166,680</u>
Operating Income (Loss)	<u>7,349</u>	<u>24,773</u>	<u>32,122</u>	<u>51</u>
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Income	10,511	23,640	34,151	3,140
Interest and Investment Expense	(17,116)	(2,057)	(19,173)	(486)
Gain (Loss) on Disposal of Capital Assets				36
Other Nonoperating Revenues (Expenses)	450	3,204	3,654	(669)
Total Nonoperating Revenues (Expenses)	<u>(6,155)</u>	<u>24,787</u>	<u>18,632</u>	<u>2,021</u>
Income Before Capital Contributions and Transfers	1,194	49,560	50,754	2,072
Capital Contributions	58,347	25,575	83,922	7,469
Transfers In from Other Funds	3,221	1,415	4,636	16,846
Transfers (Out to) Other Funds		(4,011)	(4,011)	
Change in Net Assets	62,762	72,539	135,301	26,387
Total Net Assets - Beginning of Year	710,188	832,242	1,542,430	261,630
Total Net Assets - End of Year	<u>\$ 772,950</u>	<u>\$ 904,781</u>	<u>\$ 1,677,731</u>	<u>\$ 288,017</u>

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

STATE OF ALASKA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2008
(Stated in Thousands)

STATEMENT 1.23

	Business-type Activities			Governmental
	Enterprise Funds			Activities
	International Airports	Nonmajor Enterprise Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Other Governments	\$	\$	\$	\$
Receipts from Customers	120,609	711	711	177
Receipts for Interfund Services Provided		146	120,755	274
Receipt of Principal from Loan Recipients		23,355	23,355	93,642
Receipt of Interest and Fees from Loan Recipients		8,275	8,275	
Receipts from Insured		147,849	147,849	71,716
Payments to Employees	(39,438)	(1,445)	(40,883)	(28,924)
Payments to Suppliers	(33,228)	(2,277)	(35,505)	(51,848)
Payments to Other Governments		(1,605)	(1,605)	
Payments to Loan Recipients		(42,209)	(42,209)	
Claims Paid	8,805	(121,443)	(112,638)	(68,330)
Payments for Interfund Services Used		(4,166)	(4,166)	
Other Receipts		136	136	1,152
Other Payments		(61)	(61)	(2,347)
Net Cash Provided (Used) by Operating Activities	56,748	7,266	64,014	15,512
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Subsidies and Transfers (Out to) Other Funds		(3,639)	(3,639)	(12)
Operating Subsidies and Transfers In from Other Funds	3,221	297	3,518	17,311
Federal Grants		26,212	26,212	
Proceeds from Issuance of Short-term Debt		3,183	3,183	
Payments on Short-term Debt		(1,926)	(1,926)	
Interest and Fees Paid on Borrowing		(3)	(3)	
Net Cash Provided (Used) by Noncapital Financing Activities	3,221	24,124	27,345	17,299
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Contributions				50
Proceeds from Sale of Capital Assets				415
Acquisition and Construction of Capital Assets	(174,395)	(2,249)	(176,644)	(21,839)
Principal Paid on Capital Debt	(15,515)		(15,515)	(4,558)
Interest and Fees Paid on Capital Debt	(17,419)		(17,419)	(298)
Federal Grants	61,366	3,173	64,539	
Other Receipts (Payments)	(6,383)	(924)	(7,307)	71
Net Cash Provided (Used) by Capital and Related Financing Activities	(152,346)	0	(152,346)	(26,159)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sales/Maturities of Investments	69,368		69,368	
Income from Securities Lending Activities	542	533	1,075	
Expenses from Securities Lending Activities	(485)	(486)	(971)	
Purchase of Investments	(64,438)		(64,438)	
Interest and Dividends on Investments	10,372	23,079	33,451	2,953
Change in Restricted Cash and Investments	78,835		78,835	
Net Cash Provided (Used) by Investing Activities	94,194	23,126	117,320	2,953
Net Increase (Decrease) in Cash	1,817	54,516	56,333	9,605
Cash and Cash Equivalents - Beginning of Year	5,257	474,374	479,631	101,200
Cash and Cash Equivalents - End of Year	\$ 7,074	\$ 528,890	\$ 535,964	\$ 110,805

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

This statement continued on next page.

STATE OF ALASKA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2008
(Stated in Thousands)

STATEMENT 1.23

	Business-type Activities Enterprise Funds			Governmental Activities
	International Airports	Nonmajor Enterprise Funds	Total	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 7,349	\$ 24,773	\$ 32,122	\$ 51
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	39,471	36	39,507	19,814
Other Reconciling Items	(398)	(1,535)	(1,933)	
Net Changes in Assets and Liabilities:				
Accounts Receivable - Net	2,147	(3,185)	(1,038)	274
Due from Other Funds		(255)	(255)	(644)
Due from Component Units				275
Due from Other Governments		(238)	(238)	
Loans, Notes and Bonds Receivable - Net		(15,743)	(15,743)	
Repossessed Property		34	34	
Investment in Projects, Partnerships, or Corporations		1,561	1,561	
Securities Lending Collateral	29,407	23,471	52,878	
Interest and Dividends Receivable - Net		(676)	(676)	
Inventories				(82)
Other Assets		560	560	(914)
Due to Other Funds	8,805	768	9,573	333
Due to Other Governments		433	433	
Accounts Payable and Accrued Liabilities	(215)	(381)	(596)	(3,298)
Obligations Under Securities Lending	(29,407)	(23,471)	(52,878)	
Other Liabilities	(411)	1,114	703	(297)
Net Cash Provided (Used) by Operating Activities	<u>\$ 56,748</u>	<u>\$ 7,266</u>	<u>\$ 64,014</u>	<u>\$ 15,512</u>
Reconciliation of Cash to the Statement of Net Assets:				
Total Cash and Investments per the Statement of Net Assets	\$ 136,932	\$ 528,890	\$ 665,822	\$ 110,805
Less: Investments not Meeting the Definition of Cash or Cash Equivalents				
	(129,858)		(129,858)	
Cash, End of Year	<u>\$ 7,074</u>	<u>\$ 528,890</u>	<u>\$ 535,964</u>	<u>\$ 110,805</u>
Noncash Investing, Capital, and Financing Activities:				
Contributed Capital Assets				7,520
Transfers (Out to) Other Funds (Accrual)		(695)	(695)	



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Fiduciary Funds

Financial Statements

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

Pension and Other Employee Benefit Trust Funds
Agency Funds



STATE OF ALASKA
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008
(Stated in Thousands)

STATEMENT 1.31

	Pension and Other Employee Benefit Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 102,658	\$ 143,046
Investments:		193,080
Short-Term Investments	106,393	
Commercial Paper	49,936	
U.S. Treasury	661,417	
U.S. Government Agency	201,302	
Municipal Bonds	4,879	
Foreign Government Bonds	177,882	
Mortgage-Backed	1,671,610	
Other Asset-Backed	182,931	
Corporate Bonds	1,146,305	
Yankees	156,929	
Domestic Equity Pool	5,536,707	
International Equity Pool	2,266,844	
Emerging Markets Equity Pool	427,060	
Private Equity Pool	1,286,129	
Absolute Return Pool	634,747	
Other Investment Pool	690,863	
Real Estate Pool	1,897,253	
Common Trust Funds	576,788	
Participant-Directed	942,126	
Other Net Investments	(64,580)	
Investment Loss Trust Fund Assets	1,849	
Accounts Receivable - Net	200	4
Contributions Receivable	40,934	
Interest and Dividends Receivable	27	
Due from Other Funds	115,577	2,157
Other Assets	25	
Total Assets	<u>18,814,791</u>	<u>338,287</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	33,916	3,556
Trust Deposits Payable		329,745
Due to Other Funds	92,420	4,986
Total Liabilities	<u>126,336</u>	<u>338,287</u>
NET ASSETS		
Held in Trust for:		
Pension Benefits	10,672,350	
Postemployment Healthcare Benefits	5,254,826	
Individuals, Organizations, and Other Governments	2,761,279	
Total Net Assets	<u>\$ 18,688,455</u>	<u>\$ 0</u>

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

STATE OF ALASKA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2008
(Stated in Thousands)

STATEMENT 1.32

	<u>Pension and Other Employee Benefit Trust Funds</u>
ADDITIONS	
Premiums and Contributions:	
Employer	\$ 530,613
Member	342,405
Other	530,845
Total Premiums and Contributions	<u>1,403,863</u>
Investment Income:	
Net Appreciation (Depreciation) in Fair	
Value of Investments	(1,010,468)
Interest	219,092
Dividends	417,815
Total Investment Income	(373,561)
Less Investment Expense	34,020
Securities Lending Income	58,305
Less Securities Lending Expense	51,991
Net Investment Income	<u>(401,267)</u>
Other Additions	7,618
Total Additions	<u>1,010,214</u>
DEDUCTIONS	
Benefits Paid	1,158,977
Insurance Premiums	111,768
Refunds of Premiums and Contributions	19,265
Administrative Expenses	30,529
Total Deductions	<u>1,320,539</u>
Net Increase (Decrease) in Net Assets Held in	
Trust for:	
Pension Benefits	(692,339)
Postemployment Healthcare Benefits	335,673
Individuals, Organizations, and Other Governments	46,341
Net Assets - Beginning of the Year	18,998,780
Net Assets - End of the Year	<u>\$ 18,688,455</u>

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



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Component Units Financial Statements

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





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STATE OF ALASKA
Statement of Net Assets
Component Units
June 30, 2008
(Stated in Thousands)

STATEMENT 1.41

	University of Alaska	Alaska Housing Finance Corporation	Alaska Industrial Development and Export Authority	Nonmajor Component Units	Total
ASSETS					
Cash and Investments	\$ 42,677	\$ 267,970	\$ 313,614	\$ 1,065,868	\$ 1,690,129
Accounts Receivable - Net	13,682			27,773	41,455
Interest and Dividends Receivable	300	16,734	5,559	21,901	44,494
Due from Primary Government	15,772	326	165	8,835	25,098
Due from Component Units	320	35	1,844	111	2,310
Due from Other Governments	31,646		168	13,896	45,710
Loans, Notes, and Bonds Receivable	19,501	3,450,063	382,867	656,621	4,509,052
Inventories	8,187			17,328	25,515
Repossessed Property			300		300
Net Investment in Direct Financing Leases		65,203	268,275		333,478
Investments in Projects, Partnerships, or Corporations			77,399		77,399
Securities Lending Collateral				25,888	25,888
Restricted Assets	326,126	982,468	108,128	753,782	2,170,504
Other Assets	131,862	46,785	5,265	2,466	186,378
Capital Assets:					
Equipment, Net of Depreciation	100,878	456		123,918	225,252
Buildings, Net of Depreciation	538,587	102,089	1,675	36,101	678,452
Infrastructure, Net of Depreciation	31,695			606,021	637,716
Land	28,083	13,753	600	30,174	72,610
Construction in Progress	92,918	237		205,801	298,956
Total Assets	1,382,234	4,946,119	1,165,859	3,596,484	11,090,696
LIABILITIES					
Accounts Payable and Accrued Liabilities	40,104	8,196	2,588	53,273	104,161
Obligations Under Securities Lending				25,888	25,888
Due to Primary Government		3,149	561	23,825	27,535
Due to Component Units				1,844	1,844
Interest Payable		15,303	2,525	11,895	29,723
Other Current Liabilities	37,865	112,159	4	3,760	153,788
Long-term Liabilities:					
Portion Due or Payable Within One Year:					
Claims, Judgments, and					
Compensated Absences		1,832		1,207	3,039
Unearned and Deferred Revenue	1,281			23,660	24,941
Notes, Bonds, and Leases Payable	9,659	58,996	9,255	69,540	147,450
Other Long-term Debt				6,600	6,600
Portion Due or Payable After One Year:					
Claims, Judgements, and					
Compensated Absences		2,097		44	2,141
Unearned and Deferred Revenue	11,549		4,220	421,608	437,377
Notes, Bonds, and Leases Payable	127,019	3,077,870	192,165	1,342,967	4,740,021
Other Long-term Debt				4,406	4,406
Other Noncurrent Liabilities	40,050	346	8,599	4,663	53,658
Total Liabilities	267,527	3,279,948	219,917	1,995,180	5,762,572
NET ASSETS					
Invested in Capital Assets,					
Net of Related Debt	671,700	116,535	79,674	392,831	1,260,740
Restricted for:					
Permanent Funds					
Nonexpendable				339,495	339,495
Expendable				141,397	141,397
Education	330,822			37,552	368,374
Debt Service	4,311	628,239		50,214	682,764
Other Purposes		19,112	2,879	56,016	78,007
Unrestricted	107,874	902,285	863,389	583,799	2,457,347
Total Net Assets	\$ 1,114,707	\$ 1,666,171	\$ 945,942	\$ 1,601,304	\$ 5,328,124

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

STATE OF ALASKA
Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2008
(Stated in Thousands)

STATEMENT 1.42

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services, Royalties and Other Fees	Operating Grants and Contributions	Capital Grants and Contributions
Component Units:				
University of Alaska	\$ 725,896	\$ 149,175	\$ 219,095	\$ 3,463
Alaska Housing Finance Corporation	360,148	210,546	48,948	24,655
Alaska Industrial Development and Export Authority	38,056	48,769	305	11,200
Nonmajor Component Units	370,254	241,621	86,867	(24,829)
Total Component Units	\$ 1,494,354	\$ 650,111	\$ 355,215	\$ 14,489

General Revenues:
Interest and Investment Income
Payments In from Component Units
Payments In from Primary Government
Other Revenues
Total General Revenues
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.

STATEMENT 1.42

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
\$ (354,163)	\$	\$	\$	\$ (354,163)
	(75,999)			(75,999)
		22,218		22,218
			(66,595)	(66,595)
<u>(354,163)</u>	<u>(75,999)</u>	<u>22,218</u>	<u>(66,595)</u>	<u>(474,539)</u>
2,640	56,922	20,992	14,324	94,878
36,170		3,518		39,688
374,049		550	10,806	385,405
2,600	776			3,376
<u>415,459</u>	<u>57,698</u>	<u>25,060</u>	<u>25,130</u>	<u>523,347</u>
61,296	(18,301)	47,278	(41,465)	48,808
1,053,411	1,684,472	898,664	1,642,769	5,279,316
<u>\$ 1,114,707</u>	<u>\$ 1,666,171</u>	<u>\$ 945,942</u>	<u>\$ 1,601,304</u>	<u>\$ 5,328,124</u>



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Notes to the Basic Financial Statements





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**STATE OF ALASKA
INDEX
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008**

	<i>Page</i>
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	47
A. THE FINANCIAL REPORTING ENTITY	47
B. BASIC FINANCIAL STATEMENTS	51
C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING.....	51
D. FINANCIAL STATEMENT PRESENTATION	52
E. FISCAL YEAR ENDS	53
F. ASSETS, LIABILITIES, AND NET ASSETS / FUND BALANCE.....	53
NOTE 2 – BUDGETING, BUDGETARY CONTROL, AND LEGAL COMPLIANCE	56
NOTE 3 – DEPOSIT AND INVESTMENT RISK.....	60
A. DEPOSITS AND INVESTMENTS UNDER THE FIDUCIARY RESPONSIBILITY OF THE COMMISSIONER OF REVENUE	60
B. DEPOSITS AND INVESTMENTS UNDER CONTROL OF THE ALASKA RETIREMENT MANAGEMENT BOARD	66
C. DEPOSITS AND INVESTMENTS MAINTAINED BY COMPONENT UNITS WHOSE ACCOUNTS ARE OUTSIDE OF THE STATE TREASURY	86
NOTE 4 – CAPITAL ASSETS	96
NOTE 5 – BONDS PAYABLE AND OTHER LONG-TERM OBLIGATIONS	100
A. SUMMARY OF CHANGES.....	100
B. GENERAL OBLIGATION BONDS AND REVENUE BONDS	101
C. CAPITAL AND OPERATING LEASES	102
D. CERTIFICATES OF PARTICIPATION	103
E. DISCRETELY PRESENTED COMPONENT UNITS	103
F. ALASKA HOUSING FINANCE CORPORATION DERIVATIVES	103
NOTE 6 – DEFINED BENEFIT PENSION PLANS	106
A. STATE ADMINISTERED PLANS	106
B. NON-STATE ADMINISTERED PLANS	115
NOTE 7 – DEFINED CONTRIBUTION PENSION PLANS	115
A. STATE ADMINISTERED PLANS	115
B. NON-STATE ADMINISTERED PLANS	117
NOTE 8 – DEFERRED COMPENSATION PLAN	118
NOTE 9 – INTERFUND TRANSACTIONS.....	118
NOTE 10 – COMMITMENTS AND CONTINGENCIES.....	119
A. SICK LEAVE.....	119
B. SCHOOL DEBT.....	120
C. RISK MANAGEMENT AND SELF-INSURANCE	120
D. LITIGATION	121
E. FEDERAL GRANTS	121
F. DISASTER RELIEF FUND.....	122
G. FUTURE LOAN COMMITMENTS.....	122
H. INVESTMENT COMMITMENTS.....	122
I. DEFINED BENEFIT RETIREE HEALTH PROGRAM CONTINGENCY	122
NOTE 11 – SUBSEQUENT EVENTS	123
A. ALASKA MUNICIPAL BOND BANK AUTHORITY	123
B. ALASKA CLEAN WATER FUND.....	123
C. ALASKA DRINKING WATER FUND	123
D. ALASKA HOUSING FINANCE CORPORATION	123
E. PUBLIC EMPLOYEE RETIREMENT SYSTEM.....	123
F. INVESTMENT VOLATILITY.....	123
G. AGRICULTURAL REVOLVING LOAN FUND	123
H. RELATED PARTY ACTIVITY	124



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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. THE FINANCIAL REPORTING ENTITY

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

The following component units are included in the accompanying financial statements. Blended component units, although legally separate entities, are, in substance, part of the state's operations and provide services entirely or almost entirely to the State. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the State. Individual component unit financial reports may also be obtained from these organizations as indicated.

BLENDED COMPONENT UNITS

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

The **Alaska Permanent Fund Corporation** (APFC) is a public corporation and government instrumentality in the Department of Revenue (AS 37.13.040). A governor-appointed six-member board manages APFC. The Legislature approves APFC's budget. The purpose of APFC is to manage and invest the assets of the Alaska Permanent Fund (Fund) and other funds designated by law. The Fund is a savings device, restricted as to usage, which belongs to all the people of Alaska. It was created in 1976 when the voters approved an amendment to the State Constitution. The beneficiaries of the Fund are all present and future generations of Alaskans. The Fund represents 72 percent of the total cash and investments and 62 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, Room 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 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 14.25.310 (defined contribution). The Commissioner of the Department of Administration or the commissioner's designee is the administrator of the system. The administrator is responsible for the administration of TRS in accordance with state statutes. The Commissioner of the Department of Administration adopts regulations to govern the operation of the TRS. Hearings and rulings on the appeal of the decision of the administrator are in the jurisdiction of the OAH. The ARMB approves employers' rates. TRS costs, based upon actuarial valuations, are funded by the State, participating governmental employers, and participants. TRS is reported in the fiduciary fund types as a pension (and other employee benefit) trust fund. The ARMB is the fiduciary of TRS. The Governor appoints the majority of the ARMB.

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

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

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

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

Copies of the audited financial statements for the retirement systems, and for SBS and DCP, may be obtained from the Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

DISCRETELY PRESENTED COMPONENT UNITS

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

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

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

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

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

The **Alaska Industrial Development and Export Authority (AIDEA)** is a public corporation of the State and a political subdivision within the Department of Commerce, Community and Economic Development (AS 44.88.020). The Governor appoints all members of the AIDEA board of directors and the Legislature approves AIDEA's budget. The purpose of AIDEA is to promote, develop, and advance the general prosperity and economic welfare of the people of Alaska; to relieve problems of unemployment; to create additional employment by providing various means of financing; and to facilitate the

financing of industrial, manufacturing, export, and business enterprises within the state. AIDEA financial statements may be obtained from the Alaska Industrial Development and Export Authority, 813 W. Northern Lights Blvd., Anchorage, AK 99503.

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

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

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

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

The **Alaska Student Loan Corporation** (ASLC) is a public corporation and government instrumentality within the Department of Education and Early Development but having a legal existence independent of and separate from the State (AS 14.42.100). ASLC is governed by a board of directors appointed by the Governor. The Legislature approves ASLC's budget. The purpose of ASLC is to improve higher educational opportunities for residents of the State. ASLC financial statements may be obtained from the Alaska Commission on Postsecondary Education, 3030 Vintage Blvd., Juneau, AK 99801-7100.

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

The **Alaska Seafood Marketing Institute** (ASMI) is a public corporation of the State (AS 16.51.010). It is an instrumentality of the State with a legal existence independent of and separate from the State. ASMI is governed by a board of directors appointed by the Governor, and its budget is approved by the Legislature. The purpose of ASMI is to promote all species of seafood and their by-products harvested in Alaska for sale, and to develop market-oriented quality specifications. Exercise of the powers conferred by statute to ASMI is an essential governmental function. Although ASMI has been determined to be a component unit required to be discretely presented, it is reported in the General Fund within the

Department of Commerce, Community and Economic Development. The ASMI fiscal year 2008 budget was approximately \$16.4 million.

B. BASIC FINANCIAL STATEMENTS

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

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

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

- **Invested in capital assets, net of related debt** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.
- **Restricted net assets** result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net assets** consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often are designated to indicate that management does not consider them available for general operations (see note 1.F.). Unrestricted net assets often have constraints on resources that are imposed by management, but can be modified or removed.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide statements. The fund financial statements are, in substance, very similar to the previous financial reporting model's financial statements. However, the new model emphasis is on major funds (of which the State has 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.

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.

Agency funds are used to report resources held by the State purely in a custodial capacity (assets equal liabilities).

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 in the Other Investments Pool consist primarily of loans and preferred stock that are valued at fair value. The agricultural investments in the Other Investments Pool consist primarily of farmland investments and are appraised once every three years, in conjunction with the purchase anniversary date, by independent appraisers.

With the exception of real estate investment trust holdings, real estate investments are valued quarterly by investment managers. Separate account real estate investments are appraised annually by independent appraisers. Real estate investment trust holdings are valued each business day using prices obtained from a pricing service.

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

The Statement of Cash Flows for the enterprise funds shows changes in cash and cash equivalents. For the purpose of the Statement of Cash Flows, all highly liquid debt instruments with original maturities of three months or less are considered cash and cash equivalents. In addition, because the state's General Fund and Other Non-segregated Investment (GeFONSI) pool and the Short-term Fixed Income Pool operates as demand deposit accounts, amounts invested in the pools are classified as cash and cash equivalents. At June 30, 2008, the assets of the GeFONSI pool were comprised of shares in the Short-term Fixed Income Pool and shares in the Intermediate-term Fixed Income Pool.

RECEIVABLES

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

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

INTER/INTRAFUND TRANSACTIONS

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

INVENTORIES

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

CAPITAL ASSETS

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

Capital assets are depreciated on the straight-line method over the estimated useful lives of the related assets. All public domain infrastructure acquired by the State, such as highways, bridges, harbors, and rural airports, is capitalized.

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

Additional disclosures related to capital assets are provided in Note 4.

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, 2008, 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 \$132 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 10 for disclosure of the amount of the sick leave contingency.

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

NET ASSETS / FUND BALANCE

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

FUND BALANCE RESERVES / DESIGNATIONS

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

The following shows the composition of the fund balance of the governmental funds for the fiscal year ended June 30, 2008 (in thousands):

	General	Permanent	Special Revenue	Debt Service	Capital Projects
Reserved					
Encumbrances	\$ 663,222	\$ -	\$ 30,077	\$ -	\$ 52,832
Nonliquid Assets	199,440	-	-	-	-
Bonds	-	-	-	42,098	-
Other	36,072	31,262,940	895	-	-
Total Reserved	<u>898,734</u>	<u>31,262,940</u>	<u>30,972</u>	<u>42,098</u>	<u>52,832</u>
Unreserved					
Designated					
Continuing Appropriations	1,819,683	583	355,457	-	104,579
Other	3,985,153	4,968,774	3,963	-	-
Undesignated	<u>7,912,896</u>	<u>15,014</u>	<u>38,475</u>	<u>-</u>	<u>8,936</u>
Total Unreserved	<u>13,717,732</u>	<u>4,984,371</u>	<u>397,895</u>	<u>-</u>	<u>113,515</u>
Total Fund Balance	<u>\$ 14,616,466</u>	<u>\$ 36,247,311</u>	<u>\$ 428,867</u>	<u>\$ 42,098</u>	<u>\$ 166,347</u>

There are 12 subfunds within the General Fund that have fund balance reserved for other purposes. The other purposes include \$19,678 thousand for Certifications of Participation that pay debt service on state construction projects, \$10,145 thousand for purposes outlined in state statute, and \$6,249 thousand for purposes that accompany the receipt of federal funds.

There are two Permanent Funds that have fund balance amounts reserved for other purposes, Alaska Permanent Fund and the Public School Trust Fund. The Alaska Permanent Fund amount that is reserved for other purposes (\$30,912,156 thousand) is the principal balance of the fund. The State's Constitution specifically requires that the principal be invested in perpetuity. The Public School Trust Fund amount that is reserved for other purposes (\$350,784 thousand) is the principal of the fund and capital gains or losses realized on the principal are to be held in perpetuity per AS 37.14.110(c).

There is one Special Revenue Fund that has a fund balance amount reserved for other purposes, the Mine Reclamation Fund. The Mine Reclamation Fund reserved for other purposes (\$895 thousand) includes payments and deposits made by miners to satisfy the miners' reclamation bonding or financial assurance obligation required under AS 27.19.040 and AS 27.21.160.

RESTRICTED NET ASSETS

Permanent Funds

Restricted net assets for permanent funds are required to be identified as expendable or nonexpendable. All of the Alaska Permanent Fund restricted net assets (\$30,912 million), \$351 million of the Public School Trust Fund net assets, and \$340 million of the Alaska Mental Health Trust Authority (a discretely presented component unit) restricted net assets are nonexpendable. The remaining \$16 million (4 percent) of the Public School Trust Fund restricted net assets, and \$141 million (twenty-nine 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 \$32.1 billion of restricted net assets for the primary government, of which \$24.1 million is restricted by enabling legislation.

NOTE 2 – BUDGETING, BUDGETARY CONTROL, AND LEGAL COMPLIANCE

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

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

Appropriations as enacted by the legislature and signed by the governor are entered into the accounting records. The balance of an appropriation is reduced when funds are expended or encumbered. Appropriations are encumbered for anticipated expenditures in the form of purchase orders, contracts, and other obligations. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities. Unencumbered balances of annual appropriations lapse at the end of the fiscal year.

Expenditures of funds are made only upon properly approved requests for payment. The total of expenditures and encumbrances (obligations) may not exceed the appropriations to which they pertain. Transfers between appropriations are not authorized. Agencies faced with potential overexpenditure of appropriations must (1) reduce the rate of expenditures, (2) seek relief through supplemental appropriations, or (3) request necessary approvals to receive and expend additional funds. In order to provide sufficient funding for several programs during FY 08, operating supplemental appropriations of \$170.2 million were enacted, of which \$174.3 million was appropriated from the General Fund, \$27.5 million was appropriated from other funds, and federal funds were reduced by \$31.6 million. In addition, capital supplemental appropriations of \$1.036 billion were enacted, of which \$942.9 million was appropriated from the General Fund.

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 08, the Office of Management and Budget estimated the limit to be approximately \$7.9 billion. The FY 08 budget passed by the legislature and after vetoes was \$5.5 billion (unrestricted General Fund revenues only), or \$2.4 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 budget reserve fund (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). To date, the only appropriations from the fund have been made under the provisions of section 17(c), which states "An appropriation from the budget reserve fund may be made for any public purpose upon affirmative vote of three-fourths of the members of each house of the legislature."

The constitution further provides that all money appropriated from the fund must be repaid to the fund. Section 17(d) states "If an appropriation is made from the budget reserve fund, until the amount appropriated is repaid, the amount of money in the General Fund available for appropriation at the end of each succeeding fiscal year shall be deposited in the budget reserve fund. The legislature shall implement this subsection by law."

The following is a schedule of amounts appropriated from the CBRF, and the amounts transferred back to the CBRF from the General Fund as provided in section 17(d). As can be seen from this schedule, the amount appropriated and not yet repaid is now \$150.1 million. The paragraphs following the schedule provide an explanation of the entries.

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

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

Chapter 3, FSSLA 2005, section 61(a)	85,513,723
Chapter 6, SLA 2005, section 17(a)	24,060
Chapter 3, FSSLA 2005, section 61(c)	167,000
Article IX, section 17(d) Alaska Constitution (FY 06)	(156,696,777)
Subtotal FY 06	<u>(70,991,994)</u>
Chapter 82, SLA 2006, section 63(a)	156,696,777
Chapter 82, SLA 2006, section 63(b)	117,761
Chapter 30, SLA 2007, section 57	(50,000,000)
Article IX, section 17(d) Alaska Constitution (FY 07)	(416,165,110)
Subtotal FY 07	<u>(309,350,572)</u>
Chapter 28, SLA 2007, section 31(a)	416,165,110
Chapter 28, SLA 2007, section 31(c) and Chapter 29, SLA 2008, section 72(b)	466,868
Chapter 29, SLA 2008, section 72(a)	(400,000,000)
Chapter 11, SLA 2008, section 33(a)	(2,600,000,000)
Article IX, section 17(d) Alaska Constitution (FY 08)	(2,048,318,120)
Subtotal FY 08	<u>(4,631,686,142)</u>
Total appropriated from the CBRF	<u>\$ 150,093,111</u>

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

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

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

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

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

The amounts transferred under article IX, section 17(d), were appropriated back to the funds from which transferred under chapter 94, SLA 1995, section 43(a) for FY 95, chapter 5, FSSLA 1996, section 1(a) for FY 96, chapter 98, SLA 1997, section 35(a) for FY 97, chapter 139, SLA 1998, section 42(a) for FY 98, chapter 84, SLA 1999, section 35(a) for FY 99,

chapter 133, SLA 2000, section 11(a) for FY 00, chapter 61, SLA 2001, section 93(a) for FY 01, chapter 1, SSSLA 2002, section 94(a) for FY 02, chapter 159, SLA 2004, section 61(a) for FY03, chapter 159, SLA 2004, section 61(d) for FY 04, chapter 3, FSSLA 2005, section 61(a) for FY 05, chapter 82, SLA 2006, section 63(a) for FY 06, chapter 28 SLA 2007, section 31 (a) for FY07, and Chapter 27, SLA 2008, section 28(a) for FY 08.

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

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

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

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

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

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

NOTE 3 – DEPOSIT AND INVESTMENT RISK

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

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

By law, all deposits and investments are under the fiduciary responsibility of the Commissioner of the Department of Revenue (Commissioner) except where the legislature has delegated that responsibility to other entities or boards responsible for separate subdivisions or component units of the State. Those agencies and component units that manage their own cash and investments are: Alaska Permanent Fund Corporation, Alaska Energy Authority, Alaska Housing Finance Corporation, Alaska Industrial Development and Export Authority, Alaska Municipal Bond Bank Authority, Alaska Railroad Corporation, Alaska Mental Health Trust Authority, Alaska Student Loan Corporation, Alaska Retirement Management Board, Exxon Valdez Oil Spill Trustee Council, and the University of Alaska.

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

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

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

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

Deposits and investments at June 30, 2008, are as follows:

Investment Type	Fair Value (in thousands)					Total
	Short-term Fixed Income Pool	Intermediate- term Fixed Income Pool	Broad Market Fixed Income Pool	Tobacco Revenue Fixed Income	Other	
Deposits	\$ -	\$ -	\$ -	\$ -	\$ 23,410	\$ 23,410
Overnight Sweep Account (LMCS)	8,899	-	-	-	-	8,899
Short-term Investment Fund	-	-	-	-	6,038	6,038
Money Market	-	-	-	135,164	-	135,164
Commercial Paper	284,755	-	-	-	-	284,755
U.S. Treasury Notes	-	2,903,424	179,883	-	-	3,083,307
U.S. Treasury Bonds	-	-	72,859	-	-	72,859
U.S. Government Agency	1,900,545	702,264	37,559	-	-	2,640,368
Mortgage-backed	152,694	723,371	1,341,176	-	-	2,217,241
Municipal Bonds	-	-	263	-	-	263
Mutual Fund	-	-	-	-	24,330	24,330
Other Asset-backed	885,350	191,145	122,160	-	-	1,198,655
Corporate Bonds	838,019	430,377	509,004	-	-	1,777,400
Yankees:						
Government	-	52,033	5,646	-	-	57,679
Corporate	251,261	150,275	63,029	-	-	464,565
Domestic Equity	-	-	-	-	2,444,708	2,444,708
International Equity	-	-	-	-	1,023,262	1,023,262
Total Invested Assets	4,321,523	5,152,889	2,331,579	135,164	3,521,748	15,462,903
Pool related net assets (liabilities)	5,967	31,315	(151,132)	-	3,117	(110,733)
Net Invested Assets before earnings distribution to participants	4,327,490	5,184,204	2,180,447	135,164	3,524,865	15,352,170
Earnings payable to participants	(8,316)	-	-	-	-	(8,316)
Other pool ownership	(591,887)	395,282	196,605	-	-	-
Ownership under other fiduciary responsibility						
Alaska Retirement Management Board	(237,868)	-	-	-	-	(237,868)
Exxon Valdez Oil Spill Trustee Council	(768)	-	(70,723)	-	(121,588)	(193,079)
University of Alaska	-	-	-	-	(73,705)	(73,705)
Alaska Mental Health Trust Authority	(3,628)	-	(11,860)	-	(20,760)	(36,248)
Total Invested Assets	\$ 3,485,023	\$ 5,579,486	\$ 2,294,469	\$ 135,164	\$ 3,308,812	\$ 14,802,954

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 in maturity or fourteen months expected average life. Floating rate securities are limited to three years in maturity or three years expected average life. Treasury utilizes the actual maturity date for commercial paper and twelve-month prepay speeds for other securities. At June 30, 2008, the expected average life of fixed income securities ranged from eight days to less than three months.

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

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

Intermediate-term and Broad Market Fixed Income Pools

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

Intermediate-term Fixed Income Pool - ± 20% of the Merrill Lynch 1-5 year Government Bond Index. The effective duration for the Merrill Lynch 1-5 year Government Bond Index at June 30, 2008, was 2.29 years.

Broad Market Fixed Income Pool - ± 20% of the Lehman Brothers Aggregate Bond Index. The effective duration for the Lehman Brothers Aggregate Bond Index at June 30, 2008, was 4.68 years.

At June 30, 2008, the effective duration by investment type was as follows:

	Effective Duration (in years)	
	Intermediate-term Fixed Income Pool	Broad Market Fixed Income Pool
U.S. Treasury Notes	2.71	7.24
U.S. Treasury Bonds	-	13.48
U.S. Government Agency	2.46	4.85
Municipal Bonds	-	10.96
Mortgage-backed	2.18	4.37
Other Asset-backed	0.65	2.58
Corporate Bonds	2.41	4.91
Yankees		
Government	3.56	11.93
Corporate	-	5.48
Portfolio Effective Duration	2.32	4.57

Other Fixed Income

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

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

With the exception of the sweep account, Short-term Fixed Income Pool investments are limited to instruments with a long-term credit rating of at least A3 or equivalent and instruments with a short-term credit rating of at least P-1 or equivalent. Asset-backed and non-agency mortgage securities that are not rated by either Standard & Poor's or Moody's may be purchased if they have an AAA rating by two of the following: Standard & Poor's, Moody's or Fitch. Unexpected daily cash surpluses that arise in this pool are invested overnight in the custodian's repurchase agreement sweep account. Treasury does not have a policy to limit credit risk associated with the sweep account.

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 that are not rated by either Standard & Poor's or Moody's may be purchased if they have an AAA rating by two of the following: Standard & Poor's, Moody's, or Fitch.

SSgA Russell 3000 and SSgA MSCI EAFE Index Common Trust Funds (Trusts), passively managed commingled index funds, may lend assets or transfer securities to broker agents or other entities for collateral in the form of cash or securities and simultaneously agree to return the collateral for the same securities in the future. The credit risk associated with the lending transactions is that an issuer or other counterparty to an investment does not fulfill its obligations and a loss results from counterparty failure or default on a loaned security.

The bond indentures governing the investment of tobacco revenue related bond proceeds limits the investment in commercial paper to only those securities rated A1 or equivalent. At June 30, 2008, the Tobacco Revenue Fixed Income Securities consisted of commercial paper rated A-1.

At June 30, 2008, the State's internally managed Pools consisted of investments with credit quality ratings issued by nationally recognized statistical rating organizations as follows (using Standard & Poor's Corporation rating scale):

<u>Investment Type</u>	<u>Rating</u>	<u>Short-term Fixed Income Pool</u>	<u>Intermediate- term Fixed Income Pool</u>	<u>Broad Market Fixed Income Pool</u>
Commercial Paper	Not Rated	6.80%	-	-
U. S. Treasury Notes	AAA	-	52.06%	7.57%
U. S. Treasury Bonds		-	-	3.07%
U.S. Government Agency	AAA	44.00%	12.55%	1.33%
U.S. Government Agency	Not Rated	-	0.03%	0.25%
Municipal Bonds	AA	-	-	0.01%
Mortgage-backed	AAA	2.99%	9.41%	45.66%
Mortgage-backed	AA	0.20%	-	-
Mortgage-backed	A	0.12%	-	-
Mortgage-backed	BBB	-	0.02%	-
Mortgage-backed	Not Rated	0.24%	3.53%	10.76%
Other Asset-backed	AAA	16.17%	2.03%	2.88%
Other Asset-backed	AA	0.63%	0.08%	0.32%
Other Asset-backed	A	2.53%	1.12%	1.12%
Other Asset-backed	BBB	0.24%	0.09%	0.34%
Other Asset-backed	BB	0.92%	0.11%	0.48%
Corporate Bonds	AAA	2.01%	1.09%	1.88%
Corporate Bonds	AA	12.20%	2.58%	4.97%
Corporate Bonds	A	4.10%	1.86%	8.83%
Corporate Bonds	BBB	-	1.39%	4.70%
Corporate Bonds	Not Rated	1.09%	0.79%	1.03%
Yankees:				
Government	AA	-	0.93%	-
Government	BBB	-	-	0.15%
Government	Not Rated	-	-	0.09%
Corporate	AAA	-	0.94%	-
Corporate	AA	3.81%	1.06%	0.61%
Corporate	A	1.26%	0.09%	1.04%
Corporate	BBB	-	0.39%	0.78%
Corporate	Not Rated	0.74%	0.20%	0.22%
No Credit Exposure		-0.05%	7.65%	1.91%
		<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that deposits may not be returned in the event of a bank failure. 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, 2008, the funds had the following uncollateralized and uninsured deposits:

	<u>Amount (in thousands)</u>
Non-interest Bearing Deposits	\$ 5,197
International Equity Pool	347
	<u>\$ 5,544</u>

Concentration of Credit Risk

At June 30, 2008, the funds invested in the Intermediate-term Fixed Income Pool and the Broad Market Fixed Income Pool had more than five percent of their funds' investments in Federal Home Loan Mortgage Corporation and Federal National Mortgage Association as follows:

	<u>Fair Value</u> <u>(in thousands)</u>	<u>Percent of Total</u> <u>Pool Investments</u>
Intermediate-term Fixed Income Pool		
Federal Home Loan Mortgage Corporation	\$ 432,120	8%
Broad Market Fixed Income Pool		
Federal Home Loan Mortgage Corporation	161,006	7%
Federal National Mortgage Association	726,686	31%

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 of any one company or affiliated group. Federal National Mortgage Association and Federal Home Loan Mortgage Corporation securities are not classified as corporate bonds.

Foreign Currency Risk

The Commissioner of Revenue formally adopts asset allocation policies for each fund at the beginning of each fiscal year which place policy limitations on the amount of international securities each fund is allowed to hold. The following policies were in place during FY 08 and invested assets included the following holdings at June 30, 2008 for the funds invested in the International Equity Pool:

	<u>Policy</u>	<u>Actual</u>
Alaska Children's Trust Fund	24% ± 5%	24.61%
Constitutional Budget Reserve Fund, Subaccount	19% ± 5%	20.08%
Exxon Valdez Settlement Investments	17% ± 5%	17.97%
Mental Health Trust Reserve	15% ± 4%	13.61%
Power Cost Equalization Endowment Fund	17% ± 5%	19.01%
Retiree Health Insurance Fund, Long Term Care	21% ± 4%	18.94%

At June 30, 2008, the International Equity Pool had exposure to foreign currency risk as follows:

<u>Currency</u>	<u>Amount</u> <u>(in thousands)</u>
Deposits:	
Euro Currency	\$ 97
Japanese Yen	250
	<u>347</u>
Investments - International Equity:	
Canadian Dollar	4,471
Euro Currency	66,180
Japanese Yen	28,674
Norwegian Krone	1,934
Pound Sterling	42,722
Singapore Dollar	5,882
Swedish Krona	1,681
Swiss Franc	24,095
	<u>175,639</u>
Total	<u>\$ 175,986</u>

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

The International Equity Pool investment income included the following at June 30, 2008:

Net Realized Gain on Foreign currency	\$ 10,153,199
Net Unrealized Gain on Foreign currency	23,855
Net Realized Gain (Loss) on Foreign Exchange Contracts	3,382

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, 2008 the International Equity Pool had no outstanding contracts. The International Equity Pool had no unrealized gains (losses) with respect to forward contracts at June 30, 2008.

Securities Lending

Alaska Statute 37.10.071 authorizes the Commissioner to lend assets, under an agreement and for a fee, against deposited collateral. In February 2008, the Commissioner suspended the securities lending agreement with State Street Corporation (the Bank) which lent equity and domestic fixed income securities. Prior to suspension, the Bank, acting as the Commissioner’s agent under the agreement, transferred securities to broker agents or other entities for collateral in the form of cash or securities and simultaneously agreed to return the collateral for the same securities in the future.

While the securities lending agreement was active there was no limit to the amount that could be loaned and the Commissioner was able to sell securities on loan. International equity security loans were collateralized at not less than 105 percent of their fair value. All other security loans were collateralized at not less than 102 percent of their fair value. Loaned securities and collateral were marked to market daily and collateral is received or delivered the following day to maintain collateral levels.

Cash collateral was invested in a registered 2(a)-7 money market fund. Maturities of investments in the money market fund generally did not match the maturities of the loaned securities because the lending agreements were terminable at will. Collateral securities could have been pledged or sold upon borrower default. Since the Commissioner did not have the ability to pledge or sell the collateral securities unless the borrower defaulted, they were not recorded on the combined schedules in prior years. Securities under loan, cash collateral and cash collateral payable were recorded on the combined schedules at fair value. The Bank and participating funds received a fee from earnings on invested collateral. The Bank and participating funds shared a fee paid by the borrower for loans not collateralized with cash.

There was limited credit risk associated with the lending transactions since the Commissioner was indemnified by the Bank against any loss resulting from counterparty failure or default on a loaned security or its related income distributions. The Bank further indemnified the Commissioner against loss due to borrower rebates in excess of earnings on cash collateral. Indemnifications were subject to limitation relating to war, civil unrest or revolution, or beyond the reasonable control of the Bank.

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

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

The Department of Revenue, Treasury Division (Treasury) provides staff for the ARMB. Treasury has created a pooled environment by which it manages investments of the Defined Benefit Pension Plan the ARMB has fiduciary responsibility for. Additionally, Treasury manages a mix of Common Trust Funds, Pooled Investment Funds, Collective Investment Funds, ERISA Commingled Funds, and Mutual Funds for the Defined Benefit Health Care Plan, and the following Defined Contribution Retirement Plans: Participant Directed Pension Plan, Occupational Death and Disability Plan, Retiree Medical Plan, and Health Reimbursement Arrangement Plan.

Actual investing is performed by investment officers in Treasury or by contracted external investment managers. ARMB has developed investment guidelines, policies and procedures for Treasury staff and external investment managers to adhere to when managing investments. Specifically, the International Fixed Income Pool, High Yield Pool, Domestic Equity Pool, International Equity Pool, Emerging Markets Equity Pool, Private Equity Pool, Absolute Return Pool, Other Investments Pool, Real Estate Pool investments (with the exception of real estate investment trust holdings), Common Trust Funds, Pooled Investment Funds, Collective Investment Funds, ERISA Commingled Funds, and Mutual Funds are managed by external management companies. Treasury manages the Retirement Fixed Income Pool, Enhanced Cash Pool, Treasury Inflation Protected Securities Pool, real estate investment trust holdings 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 ARMB. These financial schedules are available through the Department of Revenue, Treasury Division, P.O. Box 110405, Juneau, Alaska 99811-0405 or at <http://www.revenue.state.ak.us/treasury>.

Deposits and investments at June 30, 2008 are as follows:

	Fair Value (in thousands)				
	Fixed Income Pools				
	Short-term	Retirement	Enhanced Cash	International	High Yield
Deposits	\$ -	\$ -	\$ -	\$ 1,175	\$ -
Overnight Sweep Account (Imcs)	-	-	-	-	14,966
Short-term Investment Fund	-	-	-	2,008	-
Commercial Paper	16,117	-	-	-	-
Domestic Equity	-	-	-	-	77
International Equity	-	-	-	-	-
Bridge Loans	-	-	-	-	5,642
U. S. Treasury Notes	-	235,052	-	-	-
U. S. Treasury Bonds	-	94,985	-	-	-
U.S. Treasury - TIPS	-	-	-	-	-
U.S. Government Agency Discount Notes	-	-	-	-	-
U.S. Government Agency Municipal Bonds	104,312	42,570	-	-	-
Foreign Government Bonds	-	867	-	-	-
Mortgage-backed	8,381	1,259,767	14,835	-	-
Other Asset-backed	48,592	126,798	18,311	-	734
Corporate Bonds	45,995	473,133	7,359	135,880	231,962
Convertible Bonds	-	-	-	-	955
Yankees:					
Government	-	11,066	-	-	-
Corporate	13,790	61,081	4,155	-	23,306
Domestic Equity Pool:					
Limited Partnership	-	-	-	-	-
Convertible Bonds	-	-	-	-	-
Treasury Bills	-	-	-	-	-
Equity	-	-	-	-	-
International Equity Pool:					
Convertible Bonds	-	-	-	-	-
Equity	-	-	-	-	-
Emerging Markets Equity Pool	-	-	-	-	-
Private Equity Pool:					
Limited Partnerships	-	-	-	-	-
Absolute Return Pool:					
Limited Partnerships	-	-	-	-	-
Other Investments Pool:					
Limited Partnerships	-	-	-	-	-
Agricultural Holdings	-	-	-	-	-
Real Estate Pool:					
Real Estate	-	-	-	-	-
Commingled Funds	-	-	-	-	-
Limited Partnerships	-	-	-	-	-
Real Estate Investment Trusts	-	-	-	-	-
Mortgages	-	-	-	-	-
Mutual Fund	-	-	-	-	102,387
Net Other Assets (Liabilities)	(13)	(73,989)	(3,720)	3,321	340
Other Pool Ownership	(187,260)	144,134	(40,940)	-	-
Total Invested Assets	\$ 49,914	\$ 2,375,464	\$ -	\$ 320,266	\$ 380,369

Deposits and investments at June 30, 2008 are as follows (continued):

Fair Value (in thousands)			
Fixed Income Pools			
TIPS	Pooled Investment Funds	Other	Total
\$ -	\$ 2	\$ 7,523	\$ 8,700
-	-	-	14,966
-	25	43,969	46,002
-	239	-	16,356
-	521	-	598
-	32	-	32
-	-	-	5,642
64,920	-	-	299,972
23,607	37	-	118,629
-	73	-	73
-	2	-	2
-	60	-	146,942
-	26	-	893
-	-	-	177,882
-	128	-	1,283,111
-	-	-	194,435
-	124	-	894,453
-	5	-	960
-	9	-	11,075
-	17	-	102,349
-	-	226,563	226,563
-	-	715	715
-	-	1,664	1,664
-	-	4,709,597	4,709,597
-	-	1,148	1,148
-	-	2,205,726	2,205,726
-	-	427,059	427,059
-	-	1,286,129	1,286,129
-	-	634,747	634,747
-	-	77,155	77,155
-	-	421,914	421,914
-	-	921,662	921,662
-	-	349,069	349,069
-	-	549,825	549,825
-	-	76,698	76,698
-	-	17	17
-	-	474,401	576,788
764	(6)	(6,387)	(79,690)
108	-	83,958	-
<u>\$ 89,399</u>	<u>\$ 1,294</u>	<u>\$ 12,493,152</u>	<u>\$ 15,709,858</u>

Deposits and investments at June 30, 2008 are as follows (continued):

Fair Value (in thousands)	Total
<u>Participant Ownership in Pooled Investments</u>	
Public Employees Trust Fund	\$ 10,813,436
Teachers Trust Fund	4,735,973
Judicial Trust Fund	133,187
Alaska National Guard and Alaska Naval Militia Retirement Trust Fund	27,262
Total	<u>\$ 15,709,858</u>

Interest Rate Risk

Short-term Fixed Income Pool

As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury’s investment policy limits individual fixed rate securities to fourteen months in maturity or fourteen months expected average life. Floating rate securities are limited to three years in maturity or three years expected average life. Treasury utilizes the actual maturity date for commercial paper and twelve-month prepay speeds for other securities. At June 30, 2008, the expected average life of fixed income securities ranged from eight days to less than 3 months.

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.

Other Defined Benefit Fixed Income Pools

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 $\pm 20\%$ of the Lehman Brothers Aggregate Bond Index. The effective duration for the Lehman Brothers Aggregate Bond Index at June 30, 2008 was 4.68 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 Enhanced Cash Fixed Income portfolio to one year.

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 $\pm 25\%$ of the Salomon Non-U.S. World Government Bond Index. The effective duration for the Salomon Non-U.S. World Government Bond Index at June 30, 2008 was 6.24 years.

Through the ARMB’s investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the High Yield portfolio to $\pm 20\%$ of the Merrill Lynch U.S. High Yield Master II Index. The effective duration for the Merrill Lynch U.S. High Yield Master II Index at June 30, 2008 was 4.49 years.

Through the ARMB’s investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the TIPS portfolio to a band which may not exceed $\pm 20\%$ around the duration of the Lehman Brothers Global Inflation-Linked U.S. TIPS Index, or a reasonable proxy thereof. The duration of the proxy index at June 30, 2008 was 6.19.

At June 30, 2008, the effective duration of the Defined Benefit fixed income pools, by investment type, was as follows:

	Effective Duration (in years)				
	Retirement	Enhanced Cash	International	High Yield	TIPS
U.S. Treasury Notes	7.24	-	-	-	3.52
U.S. Treasury Bonds	13.48	-	-	-	12.66
U.S. Government Agency Municipal Bonds	4.85	-	-	-	-
Mortgage-backed	10.96	-	-	-	-
Mortgage-backed	4.37	0.73	-	-	-
Other Asset-backed	2.58	0.18	-	3.25	-
Corporate Bonds	4.91	(0.02)	-	4.46	-
Convertible Bonds	-	-	-	5.91	-
Yankees					
Government	11.93	-	6.65	-	-
Corporate	5.48	(0.76)	4.09	4.04	-
Portfolio Effective Duration	4.57	0.20	5.49	2.99	5.95

Defined Benefit Common Trust Funds

The ARMB does not have a policy to limit interest rate risk for these investments. The weighted average maturity of the Common Trust investment funds that consist solely of debt securities, Domestic Fixed Income, High Yield, International Fixed Income, and TIPS was 4.69, 4.45, 6.31, and 7.83 years at June 30, 2008, respectively.

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 four 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 ± 0.25 years of the Lehman Brothers Government/Credit Index. At June 30, 2008, the duration of the government and corporate debt securities was 5.32 years and the duration of the Lehman Brothers Government Credit Index was 5.30 years.

For mortgage-backed securities, duration is limited to ± 0.25 years of the Lehman GNMA Index. At June 30, 2008, the duration of the mortgage-backed securities was 4.14 years and the duration of the Lehman GNMA Index was 4.25 years.

The weighted average maturity of the money market portfolio was 45 days at June 30, 2008.

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

Defined Contribution Collective Investment Funds

The ARMB does not have a policy to limit interest rate risk for these investments. The weighted average maturity of the Collective investment fund that consisted solely of debt securities, the Government/Corporate Bond Fund, was 5.18 years at June 30, 2008.

Defined Contribution Occupational Death and Disability, Retiree Medical, and Health Reimbursement ERISA Commingled and Mutual Funds

The ARMB does not have a policy to limit interest rate risk for these investments. The weighted average maturity of the ERISA Commingled investment funds that consist solely of debt securities, Domestic Fixed Income and International Fixed Income, was 4.69 and 6.31 years at June 30, 2008, respectively.

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 that are not rated by both Standard & Poor's and Moody's may be purchased if they have an AAA rating by two of the following: Standard & Poor's, Moody's or Fitch. Unexpected daily cash surpluses that arise in this pool are invested overnight in the custodian's repurchase agreement sweep account. Treasury does not have a policy to limit credit risk associated with the sweep account.

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

Retirement Fixed Income:

Commercial paper must carry a rating of at least P-1 by Moody's and A-1 by Standard & Poor's.

Corporate debt securities must be investment grade.

Corporate, asset-backed and non-agency mortgage securities must be investment grade. Investment grade is defined as the median rating of Standard & Poor's, Moody's and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA. Corporate bonds may be purchased if rated by two of these agencies.

No more than 40 percent of the portfolio's assets may be invested in investment grade corporate debt.

No more than 15 percent of the portfolio's assets may be invested in BBB+ to BBB- rated debt by Standard & Poor's Corporation or the equivalent by Moody's or Fitch.

Enhanced Cash Fixed Income:

Commercial paper must carry a rating of at least P-1 by Moody's and A-1 by Standard & Poor's.

The average portfolio credit quality shall be A3 or higher.

No more than ten percent of the portfolio's assets may be invested in securities rated below investment grade as determined by the Lehman Brothers rating methodology.

No more than two percent of the portfolio's assets may be invested in the bonds of any non-U.S. government agency or instrumentality rated below investment grade.

International Fixed Income:

Corporate and asset-backed obligations must be rated investment grade or better by a recognized credit rating agency.

Commercial paper and euro commercial paper must be rated A-1 by Standard & Poor's or P-1 by Moody's or the equivalent of a comparable rating agency.

High Yield:

No more than 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.

Daily cash surpluses that arise in this pool are invested in the custodian's repurchase agreement sweep account. This account is secured by U.S. Government or Agency securities. As such, the ARMB does not consider this investment subject to the credit risk limitations above.

TIPS:

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

Corporate debt securities must be investment grade.

No more than five percent of the portfolio's assets may be invested in investment grade corporate debt.

No more than five percent of the portfolio's assets may be invested in BBB+ to BBB- rated debt by Standard & Poor's or the equivalents by Moody's or Fitch.

Corporate, asset-backed and non-agency mortgage securities must be rated investment grade. The investment grade rating is defined as the median rating of the following three rating agencies: Standard & Poor's, Moody's, and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA. Corporate bonds may be purchased if rated by two of these agencies.

Domestic Equity, International Equity and Emerging Markets:

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

Commercial paper must bear the highest rating assigned by Moody's, Standard & Poor's, or Fitch rating services.

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

At June 30, 2008 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):

	Rating ¹	Fixed Income Pools						Pooled Investment Funds
		Short-term	Retirement	Enhanced Cash	International	High Yield	TIPS	
Commercial Paper	Not Rated	6.80%	-	-	-	-	-	3.86%
Bridge Loans	Not Rated	-	-	-	-	1.48%	-	-
Short Term Investment Fund	Not Rated	-	-	-	-	-	-	2.45%
U. S. Treasury Notes	AAA	-	9.89%	-	-	-	72.62%	9.29%
U. S. Treasury Bonds	AAA	-	4.00%	-	-	-	26.41%	4.74%
U.S. Government Agency								
Discount Notes	AAA	-	-	-	-	-	-	0.04%
U.S. Government Agency	AAA	44.00%	1.34%	-	-	-	-	7.19%
U.S. Government Agency	Not Rated	-	0.46%	-	-	-	-	-
Municipal Bonds	AA	-	0.04%	-	-	-	-	-
Municipal Bonds	A	-	-	-	-	-	-	0.28%
Municipal Bonds	Not Rated	-	-	-	-	-	-	0.14%
Mortgage-backed	AAA	2.99%	45.33%	19.37%	-	-	-	13.97%
Mortgage-backed	AA	0.20%	-	-	-	-	-	-
Mortgage-backed	A	0.12%	-	-	-	-	-	-
Mortgage-backed	BBB	-	-	2.36%	-	-	-	-
Mortgage-backed	Not Rated	0.24%	7.68%	7.70%	-	-	-	1.43%
Other Asset-backed	AAA	16.17%	3.88%	23.11%	-	-	-	-
Other Asset-backed	AA	0.63%	0.22%	0.43%	-	-	-	-
Other Asset-backed	A	2.53%	0.24%	0.13%	-	-	-	-
Other Asset-backed	BBB	0.24%	0.47%	11.75%	-	-	-	-
Other Asset-backed	BB	0.92%	0.53%	0.92%	-	0.16%	-	-
Other Asset-backed	Not Rated	-	-	-	-	0.03%	-	-
Corporate Bonds	AAA	2.01%	1.23%	1.50%	-	-	-	0.81%
Corporate Bonds	AA	12.20%	4.42%	3.42%	-	-	-	2.19%
Corporate Bonds	A	4.10%	9.07%	6.41%	-	-	-	6.67%
Corporate Bonds	BBB	-	4.69%	2.46%	-	3.38%	-	4.14%
Corporate Bonds	BB	-	-	-	-	20.92%	-	0.05%
Corporate Bonds	B	-	-	-	-	29.01%	-	-
Corporate Bonds	CCC	-	-	-	-	4.42%	-	-
Corporate Bonds	D	-	-	-	-	0.07%	-	-
Corporate Bonds	Not Rated	1.09%	0.51%	0.80%	-	3.19%	-	0.06%
Convertible Bonds	AA	-	-	-	-	-	-	0.07%
Convertible Bonds	BBB	-	-	-	-	0.10%	-	-
Convertible Bonds	B	-	-	-	-	0.15%	-	-
Yankees:								
Government	AAA	-	-	-	19.32%	-	-	0.13%
Government	AA	-	-	-	6.52%	-	-	0.35%
Government	A	-	-	-	21.96%	-	-	0.37%
Government	BBB	-	0.25%	-	-	-	-	0.28%
Government	Not Rated	-	0.22%	-	7.74%	-	-	-
Corporate	AAA	-	-	-	28.78%	-	-	0.61%
Corporate	AA	3.81%	0.62%	2.92%	13.00%	-	-	0.27%
Corporate	A	1.26%	1.16%	0.92%	-	-	-	0.57%
Corporate	BBB	-	0.58%	0.93%	-	0.15%	-	0.72%
Corporate	BB	-	-	-	-	2.50%	-	-
Corporate	B	-	-	-	-	2.50%	-	-
Corporate	CCC	-	-	-	-	0.29%	-	-
Corporate	D	-	-	-	-	0.12%	-	-
Corporate	Not Rated	0.74%	0.22%	3.47%	0.65%	0.57%	-	-
No Credit Exposure		-0.05%	2.95%	11.40%	2.03%	30.96%	0.97%	39.32%
		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

¹Rating modifiers are not disclosed.

Custodial Credit Risk – Deposits

ARMB does not have a policy in relation to custodial credit risk for deposits. At June 30, 2008, invested assets had the following uncollateralized and uninsured deposits (in thousands):

International Fixed Income Pool	\$ 1,175
International Equity Pool	7,536
	<u>\$ 8,711</u>

Foreign Currency Risk

ARMB's policy with regard to foreign currency risk in the International Fixed Income Pool is to restrict obligations to those issued in the currencies of countries represented in the Citibank Non-U.S. World Government Bond Index.

In addition, ARMB's asset allocation policy limits total investments in International Fixed Income, International Equity, Emerging Markets and Private Equity Pools to the following:

Pension Fund	International Fixed Income Pool	International Equity and Emerging Markets Pool	Private Equity Pool
Public Employees' Retirement System	4%	21%	12%
Teachers' Retirement System	4%	21%	12%
Judicial Retirement System	4%	25%	-
Alaska National Guard and Naval Militia Retirement System	-	15%	-

At June 30, 2008, the Pension Funds had exposure to foreign currency risk with the following deposits:

Currency	Defined Benefit		Defined Contribution
	International Fixed Income Pool	International Equity Pool	International Trust Pool
Australian Dollar	\$ 5	\$ (27,554)	\$ 4
Brazilian Real	-	33,433	-
Canadian Dollar	-	48,135	-
Danish Krone	-	515,452	-
Euro	2,411	1,308,400	18
Hong Kong Dollar	-	486,118	4
Japanese Yen	623,205	4,540,597	31
Mexican Peso	549,406	-	3
New Zealand Dollar	-	60,951	-
Norwegian Krone	-	237,604	-
Pound Sterling	-	190,121	-
Singapore Dollar	-	8	-
South Korean Won	-	71	-
Swedish Krona	-	115,376	105
Swiss Franc	-	(2,907)	-
	<u>\$ 1,175,027</u>	<u>\$ 7,505,805</u>	<u>\$ 165</u>

At June 30, 2008, the Pension Funds had exposure to foreign currency risk with the following investments (in thousands):

Currency	Foreign		International	Private Equity	International
	Government	Corporate	Equity Pool	Pool	Trust Pool
			Equity	Limited Partnerships	Equity
Australian Dollar	\$ -	\$ -	\$ 50,020	\$ -	\$ 3
Brazilian Real	-	-	9,740	-	-
Canadian Dollar	-	-	66,014	-	-
Danish Krone	-	-	17,687	-	-
Euro	112,556	4,945	653,410	219,053	12
Hong Kong Dollar	-	-	51,808	-	2
Indonesian Rupiah	-	-	6,428	-	-
Japanese Yen	30,280	130,935	480,752	-	6
Mexican Peso	35,046	-	952	-	-
New Taiwan Dollar	-	-	2,363	-	-
New Zealand Dollar	-	-	3,206	-	-
Norwegian Krone	-	-	16,854	-	1
Polish Zloty	-	-	372	-	-
Pound Sterling	-	-	414,385	14,171	4
Singapore Dollar	-	-	16,513	-	1
South African Rand	-	-	9,428	-	-
South Korean Won	-	-	13,781	-	-
Swedish Krona	-	-	30,411	-	1
Swiss Franc	-	-	182,806	-	2
	<u>\$ 177,882</u>	<u>\$ 135,880</u>	<u>\$ 2,026,930</u>	<u>\$ 233,224</u>	<u>\$ 32</u>

At June 30, 2008, the Pension Funds 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.

Concentration of Credit Risk

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

At June 30, 2008, the Pension Funds Invested Assets did not have exposure to any one issuer greater than five percent of total Invested Assets.

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

The International Fixed Income and International Equity Pool's investment income includes the following at June 30, 2008 (in thousands):

Realized Gain on Foreign Currency	\$ 142,817
Unrealized Gain (Loss) on Foreign Currency	40
Realized Gain (Loss) on Foreign Exchange Contracts	127

The International Equity and International Fixed Income Pools include foreign currency forward contracts to buy and sell specified amounts of foreign currencies at specified rates on specified future dates for the purpose of hedging existing

security positions. The maturity periods for these contracts range from two to 155 days. The Pension Funds had net unrealized gains with respect to such contracts, calculated using forward rates at June 30, 2008 as follows (in thousands):

Net Contract Sales	\$ 61,719
Less: Fair Value	<u>61,678</u>
Net unrealized gains	<u>\$ 41</u>

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.

Securities Lending

Alaska Statute 37.10.071 authorizes ARMB to lend assets, under an agreement and for a fee, against deposited collateral of equivalent fair value. In February of 2008, ARMB voted to suspend its securities lending agreement with State Street Corporation (the Bank) which lent equity and domestic fixed income securities. Prior to suspension, the Bank, acting as ARMB’s agent under the agreement, transferred securities to broker agents or other entities for collateral in the form of cash or securities and simultaneously agreed to return the collateral for the same securities in the future.

While the securities lending agreement was active, there was no limit to the amount that could be loaned and ARMB was able to sell securities on loan. International equity security loans were collateralized at not less than 105 percent of their fair value. All other security loans were collateralized at not less than 102 percent of their fair value. Loaned securities and collateral were marked to market daily and collateral was received or delivered the following day to maintain collateral levels.

Cash collateral was invested in a registered 2(a)-7 money market fund. Maturities of investments in the money market fund generally did not match the maturities of the loaned securities because the lending agreements were terminable at will. Collateral securities could have been pledged or sold upon borrower default. Securities under loan, cash collateral and cash collateral payable were recorded on the financial schedules at fair value in prior years. The Bank and Pension Funds received a fee from earnings on invested collateral. The Bank and Pension Funds shared the fee paid by the borrower for loans not collateralized with cash.

There was limited credit risk associated with the lending transactions since ARMB was indemnified by the Bank against any loss resulting from counterparty failure or default on a loaned security or its related income distributions. The Bank further indemnified ARMB against loss due to borrower rebates in excess of earnings on cash collateral. Indemnifications were subject to limitation relating to war, civil unrest or revolution, or beyond the reasonable control of the Bank.

For the year ended June 30, 2008 there were no losses incurred as a result of securities lending transactions and there were no significant violations of legal or contractual provisions nor failures by any borrowers to return loaned securities.

DEFERRED COMPENSATION

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, 2007, Deferred Compensation Plan investments totaled \$546 million.

Additional investment information is disclosed in the financial statements issued by the Department of Administration, Division of Retirement and Benefits. These financial statements are available through the Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska 99811-0203 or at <http://www.revenue.state.ak.us/treasury>.

Interest Rate Risk

Collective Investment and Money Market Funds

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 ARMB has selected. In addition, the Deferred Compensation Plan maintains a balance in a commingled money market portfolio.

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, 2007, are as follows:

	Fair Value (in thousands)	Weighted Average Maturity
Government/Credit Bond Fund	\$ 29,148	7.87 years
Intermediate Bond Fund	14,110	3.91 years
Bond Fund	130	4.51 years
Money Market Fund	546	30.56 days

Interest Income Fund

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

Through 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 Lehman Brothers Aggregate Bond Index plus one-half year. The aggregate duration of the constant duration synthetic investment contracts was 3.15 years at December 31, 2007. The duration of the Lehman Brothers Aggregate Bond Index was 3.10 years at December 31, 2007.

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. Duration of the Deferred Compensation Plan's structured payout synthetic investment contracts is the weighted average maturity of the contract payments.

ARMB does not have a policy to limit interest rate risk for the Reserve. The balance in the Reserve is invested in the custodian's Short-term Investment Fund which has a weighted average maturity of fifteen days at December 31, 2007.

Credit Risk

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

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

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,
Mortgage-backed securities are allowed if issued by Federal National Mortgage Association, Federal Home Loan
Mortgage Corporation or Government National Mortgage Association,
Sequential class or type 1 or 2 planned amortization class collateralized mortgage obligations are allowed only if
securitized by Agency mortgage-backed securities listed above,
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.

At December 31, 2007, the investments underlying the synthetic investment contracts and the Reserve consisted of securities with credit quality ratings issued by a nationally recognized statistical rating organization as follows (using the Standard & Poor's rating scale):

Investment type	Rating	Fair Value		
		Underlying synthetic investment contracts	Wholly owned pool	Other
Investments with credit exposure:				
Money Market Fund	Not Rated	\$ -	\$ -	\$ 544
Short-term Investment Fund	Not Rated	(4,002)	278	-
Commercial Paper	A-1	-	56	-
Commercial Paper	Not Rated	-	417	-
U.S. Government Agency	AAA	18,568	1,284	-
Municipal Government	Not Rated	-	32	-
Mortgage-backed	AAA	10,163	3,151	-
Mortgage-backed	Not Rated	50,832	-	-
Other Asset-backed	AAA	15,482	-	-
Corporate Bonds	AAA	1,117	149	-
Corporate Bonds	AA	5,364	501	-
Corporate Bonds	A	13,068	1,156	-
Corporate Bonds	BB	178	9	-
Corporate Bonds	BBB	9,014	778	-
Corporate Bonds	Not Rated	-	11	-
Yankees:				
Corporate	AAA	-	113	-
Corporate	AA	400	28	-
Corporate	A	1,358	104	-
Corporate	BBB	1,066	90	-
Corporate	Not rated	-	12	-
Government	AAA	757	31	-
Government	AA	1,524	57	-
Government	A	295	68	-
Government	BBB	86	52	-
Deposits and Investments with no credit exposure:				
Deposits		8,199	2	-
U.S. Treasury Notes		-	2,166	-
U.S. Treasury Bonds		-	1,019	-
Collective Investment Funds		-	-	374,889
Domestic Equity		-	15,721	-
International Equity		-	996	-
Total invested assets		133,469	28,281	375,433
Pool related net assets (liabilities)		-	143	-
Total		\$ 133,469	\$ 28,424	\$ 375,433

Concentration of Credit Risk

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

ARMB's policies with regard to concentration of credit risk for synthetic investment contracts, investments underlying the synthetic investment contracts and the Reserve are as follows:

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

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

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

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

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

At December 31, 2007, the Deferred Compensation Plan had no exposure to a single issuer in excess of five percent of total invested assets.

Foreign Currency Risk

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.

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.

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, 2008, Supplemental Benefits System (SBS) investments totaled \$2.216 billion.

Additional investment information is disclosed in the financial statements issued by the Department of Administration, Division of Retirement and Benefits. These financial statements are available through the Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska 99811-0203 or at <http://www.revenue.state.ak.us/treasury>.

Interest Rate Risk

Collective Investment and Money Market Funds

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 ARMB has selected. In addition, SBS maintains a balance in a commingled money market portfolio.

ARMB does not have a policy to limit interest rate risk for these investments. The weighted average maturity of the collective investment fund that consists solely of debt securities (Government/Corporate Bond Fund) was 2.98 years at January 31, 2008. The weighted average maturity of the money market portfolio was 46 days at January 31, 2008.

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. Floating rate securities are limited to three years in maturity or three years expected average life. Treasury utilizes the actual maturity date for commercial paper and 12 month prepay speeds for other securities. At January 31, 2008, the expected average life of individual fixed rate securities ranged from one day to seven months and the expected average life of floating rate securities ranged from 14 days to three years.

Stable Value 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 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 Lehman Brothers Aggregate Bond Index plus one-half year. The aggregate duration of the constant duration synthetic investment contracts was 2.98 years at January 31, 2008. The duration of the Lehman Brothers Aggregate Bond Index was 3.06 years at January 31, 2008.

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.

ARMB does not have a policy to limit interest rate risk for the Reserve. The balance in the Reserve is invested in the custodian's Short-term Investment Fund which had a weighted average maturity of 18 days at January 31, 2008.

Pooled Investment Funds

ARMB contracts with an external investment manager who is given the authority to invest funds in a wholly-owned pooled environment to accommodate six 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 ± 0.25 years of the Lehman Brothers Government/Credit Index. At January 31, 2008, the duration of the government and corporate debt securities was 5.33 years and the duration of the Lehman Brothers Government Credit Index was 5.29 years.

For mortgage-backed securities, duration is limited to ± 0.25 years of the Lehman GNMA Index. At January 31, 2008, the duration of the mortgage-backed securities was 2.88 years and the duration of the Lehman GNMA Index was 2.88 years.

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

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

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

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

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;
- Mortgage-backed securities are allowed if issued by Federal National Mortgage Association, Federal Home Loan Mortgage Corporation or Government National Mortgage Association;
- Sequential class or type 1 or 2 planned amortization class collateralized mortgage obligations are allowed only if securitized by mortgage-backed securities listed above; 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.

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;
- All mortgage-backed securities must be issued by the Government National Mortgage Association; and
- Commercial paper and other short-term debt obligations must be rated A-1 or equivalent.

At January 31, 2008, SBS investments consisted of securities with credit quality ratings issued by a nationally recognized statistical rating organization as follows (using the Standard & Poor's rating scale):

Investment type	Rating	Fair value (in thousands)				
		Short-term fixed income pool	Underlying synthetic investment contracts	Wholly-owned pool	Investment loss trust	Collective investment funds
Investments with credit exposure:						
Overnight Sweep Account	Not rated	\$ 4	\$ -	\$ -	\$ 5	\$ -
Money market fund	Not rated	-	-	-	-	5,832
Short-term investment fund	Not rated	-	7,204	17,757	-	-
Commercial paper	A1	153	-	1,968	207	-
Commercial paper	AA	-	-	-	-	-
Commercial paper	Not rated	10	-	47,256	14	-
U.S. government agency						
Discount Notes	Not rated	153	-	-	208	-
U.S. government agency	AAA	-	33,521	103,132	-	-
Municipal Government	Not rated	-	-	3,948	-	-
Mortgage-backed	AAA	103	13,334	232,480	140	-
Mortgage-backed	A	2	-	-	3	-
Mortgage-backed	Not rated	4	54,641	-	6	-
Other asset-backed	AAA	385	18,435	-	522	-
Other asset-backed	AA	16	-	-	22	-
Other asset-backed	A	70	-	-	95	-
Other asset-backed	Not rated	4	-	-	5	-
Corporate bonds	AAA	35	2,555	17,444	48	-
Corporate bonds	AA	220	7,205	38,900	298	-
Corporate bonds	A	109	16,023	97,018	147	-
Corporate bonds	BB	-	202	281	-	-
Corporate bonds	BBB	-	10,431	63,907	-	-
Corporate bonds	Not rated	-	-	-	-	-
Yankees:						
Corporate	AAA	-	155	7,966	-	-
Corporate	AA	59	469	4,828	80	-
Corporate	A	22	2,005	6,389	30	-
Corporate	BBB	-	1,499	7,610	-	-
Corporate	Not rated	4	-	-	5	-
Government	AAA	-	208	2,403	-	-
Government	AA	-	1,116	5,049	-	-
Government	A	-	188	5,279	-	-
Government	BBB	-	70	4,062	-	-
Deposits and investments with no credit exposure:						
Deposits		-	-	912	-	-
U.S. treasury bills		-	-	-	-	-
U.S. treasury notes		-	-	151,711	-	-
U.S. treasury bonds		9	-	76,655	12	-
Mortgage-backed		-	-	-	-	-
Collective investment funds		-	-	-	-	567,237
Domestic equity		-	-	514,746	-	-
International equity		-	-	27,974	-	-
Total invested assets		1,362	169,261	1,439,675	1,847	573,069
Pool related net liabilities		(128)	-	11,260	2	-
Total		\$ 1,234	\$ 169,261	\$ 1,450,935	\$ 1,849	\$ 573,069

Custodial Credit Risk

ARMB does not have a policy for custodial credit risk. At January 31, 2008, SBS's deposits were uncollateralized and uninsured.

Concentration of Credit Risk

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.

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

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

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

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

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

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

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 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,

Mortgage-backed securities must be those issued by the Government National Mortgage Association, 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, 2008, SBS had no exposure to a single issuer in excess of five percent of total invested assets.

Foreign Currency Risk

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.

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.

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

At January 31, 2008, SBS had exposure to foreign currency risk in the pooled investment funds as follows (stated in thousands):

Currency	Deposits	Equity (Fair Value)
Australian Dollar	\$ 4	\$ 2,136
Danish Krone		363
Euro	31	9,940
Hong Kong Dollar	-	967
Indian Rupee	10	-
Japanese Yen	-	5,163
Mexican Peso	-	164
New Taiwan Dollar	18	104
New Zealand Dollar	-	52
Norwegian Krone	-	746
Pound Sterling	2	3,407
Singapore Dollar	-	651
Swedish Krona	-	910
Swiss Franc	4	1,650
	69	26,253
U.S. Dollar	234	-
	\$ 303	\$ 26,253

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

Investments and Related Policies

Carrying value of investments

Except for directly owned real estate investments, the Alaska Permanent Fund's (the "Fund") investments are reported at fair value in the financial statements. Unrealized gains and losses are reported as components of net income. For marketable debt and equity securities including real estate investment trusts, fair values are obtained from independent sources using published market prices, quotations from national security exchanges, and security pricing services. Fair values of alternative investments are determined by managers of such investments, who are under contract with the APFC to provide such services.

Directly owned real estate investments are carried at the equity value, which is historical cost plus the Fund's share of undistributed earnings. If, upon analysis by management under applicable accounting rules, a permanent impairment of value has occurred, the investment is written down to fair value by recording a permanent impairment loss on invested assets.

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

Investment policy

The Trustees have established a long-term goal of achieving a five percent real rate of return on the investment portfolio. To achieve this target, the Trustees allocate the Fund's investments among various asset classes. In order to allow for market fluctuations and to minimize transaction costs, the Trustees also have adopted acceptable ranges around the targets. At June 30, 2008, the APFC's asset allocation policy (with acceptable ranges) is summarized as follows:

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

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

Interest Rate Risk

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

The APFC's investment policy specifies an effective duration range for each long-term fixed income mandate (based on the respective portfolio's benchmark index duration) as follows: core domestic and core plus fixed income portfolios 80%-120%; non-domestic fixed income 50%-150%; and high yield fixed income 50%-200%. The APFC uses industry-standard analytical software to calculate effective duration. The software takes into account various possible interest rates, historical and estimated prepayment rates, call and put options, and other variable cash flows for the effective duration calculation.

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

At June 30, 2008, the Fund held fixed income investments with floating, step, and variable interest rates, valued at \$1,064,810 thousand. These fixed income investments were both domestic and non-domestic, and had current annual interest rates ranging from 1.32% to 12%.

Credit Risk

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

The APFC does not have an allocation to cash. Managers are encouraged to limit the amount of cash they hold, and most cash reflects pending transactions yet to settle. The APFC manages the aggregate cash position of all domestic equity managers and the internal fixed income portfolios in a Unitized Cash Fund (UCF). The UCF is primarily intended to serve as an efficient mechanism for investing daily transactional cash. UCF securities must be rated by either Moody's or Standard & Poor's equivalents of P1 or A1 for short-term investments. A second internal cash management account is maintained to invest cash balances needed for pending settlements of to-be-announced (TBA) mortgage securities in the internally-managed long term fixed income portfolio. The TBA Cash Management Account invests primarily in short-term asset-backed structured products. Such securities must have an AAA rating for asset backed bonds and either P1 or A1 for asset-backed commercial paper.

Custodial Credit Risk

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

Concentration of Credit Risk

The Fund manages its concentration of credit risk by following its asset allocation resolution, and by diversifying investments among managers with varying investment styles and mandates. The APFC's policy for mitigating this risk of loss for fixed income and equity investments is to ensure compliance with Trustee resolutions 07-04 and 07-07, respectively, as well as investment manager contracts. Those resolutions and contracts specify concentration limits for issuers and types of investments, and place substantial limits on the use of leverage. Managers are not permitted, under any circumstances, to encumber assets beyond those held in each separate account that is managed.

Foreign Currency Risk

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

Forward Exchange Contracts

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

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

Equity Index Futures

Certain equity managers for the Fund are permitted to buy and sell equity index futures. The notional cost and fair values of such futures are not required to be reported on the balance sheet of the Fund. Realized gains and losses on futures, as well as the net notional unrealized gains and losses, are included in the net increase or decrease in the fair value of investments.

Temporary Investments

All short-term investments bear interest at competitive rates and are summarized as follows at June 30, 2008 (in thousands):

U.S. agencies	\$ 223,549
U.S. treasury bills	542
Commercial paper	167,964
Asset-backed securities	<u>1,633</u>
Total short-term investments	393,688
Cash and pooled funds	<u>426,173</u>
Total cash and short-term investments	<u><u>\$ 819,861</u></u>

At June 30, 2008, all commercial paper investments had A-1 ratings or better from Standard & Poor's, P-1 by Moody's, or an equivalent rating. Additionally all asset-backed securities were rated AAA by either Moody's or Standard & Poor's. U.S. agencies and treasury bills are either explicitly or implicitly guaranteed by the U.S. government and are not rated. Temporary investments held at fiscal year end 2008 in the UCF and TBA Cash Management Accounts had a weighted average maturity of three days. At June 30, 2008, uninvested, uninsured cash of \$104,707 thousand was held at the custodian or sub-custodian banks, mainly in interest bearing accounts. All remaining cash balances either were insured or were invested in short-term pooled investment funds, which were rated AAA by Standard & Poor's.

Marketable Debt Securities

Marketable debt securities at June 30, 2008, are summarized as follows (in thousands):

	<u>Cost</u>	<u>Fair value</u>	<u>Unrealized gains/(losses)</u>
Treasury notes/bonds	\$ 1,013,786	\$ 1,028,425	\$ 14,639
Mortgage-backed securities	2,803,028	2,796,604	(6,424)
Other federal agencies	726,994	733,583	6,589
Corporate bonds	3,880,577	3,738,415	(142,162)
Non-domestic bonds	1,112,834	1,136,510	23,676
Distressed debt	<u>276,330</u>	<u>272,908</u>	<u>(3,422)</u>
Total marketable debt securities	<u><u>\$ 9,813,549</u></u>	<u><u>\$ 9,706,445</u></u>	<u><u>\$ (107,104)</u></u>

Distressed debt investments are held through a limited partnership, which invests in distressed debt type commingled limited liability funds. These investments are funded over time, as opportunities arise. The Fund has committed to investing approximately \$494 million in total in distressed debt type funds.

Marketable Debt Credit Ratings

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

At June 30, 2008, the Fund's credit ratings for its marketable debt securities are as follows (in thousands):

NRSRO Quality rating	Domestic	Non-domestic	Total fair value	Percent of holdings
AAA	\$ 1,801,559	\$ 839,061	\$ 2,640,620	27.21%
AA	534,143	161,997	696,140	7.17%
A	852,157	72,261	924,418	9.52%
BBB	674,824	29,998	704,822	7.26%
BB	159,339	27,214	186,553	1.92%
B	200,429	5,980	206,409	2.13%
CCC	110,033	-	110,033	1.13%
CC	815	-	815	0.01%
D	1,358	-	1,358	0.01%
Total fair value of rated debt securities	4,334,657	1,136,511	5,471,168	56.36%
Not rated – Distressed Debt	272,908	-	272,908	2.81%
Not rated – Publicly Traded Debt	7,004	-	7,004	0.07%
U.S. government explicitly backed by the U.S. government	1,273,988	-	1,273,988	13.13%
U.S. government implicitly backed by the U.S. government	2,681,377	-	2,681,377	27.63%
Total fair value debt securities	\$ 8,569,934	\$ 1,136,511	\$ 9,706,445	100.00%

Marketable Debt Duration

In order to manage its interest rate risk on marketable debt securities, the APFC monitors fair values daily and routinely reviews portfolio effective duration in comparison to an established benchmark. At fiscal year end, the aggregate holdings of debt securities were within the required duration range in relation to such benchmarks. At June 30, 2008, the effective duration by investment type, based on fair value, is as follows:

	Percent of bond holdings	Duration
Domestic bonds		
Mortgages and other structured products	49.48%	4.39
Treasuries	12.40%	4.94
Corporate bonds	28.94%	5.96
Government sponsored	5.11%	3.76
Supra/Sovereign	4.07%	6.25
Total domestic bonds	100.00%	4.96
Non-domestic bonds		
Government and agency	93.29%	6.28
Corporate and other non-government	6.71%	4.42
Total non-domestic bonds	100.00%	6.16

The APFC manages the Fund's exposure to fair value losses arising from changing interest rates by establishing effective duration guidelines in its fixed income investment policy. Duration is used to explain a portfolio's sensitivity to changes in interest rates. The duration of a portfolio is the average fair value weighted duration of all bonds in the portfolio. In general, the major factors affecting duration are, in order of importance: maturity, prepayment frequency, size of coupon, level of market interest rates, and frequency of coupon payments. Duration will fall as interest rates rise. Effective duration attempts to account for the price sensitivity of a bond, including the impact 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.

Concentration of Credit Risk

At June 30, 2008, more than five percent of the Fund's total net investments were held in securities of the issuer listed below (in thousands):

Issuer of securities	Fair value of holdings	Percent of total Fund
Federal National Mortgage Association (FNMA)		
Mortgage-backed securities	\$ 1,749,078	4.87%
Senior debt	35,263	0.10%
Equity	23,689	0.07%
Total	\$ 1,808,030	5.04%

Mortgage-backed securities represent pooled debt obligations of homeowners throughout the U.S. Although a large percentage of holdings of the Fund are aggregated through FNMA mortgages, the actual risk remains with the underlying loans, and the ability or inability to recover balances of loans in default from the underlying loan collateral. Risk is mitigated by the FNMA's guarantee of the underlying debt, and its implicit guarantee from the U.S. government.

Preferred and Common Stock

Except for two commingled funds and the equity extension strategy investments, all investments in preferred and common stock are held by the APFC's custodian banks in the name of the Fund. Commingled fund investments include the Emerging Markets Growth Fund (EMGF), managed by Capital International, Inc., and the Dodge & Cox International Stock Fund (DODFX), managed by Dodge & Cox. Commingled fund investments are held by the custodian banks of the fund managers on behalf of fund investors.

The fair values of the Fund's shares in the EMGF were \$1,017,477 thousand as of June 30, 2008 and are included in the non-domestic values shown below. The value of the Fund's investment in the commingled fund represented approximately 7.3 percent of the total EMGF value at June 30, 2008.

The Fund made an initial investment in DODFX during the fiscal year ending June 30, 2008, at which time the fair value of the Fund's shares in DODFX was \$504,828 thousand. The value of the Fund's investment in DODFX represented approximately one percent of the total DODFX value at June 30, 2008.

The equity extension strategy differs from the traditional long-only equity strategy in that up to 50 percent of the account portfolio may be placed in short positions. These portfolios are held in custody in separate accounts in the name of the Fund at a prime broker. The fair value of the long positions in the equity extension portfolios was \$834,010 thousand as of June 30, 2008 and is included in the domestic equity values shown in the table below. The fair values of the short positions in the equity extension portfolios as of June 30, 2008 was (\$184,872 thousand) as shown on the balance sheet in the liabilities section.

Preferred and common stocks at June 30, 2008, are summarized as follows (in thousands):

	Cost	Fair value	Unrealized gains
Domestic	\$ 11,491,981	\$ 12,592,007	\$ 1,100,026
Non-domestic	6,843,720	7,343,993	500,273
Total preferred and common stock	\$ 18,335,701	\$ 19,936,000	\$ 1,600,299

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, 2008, the Fund's cash holdings and non-domestic public and private equity and debt securities had exposure to foreign currency risk as follows (shown in U.S. dollar equivalent at fair value, in thousands):

Foreign currency	Cash	Public equity	Debt	Private equity	Total foreign currency exposure
Argentine Peso	\$ -	\$ -	\$ 1,877	\$ -	\$ 1,877
Australian Dollar	11,414	244,152	14,901	-	270,467
Brazilian Real	2,151	74,004	11,392	-	87,547
Canadian Dollar	6,756	309,817	-	-	316,573
Chinese Yuan Renminbi	-	3,434	-	-	3,434
Colombian Peso	-	-	7,063	-	7,063
Czech Koruna	-	28,338	6,302	-	34,640
Danish Krone	279	53,597	17,578	-	71,454
Egyptian Pound	-	9,853	-	-	9,853
Euro Currency	(3,112)	2,007,256	700,922	102,113	2,807,179
Hong Kong Dollar	5,071	200,855	-	-	205,926
Hungarian Forint	2	18,805	6,076	-	24,883
Indian Rupee	927	33,460	-	-	34,387
Indonesian Rupiah	643	3,598	3,842	-	8,083
Israeli Shekel	37	13,356	425	-	13,818
Japanese Yen	6,350	1,058,318	163,107	-	1,227,775
Malaysian Ringgit	558	17,547	-	-	18,105
Mexican Peso	(148)	23,664	8,293	-	31,809
New Zealand Dollar	137	1,859	-	-	1,996
Nigerian Naira	-	-	448	-	448
Norwegian Krone	2,188	101,589	-	-	103,777
Philippine Peso	132	881	-	-	1,013
Polish Zloty	26	26,929	30,417	-	57,372
Pound Sterling	2,948	1,041,628	120,792	33,924	1,199,292
Romanian Leu	-	3,230	-	-	3,230
Russian Ruble	-	623	-	-	623
Singapore Dollar	292	64,639	-	-	64,931
South African Rand	2	51,972	-	-	51,974
South Korean Won	1,335	87,446	1,542	-	90,323
Swedish Krona	264	58,744	46,532	-	105,540
Swiss Franc	527	459,589	-	-	460,116
Taiwan Dollar	5,676	98,341	-	-	104,017
Thai Baht	388	16,354	769	-	17,511
Turkish Lira	3	18,000	14,286	-	32,289
Uruguayo Peso	-	-	1,774	-	1,774
Ukrainian Hryvna	-	1,940	-	-	1,940
Total foreign currency exposure	<u>\$ 44,846</u>	<u>\$ 6,133,818</u>	<u>\$ 1,158,338</u>	<u>\$ 136,037</u>	<u>\$ 7,473,039</u>

Cash amounts in the schedule above include receivables, payables, and cash balances in each related currency. If payables exceed receivables and cash balances in a currency, then the total cash balance for that currency will appear as a negative value.

Real Estate

The APFC is authorized by State regulations to invest Fund assets in various forms of real estate, which generally take the form of directly owned real estate interests, real estate title-holding entities, real estate investment trusts, real estate operating companies or other entities whose assets consist primarily of real property, debt obligations secured by real property, or similar entities. The APFC invests Fund assets in direct real estate through its ownership of interests in corporations, limited liability companies, and partnerships that own title to the real estate. External real estate management firms administer the Fund's directly owned real estate investments.

The APFC routinely analyzes directly owned real estate holdings for permanent impairment, in accordance with APFC resolution 06-07. For the fiscal year ending June 30, 2008, no real estate assets were at a fair value deemed necessary for permanent impairment analysis.

The carrying value of real estate at June 30, 2008 was \$3,514,057 thousand. Directly owned real estate investments, property notes receivable, and residential mortgages are recorded in the financial statements using the equity method, which consists of the asset's historical cost plus the Fund's share of undistributed earnings from the asset. Public equity real estate investments (real estate investment trusts) are recorded in the financial statements at their fair value.

In the ordinary course of business, the APFC has made Fund commitments related to real estate investments. In the opinion of management, meeting these commitments will not have a materially adverse effect on the Fund's financial position, results of operations, or liquidity. Real estate investments at June 30, 2008 are summarized as follows (in thousands):

	Cost/equity value	Fair value	Unrealized gains	Financial statement carrying value
Real estate investment trusts	\$ 673,840	\$ 666,659	\$ (7,181)	\$ 666,659
Alaska residential mortgages	41	41	-	41
Directly owned real estate -				
Retail	617,828	988,888	371,060	617,828
Office	995,931	1,110,018	114,087	995,931
Industrial	225,529	277,308	51,779	225,529
Multifamily	1,001,210	1,110,937	109,727	1,001,210
Developmental	6,859	6,859	-	6,859
Total real estate	<u>\$ 3,521,238</u>	<u>\$ 4,160,710</u>	<u>\$ 639,472</u>	<u>\$ 3,514,057</u>

Alternative Investments

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

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

Private equity investments involve the purchase of limited partnership interests which typically invest in unlisted, illiquid common and preferred stock and, to a lesser degree, subordinated and senior debt of companies that are in most instances privately held. The APFC has hired an external advisor to select limited partnership interests which are diversified by geography and strategy. This investment type is characteristically funded slowly over time as opportunities are identified by the external advisor and underlying general partners. General partners provide the Fund with fair value estimates of private equity investments utilizing the most current information available. Fair value estimates are further reviewed by the external advisor and are subject to annual audits.

The Trustees adopted resolution 07-05 governing infrastructure investments and the Fund made initial investments in the asset class during FY 08. Investments in this asset class involve ownership or operating agreements in essential long term service assets with high barriers to entry. Examples of infrastructure assets include toll roads, airports, deep water ports, communication towers and energy generation, storage and transmission facilities. Investments in this class are expected to have inflation protection attributes and exhibit low correlations with other major asset classes in the Fund's investment strategy. Resolution 07-05 establishes guidelines for diversification across sectors, geography, life cycles and vintage years. The Fund makes commingled infrastructure investments through limited partnership agreements. Infrastructure investment managers provide periodic fair value estimates, which are subject to annual independent audits.

Alternative investments at June 30, 2008, are summarized as follows (in thousands):

	<u>Cost</u>	<u>Fair value</u>	<u>Unrealized gains/(losses)</u>
Absolute return strategy	\$ 1,932,780	\$ 2,165,153	\$ 232,373
Private equity	666,464	708,997	42,533
Infrastructure	212,866	213,841	975
Total alternative investments	<u>\$ 2,812,110</u>	<u>\$ 3,087,991</u>	<u>\$ 275,881</u>

As of June 30, 2008, the APFC, on behalf of the Fund, had outstanding private equity and infrastructure investment commitments of approximately \$900 million and \$626 million, respectively.

Alaska Certificates of Deposit

The APFC is authorized by State regulations and Trustee resolution 08-01, to invest Fund assets in certificates of deposit or the equivalent instruments of banks, savings and loan associations, mutual savings banks and credit unions doing business in Alaska. Collateral securing these investments is either letters of credit from the Federal Home Loan Bank or pooled mortgage securities issued by U.S. government sponsored agencies.

Securities Lending

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

Cash collateral received for securities on loan, which is required to be reported on the balance sheet of the Fund, is invested by the Bank in the name of the Fund. As of June 30, 2008, such investments were in overnight repurchase agreements, and had a weighted-average maturity of one day. The average term of the loans was also one day. At June 30, 2008 the value of securities on loan and related collateral is as follows (in thousands):

Fair value of securities on loan	\$ 2,209,076
Cash collateral	2,282,400

The Fund receives 80 percent of earnings derived from securities lending transactions, and the Bank retains 20 percent. During the year ended June 30, 2008, there were no losses incurred as a result of securities lending transactions. The Fund received income of \$18,764 thousand from securities lending for the year ended June 30, 2008.

Investment Income by Source

Investment income during the year ended June 30, 2008, are summarized as follows (in thousands):

Interest	
Domestic marketable debt securities	\$ 458,049
Non-domestic marketable debt securities	47,747
Alaska certificates of deposit	7,327
Short-term domestic and other	37,797
Distressed debt	(1,421)
Total interest	<u>\$ 549,499</u>
Dividends	
Domestic stocks	\$ 174,329
Non-domestic stocks	283,339
Total dividends	<u>\$ 457,668</u>
Real estate and other income	
Directly owned real estate interest	\$ 402
Directly owned real estate net rental income	163,162
Real estate investment trust dividends	33,485
Absolute return management expenses, net of dividend and interest income	(19,367)
Infrastructure fees, net of dividends and interest	(15,441)
Private equity management expenses, net of dividend income	(4,168)
Class action litigation income	17,244
Loaned securities, commission recapture and other income	19,826
Total real estate and other income	<u>\$ 195,143</u>

Foreign Exchange Contracts and Off-Balance Sheet Risk

Public equity and bond asset managers for the APFC enter into foreign currency forward exchange contracts (FX forward contracts) to buy and sell, on behalf of the Fund, specified amounts of foreign currencies at specified rates on specified future dates for the purpose of protecting existing or anticipated positions in these currencies. The maturity periods for outstanding contracts at June 30, 2008 ranged between 28 and 170 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; however, the APFC considers the risk of default to be remote. The Fund's market risk as of June 30, 2008 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 the fiscal year ended June 30, 2008, are summarized as follows (in thousands):

Face value of FX forward contracts	\$ 3,469,659
Net FX forward contracts (payable)/receivable	(10,758)
Fair value of FX forward contracts	<u>\$ 3,458,901</u>
Unrealized losses	\$ (13,687)
Realized losses	(67,924)
Net decrease in fair value of FX forward contracts	<u>\$ (81,611)</u>

Certain equity investment managers for the Fund are permitted to trade in equity index futures. Equity index futures are traded in both domestic and non-domestic markets based on an underlying stock exchange value. Equity index futures are settled with cash for the net difference between the trade price and the settle price.

Activity and balances related to equity index futures for the fiscal year 2008 is summarized as follows (in thousands):

Face value of equity index futures	\$ 80,773
Net realized gain (loss) on futures	(4,362)
Fair value of equity index futures	<u>\$ 76,411</u>
Unrealized gains (losses)	\$ (5,562)
Realized gains (losses)	(7,935)
Net increase (decrease) in fair value of futures	<u>\$ (13,497)</u>

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

NOTE 4 – CAPITAL ASSETS

PRIMARY GOVERNMENT

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

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

Capital Asset	Governmental Activities		Business-type Activities	
	Value	Useful Life	Value	Useful Life
Land	All	Indefinite	All	Indefinite
Infrastructure	\$ 1,000,000	15-75	\$ 100,000	5-40
Buildings	1,000,000	50	100,000	10-40
Equipment/software	100,000	3-60	5,000	5-10

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

Capital asset activities for the fiscal year ended June 30, 2008, are as follows (in millions):

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 731	\$ 23	\$ -	\$ 754
Construction in progress	1,431	483	(542)	1,372
Total capital assets not being depreciated	<u>2,162</u>	<u>506</u>	<u>(542)</u>	<u>2,126</u>
Capital assets being depreciated:				
Buildings	1,177	108	(30)	1,255
Equipment	757	45	(24)	778
Infrastructure	4,759	402	-	5,161
Total capital assets being depreciated	<u>6,693</u>	<u>555</u>	<u>(54)</u>	<u>7,194</u>
Less accumulated depreciation for:				
Buildings	(424)	(30)	7	(447)
Equipment	(343)	(37)	13	(367)
Infrastructure	(2,694)	(257)	-	(2,951)
Total accumulated depreciation	<u>(3,461)</u>	<u>(324)</u>	<u>20</u>	<u>(3,765)</u>
Total capital assets being depreciated, net	<u>3,232</u>	<u>231</u>	<u>(34)</u>	<u>3,429</u>
Capital assets, net	<u>\$ 5,394</u>	<u>\$ 737</u>	<u>\$ (576)</u>	<u>\$ 5,555</u>

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

Business-type Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 30	\$ -	\$ -	\$ 30
Construction in progress	124	185	(67)	242
Total capital assets not being depreciated	<u>154</u>	<u>185</u>	<u>(67)</u>	<u>272</u>
Capital assets being depreciated:				
Buildings	619	13	-	632
Equipment	51	8	-	59
Infrastructure	545	40	-	585
Total capital assets being depreciated	<u>1,215</u>	<u>61</u>	<u>-</u>	<u>1,276</u>
Less accumulated depreciation for:				
Buildings	(165)	(18)	-	(183)
Equipment	(39)	(3)	-	(42)
Infrastructure	(250)	(18)	-	(268)
Total accumulated depreciation	<u>(454)</u>	<u>(39)</u>	<u>-</u>	<u>(493)</u>
Total capital assets being depreciated, net	<u>761</u>	<u>22</u>	<u>-</u>	<u>783</u>
Capital assets, net	<u>\$ 915</u>	<u>\$ 207</u>	<u>\$ (67)</u>	<u>\$ 1,055</u>

The following relates to the land owned by the State:

The total state entitlement amounts to approximately 105.7 million acres, 102.5 million of which was received through the Statehood Act. In accordance with the Alaska Statehood Act section 6(g), Alaska Native Claims Settlement Act, and the Alaska National Interest Lands Conservation Act, section 906(c), 96.6 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):

	<u>Amount</u>
Governmental Activities	
General Government	\$ 3
Education	10
Health and Human Services	11
Law and Justice	3
Natural Resources	1
Public Protection	6
Transportation	270
Depreciation on capital assets held by the state’s internal service funds is charged to the various functions based on their use of the assets.	<u>20</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 324</u>
Business-type Activities	
Enterprise	<u>\$ 39</u>

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, 2008 (in millions):

	Beginning Balance <u>Restated</u>	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 64	\$ 5	\$ -	\$ 69
Library, media, and museum collections	55	1	-	56
Construction in progress	274	208	(183)	299
Total capital assets not being depreciated	<u>393</u>	<u>214</u>	<u>(183)</u>	<u>424</u>
Capital assets being depreciated/depleted:				
Land	2	2	-	4
Buildings	1,251	41	(1)	1,291
Equipment	388	39	(18)	409
Infrastructure	902	115	-	1,017
Total capital assets being depreciated/depleted	<u>2,543</u>	<u>197</u>	<u>(19)</u>	<u>2,721</u>
Less accumulated depreciation/depletion for:				
Land	-	-	-	-
Buildings	(566)	(48)	-	(614)
Equipment	(226)	(30)	17	(239)
Infrastructure	(339)	(41)	-	(380)
Total accumulated depreciation/depletion	<u>(1,131)</u>	<u>(119)</u>	<u>17</u>	<u>(1,233)</u>
Total capital assets being depreciated/depletion, net	<u>1,412</u>	<u>78</u>	<u>(2)</u>	<u>1,488</u>
Capital assets, net	<u>\$ 1,805</u>	<u>\$ 292</u>	<u>\$ (185)</u>	<u>\$ 1,912</u>

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

The Alaska Railroad Corporation had a restatement of capital assets. The beginning balance of infrastructure included activity related to a quarry for a total of \$1,928 thousand which was reclassified to land for \$1,616 thousand and equipment for \$312 thousand. The quarry has a useful life of 50 years and depletion is recorded annually.

NOTE 5 – BONDS PAYABLE AND OTHER LONG-TERM OBLIGATIONS

A. SUMMARY OF CHANGES

The following table summarizes changes in long-term liabilities for the fiscal year ended June 30, 2008 (in thousands):

Governmental Activities	Beginning	Increases	Decreases	Ending	Amounts
	Balance			Balance	Due Within One Year
Revenue bonds payable	\$ 451,525	\$ 803	\$ 8,987	\$ 443,341	\$ 2,415
General obligation debt	404,866	-	29,058	375,808	29,194
Capital leases payable	130,311	62,311	21,164	171,458	17,518
Unearned & deferred revenue	206,415	56,849	2,704	260,560	233,535
Certificates of participation	65,275	-	8,285	56,990	5,575
Compensated absences	125,994	122,824	116,580	132,238	112,496
Claims and judgments	71,984	24,091	35,324	60,751	33,610
Other noncurrent liabilities	1,549	19	248	1,320	948
Net pension obligation	140,431	-	2,008	138,423	-
Total	<u>\$ 1,598,350</u>	<u>\$ 266,897</u>	<u>\$ 224,358</u>	<u>\$ 1,640,889</u>	<u>\$ 435,291</u>

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

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

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

Business-type Activities	Beginning	Increases	Decreases	Ending	Amounts
	Balance			Balance	Due Within One Year
Revenue bonds payable	\$ 633,152	\$ -	\$ 15,687	\$ 617,465	\$ 19,880
Unearned & deferred revenue	5,321	-	412	4,909	4,909
Compensated absences	106	159	75	190	71
Other noncurrent liabilities	5,388	-	2,741	2,647	-
Net pension obligation	4,409	-	83	4,326	-
Total	<u>\$ 648,376</u>	<u>\$ 159</u>	<u>\$ 18,998</u>	<u>\$ 629,537</u>	<u>\$ 24,860</u>

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, 2008, the following were the general obligation bond debt outstanding (in millions):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 26.2	\$ 17.7	\$ 43.9
2010	27.1	16.3	43.4
2011	28.1	14.8	42.9
2012	29.2	13.3	42.5
2013	30.4	11.7	42.1
2014-2018	119.4	38.6	158.0
2019-2023	86.3	13.3	99.6
2024-2028	17.4	0.4	17.8
Total debt service requirements	364.1	\$ 126.1	\$ 490.2
Unamortized bond premium	11.7		
Total principal outstanding	\$ 375.8		

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.

REVENUE BONDS

As of June 30, 2008, the following were the revenue bonds outstanding (in millions):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 2.4	\$ 22.6	\$ 19.9	\$ 29.7
2010	9.4	22.7	20.8	28.8
2011	10.2	22.3	21.7	27.8
2012	11.0	21.8	22.8	26.7
2013	11.7	21.4	23.9	25.5
2014-2018	61.5	99.6	133.5	108.6
2019-2023	46.2	89.6	161.9	72.0
2024-2028	48.5	80.9	159.6	29.2
2029-2033	46.4	74.1	52.3	3.0
2034-2038	59.9	67.0	-	-
2039-2043	80.7	58.1	-	-
2044-2048	73.6	29.2	-	-
Total debt service requirements	461.5	\$ 609.3	616.4	\$ 351.3
Unamortized bond (discounts)/premiums	(9.9)		1.1	
Deferred amount on refunding	(9.7)		-	
Plus accreted value	1.4		-	
Total principal outstanding	\$ 443.3		\$ 617.5	

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, 2008 includes \$399.7 million in principal, \$578 million in interest, \$10 million in unamortized discount, \$9.7 million deferred amount on refunding, and \$1.4 million in accreted value on the Series 2006B and Series 2006C Bonds. At June 30, 2008, \$183.6 million in NTSC revenue bonds were outstanding and considered defeased.

Alaska Sport Fishing Revenue Bonds

The State of Alaska Sport Fishing (SF) Revenue Bonds Series 2006 were issued under Article 5A of Chapter 15 of Title 37 of the Alaska Statutes. The bonds were issued to provide a portion of the funds necessary to finance the construction and renovation of fisheries rehabilitation, enhancement and development projects that benefit sport fishing. These revenue bonds are special, limited obligations of the State secured by and payable from the sport fishing facilities surcharge imposed under AS 16.05.340 and from funds received from the federal government which by their terms are not restricted in use and legally available for the payment for debt service on Parity Bonds. The bonds are not general obligations of the State, and the State does not pledge its faith and credit to the payment of the bonds. Sport Fishing revenue bond total at year end includes \$61.8 million in principal, \$31 million in interest, and \$.1 million in unamortized premium. At June 30, 2008, \$1.6 million in Alaska Sport Fishing revenue bonds were outstanding and considered defeased.

International Airports Revenue Bonds

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

C. CAPITAL AND OPERATING LEASES

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

<u>Governmental Activities</u> Year Ending June 30	Operating Leases	Capital Leases		
		Principal	Interest	Total
2009	\$ 32.5	\$ 17.5	\$ 8.0	\$ 25.5
2010	25.1	17.1	7.3	24.4
2011	19.7	13.3	6.5	19.8
2012	16.2	11.8	5.9	17.7
2013	11.9	10.5	5.4	15.9
2014-2018	28.8	53.8	18.9	72.7
2019-2023	5.3	32.8	7.4	40.2
2024-2028	0.5	14.7	2.1	16.8
2029-2033	0.4	-	-	-
2034-2038	0.4	-	-	-
2039-2043	0.4	-	-	-
2044-2048	0.3	-	-	-
Total	<u>\$ 141.5</u>	<u>\$ 171.5</u>	<u>\$ 61.5</u>	<u>\$ 233.0</u>

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, 2008 (in millions):

<u>Governmental Activities</u> Year Ending June 30	Certificates of Participation		
	Principal	Interest	Total
2009	\$ 5.6	\$ 2.4	\$ 8.0
2010	5.8	2.2	8.0
2011	6.0	2.0	8.0
2012	6.2	1.7	7.9
2013	6.5	1.5	8.0
2014-2018	19.7	4.0	23.7
2019-2023	7.2	0.6	7.8
2024-2028	-	-	-
Total	<u>\$ 57.0</u>	<u>\$ 14.4</u>	<u>\$ 71.4</u>

E. DISCRETELY PRESENTED COMPONENT UNITS

Debt service requirements are (in millions):

Year Ending June 30	Principal	Interest	Total
2009	\$ 152.3	\$ 215.4	\$ 367.7
2010	149.9	209.0	358.9
2011	181.1	202.7	383.8
2012	189.9	195.0	384.9
2013	181.3	187.0	368.3
2014-2018	832.2	820.4	1,652.6
2019-2023	879.7	621.2	1,500.9
2024-2028	679.6	471.2	1,150.8
2029-2033	635.6	326.9	962.5
2034-2038	592.9	183.7	776.6
2039-2043	244.9	55.4	300.3
2044-2048	161.8	15.2	177.0
Total debt service requirements	<u>\$ 4,881.2</u>	<u>\$ 3,503.1</u>	<u>\$ 8,384.3</u>
Unamortized (discounts)/premiums	34.1		
Deferred amount on refunding	(24.5)		
Plus accreted value	10.0		
Total principal outstanding	<u>\$ 4,900.8</u>		

The preceding table does not include \$1.3 million of Alaska Energy Authority arbitrage interest payable.

F. ALASKA HOUSING FINANCE CORPORATION DERIVATIVES

SWAP OBJECTIVES

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

SWAP PAYMENTS AND ASSOCIATED DEBT

As of June 30, 2008, debt service requirements of AHFC's outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same for their terms, are displayed in the following schedule (in thousands). As interest rates vary, variable-rate bond interest payments and net swap payments will also vary.

Year Ending June 30	Outstanding	Outstanding	Swap	Total
	Variable-Rate	Variable-Rate		
	Debt	Debt	Net Payment	Payment
	Principal	Interest		
2009	\$ 5,135	\$ 11,990	\$ 14,481	\$ 31,606
2010	5,465	11,847	14,352	31,664
2011	5,710	11,696	14,216	31,622
2012	6,895	11,539	14,074	32,508
2013	12,825	11,325	13,857	38,007
2014-2018	80,465	51,657	63,938	196,060
2019-2023	117,375	40,714	51,755	209,844
2024-2028	113,465	28,659	36,953	179,077
2029-2033	115,425	16,434	22,795	154,654
2034-2038	98,595	7,522	10,586	116,703
2039-2043	53,575	1,534	2,124	57,233
	<u>\$ 614,930</u>	<u>\$ 204,917</u>	<u>\$ 259,131</u>	<u>\$ 1,078,978</u>

SIGNIFICANT TERMS

The terms, fair values and credit ratings of AHFC's outstanding swaps as of June 30, 2008, are included in the following schedule (in thousands). Except for SC02B, where the debt has been redeemed, the notional amounts of the swaps match the principal amounts of the associated debt. These notional amounts amortize over a time period that approximates the payments AHFC would experience with a fixed-rate, level debt service schedule and are expected to follow scheduled or anticipated reductions in the associated bonds outstanding.

Related Bond Issue	Notional Amounts	Present Values	Fair Values	Effective Dates	Fixed Rate Paid	Variable Rate Received	SWAP	Counterparty Credit Rating ⁶
							Termination Date	
GP01A ¹	\$ 65,710	\$ 71,857	\$ (6,147)	8/2/2001	4.1427%	67% of LIBOR ⁴	12/1/2030	A/A1
GP01B	80,300	87,793	(7,493)	8/2/2001	4.1427%	67% of LIBOR	12/1/2030	A/A1
E021A1 ²	49,300	53,660	(4,360)	5/16/2002	4.1030%	68% of LIBOR	6/1/2032	AAA/Aaa
E021A2	120,000	127,942	(7,942)	5/16/2002	4.3430%	68% of LIBOR	12/1/2036	AAA/Aaa
SC02B ³	14,555	15,157	(602)	12/5/2002	3.7700%	70% of LIBOR	7/1/2024	AA-/Baa1
SC02C	60,250	63,494	(3,244)	12/5/2002	4.3030%	SIFMA ⁵ + 0.115%	7/1/2022	AA-/Baa1
E071A1 ²	143,622	149,877	(6,255)	6/1/2007	3.6720%	70% of LIBOR	12/1/2041	AAA/Aaa
E071A2	95,748	99,757	(4,009)	6/1/2007	3.6720%	70% of LIBOR	12/1/2041	AA-/Baa1
Total	<u>\$629,485</u>	<u>\$669,537</u>	<u>\$(40,052)</u>					

¹ Governmental Purpose Bonds

² Home Mortgage Revenue Bonds

³ State Capital Project Bonds

⁴ London Interbank Offered Rate

⁵ Securities Industry and Financial Markets Municipal Swap Index

⁶ Standard & Poor's/Moody's

FAIR VALUE

Due to relatively lower interest rates AHFC's interest rate swaps had a negative fair value as of June 30, 2008. The negative fair values are countered by reductions in total interest payments required under the variable-rate bonds. Given that coupons on AHFC's variable-rate bonds adjust to changing interest rates, the associated debt does not have corresponding increases in fair value. The fair value amounts, obtained from mark to market statements from the respective counterparties and reconciled to present value calculations done by AHFC, represent mid-market valuations that approximate the current economic value using market averages, reference rates, and/or mathematical models. Actual trade prices may vary significantly from these estimates as a result of various factors, which may include (but are not limited to) portfolio composition, current trading intentions, prevailing credit spreads, market liquidity, hedging costs and risk, position size, transaction and financing costs, and use of capital profit. The fair value represents the current price to settle swap liabilities in the marketplace if a swap were to be terminated.

RISKS

Credit Risk

As of June 30, 2008, AHFC was not exposed to credit risk on any outstanding swaps because all the swaps had negative fair values. If interest rates rise and the swaps' fair values become positive, AHFC would be exposed to credit risk in the amount of the swaps' fair value. The swap agreements contain varying collateral agreements with the counterparties and require full collateralization of the fair value amount of the swap should the counterparty's rating fall below specific levels. AHFC currently has swap agreements with five separate counterparties. Approximately 50 percent of the total notional amount of swaps is held with two separate counterparties, both of whom are rated AAA/Aaa. Of the remaining swaps, two of the counterparties are rated A/A1 while the other counterparty is rated AA-/Baa1, approximating 23 percent and 27 percent, respectively, of the total outstanding notional swap value.

Basis Risk

All of AHFC's variable-rate demand obligation bond coupon payments are based on the tax exempt SIFMA index. Therefore, AHFC is exposed to basis risk on swaps where the variable payment received on the swaps is based on a taxable LIBOR index and does not offset the variable rate paid on the bonds, which is based on the SIFMA index. The SC02C swap is based on the SIFMA index and, thus is not exposed to any basis risk. As of June 30, 2008, SIFMA was 1.55 percent and LIBOR was 2.48 percent, resulting in a positive .93 percent spread. The spread between LIBOR and SIFMA has fluctuated since the agreements became effective, but as the spread increases, so does the anticipated cost savings from the swaps.

Rollover Risk

Rollover risk occurs when there is a mismatch in the amortization of the swap versus the amortization of the floating rate bonds. AHFC has structured the swaps to amortize at the same rate as scheduled or anticipated reductions in the associated floating rate bonds outstanding. As the bonds mature the swaps will amortize. In addition, the GP01A and GP01B swaps cover only a portion of the total debt issuance, allowing any increase in the speed of mortgage prepayments to be directed at the unswapped portion of the debt. The E021A1 and E021A2 swaps were structured with several tranches, allowing AHFC to cancel individual tranches of the swap to match special redemptions of the bonds. The SC02B swap no longer has rollover risk since the bonds have been redeemed. The result of these swap structures is a decrease in rollover risk usually caused by rapid mortgage prepayments.

Termination Risk

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

NOTE 6 – 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, agent, 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 7.

The PERS-DB Plan is a plan within the Public Employees’ Retirement System (PERS). PERS is a component unit of the State of Alaska financial reporting entity. PERS includes the PERS-DB and Alaska Retiree Healthcare Trust Fund. Senate Bill 123 was passed during the 2007 legislative session and created the Alaska Retiree Healthcare Trust (ARHCT).

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

At June 30, 2008 the number of PERS participating employers was:

State of Alaska	3
Municipalities	76
School Districts	53
Other	<u>27</u>
Total Employers	<u><u>159</u></u>

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

The PERS-DB funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual-covered payroll, are adequate to accumulate sufficient assets to pay both pension and postemployment healthcare benefits when due. Employer contribution rates are determined using the entry age normal actuarial funding method. The PERS-DB plan uses the level percentage of pay method to amortize the unfunded liability over a 25 year fixed period. The FY 08 actuarially determined rate for the State of Alaska was 35.41 percent (36.51 percent for peace officers and firefighters). The employer rate for the State of Alaska for the year ended June 30, 2008 was capped at 22 percent of compensation.

Senate Bill 53 appropriated \$185 million from the General Fund to the PERS-DB as a relief payment to employers’ contributions for FY 08. This appropriation is intended to be the amount required to set the effective employer contribution rate of all public employees’ retirement plan employers for FY 08 at the lower of the level percentage of pay rate approved by the Alaska Retirement Management Board (ARMB) for the State of Alaska of 43.8 percent (45.3 percent for peace officers and firefighters) or 22 percent, but not lower than 14.48 percent. The portion of this relief payment attributable to State of Alaska employers is \$123,391 thousand, of which \$33,931 thousand is for pensions and \$89,460 thousand is for postemployment benefits.

The Schedule of Funding Progress for the State of Alaska PERS-DB pension benefits follows (in thousands):

Actuarial Valuation Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liabilities (AAL)	Funding Excess (FE)/(Unfunded Actuarial Accrued Liabilities) (UAAL)	Funded Ratio	Covered Payroll	FE/(UAAL) as a Percentage of Covered Payroll
2004	\$2,880,188	\$4,194,403	\$(1,314,215)	68.7%	\$870,838	(150.9%)
2005	2,922,874	4,529,089	(1,606,215)	64.5%	920,565	(174.5%)
2006	3,853,365	5,162,943	(1,309,578)	74.6%	972,411	(134.7%)

The PERS actuarial valuation for the year ended June 30, 2007 was prepared for all PERS employers; however, a supplement to the actuarial valuation report specifically identifying State of Alaska information was not available. As a result, disclosure of State of Alaska funding progress for pension and postemployment healthcare benefits is not presented.

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 after July 1, 1986, with five years of credited service (or ten years of credited service for those first hired after July 1, 1996) must pay the full monthly premium if they are under age 60, and receive benefits at no premium cost if they are over age 60 or are receiving disability benefits. Police and fire employees with 25 years of membership service also receive benefits at no premium cost.

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

Beginning July 1, 2007, ARHCT, a healthcare trust fund of the State was established. The ARHCT is self-funded and provides major medical coverage to retirees of PERS. PERS retains the risk of loss of allowable claims for eligible members. ARHCT began paying member healthcare claims on March 1, 2008. Prior to that time, healthcare claims were paid for by the RHF.

The Schedule of Funding Progress for the State of Alaska PERS-DB for postemployment healthcare benefits follows (in thousands):

Actuarial Valuation Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liabilities (AAL)	Funding Excess (FE)/(Unfunded Actuarial Accrued Liabilities) (UAAL)	Funded Ratio	Covered Payroll	FE/(UAAL) as a Percentage of Covered Payroll
2004	\$2,030,875	\$2,957,551	\$ (926,676)	68.7%	\$870,838	(106.4%)
2005	2,209,218	3,414,538	(1,205,320)	64.7%	920,565	(130.9%)
2006	1,649,330	3,737,922	(2,088,592)	44.1%	972,410	(214.8%)

The actuarial valuation as of June 30, 2005 set the contribution rates for the year ended June 30, 2008. The projected unit credit method was used and the future gains/losses are amortized on a 25-year fixed period level percentage of pay, closed.

The State of Alaska's net pension obligation (NPO) and post-retirement benefits other than pensions (OPEB) for FY 08 are follows (in thousands):

	Pension	OPEB
Annual Required Contribution	\$ 76,453	\$ 201,255
Interest on obligation	12,066	-
Adjustment to annual required contribution	(9,505)	-
Annual Pension Cost (APC)/OPEB Cost (AOC)	79,014	201,255
Contributions Made	(81,107)	(213,797)
Decrease in Obligation	(2,093)	(12,542)
Net Obligation Beginning of Year	146,259	-
Net Obligation End of the Year	<u>\$ 144,166</u>	<u>\$ (12,542)</u>

Three year trend information for these obligations follows (in thousands):

Pension	Year Ended June 30	APC	Percentage of APC	
			Contributed	NPO
	2006	\$ 135,274	62.6%	\$ 109,402
	2007	144,808	74.5%	146,259
	2008	79,014	102.65%	144,166

OPEB	Year Ended June 30	Annual OPEB Cost	Percentage of AOC	
			Contributed	Net OPEB Asset
	2008	\$ 201,255	106.23%	\$ (12,542)

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 7.

The TRS-DB Plan is a plan within the Teachers' Retirement System (TRS). TRS is a component unit of the State of Alaska financial reporting entity. TRS includes the TRS-DB and Alaska Retiree Healthcare Trust Fund. Senate Bill 123 was passed during the 2007 legislative session and created the Alaska Retiree Healthcare Trust (ARHCT).

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

At June 30, 2008 the number of participating employers was:

State of Alaska	2
School Districts	53
Other	3
Total Employers	<u>58</u>

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

the supplemental contribution provision. The TRS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual-covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Employer contribution rates are determined using the entry age normal actuarial funding method. The TRS-DB Plan uses the level percentage of pay method to amortize the unfunded liability over a 25 year fixed period. The employer rate for the State of Alaska for the year ended June 30, 2008 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.

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

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

Beginning July 1, 2007, ARHCT, a healthcare trust fund of the State was established. The ARHCT is self-funded and provides major medical coverage to retirees of the TRS. TRS retains the risk of loss of allowable claims for eligible members. ARHCT began paying member healthcare claims on March 1, 2008. Prior to that time, healthcare claims were paid for by the RHF.

The state's contributions to TRS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$6.0, \$12.5, and \$10.1 million respectively, equal to the required contributions for each year. For the FY 08 contributions, \$2.5 million was for pensions and \$3.5 million was for postemployment benefits. House Bill 95 appropriated \$270 million from the General Fund to the TRS-DB as partial payment of the participating teachers' retirement system employers' contribution for FY 08 and set the employer effective contribution rate for FY 08 to be 12.56 percent. The TRS-DB actuarially determined employer contribution rate increased from 26 percent in FY 07 to 54.03 percent in FY 08. This increase is largely due to the contribution shortfalls related to prior years and changes in actuarial assumptions and methods implemented in the valuation. The portion of this relief payment attributable to State of Alaska employers is \$21.2 million, of which \$6.7 million is for pensions and \$14.5 million is for postemployment benefits. Therefore, total TRS-DB contributions for the State of Alaska employers for FY 08 are \$27.2 million, of which \$9.2 million was for pensions and \$18 million was for postemployment.

The Judicial Retirement System (JRS)

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

JRS is considered a component unit of the State of Alaska financial reporting entity. JRS issues a separate stand-alone financial report that includes financial statements and required supplementary information. JRS is also reported as a pension (and other employee benefit) trust fund by the State. Participants Copies of the audited financial statements may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

Benefit and contribution provisions are established by Chapter 25 of Alaska Statute Title 22 and may be amended only by the state legislature. JRS provides for normal pension benefits, as well as death, disability, and postemployment healthcare benefits.

Members contribute seven percent of their compensation to JRS. The contributions are deducted before federal income tax is withheld. Contributions are not required after members have made contributions for 15 years, or from members first appointed before July 1, 1978. The JRS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual-covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Employer contribution rates are determined using the entry age normal actuarial funding method. The Plan amortizes the unfunded liability over a fixed 25-year period. The employer rate for the State of Alaska for the year ended

June 30, 2008, was 57.7 percent of compensation. Total contributions for FY 08 were \$4.6 million for pensions, and \$1.3 million for postemployment benefits.

Senate Bill 221 appropriated \$49 million from the General Fund to the JRS for payment of JRS unfunded liability for FY 08. This appropriation virtually eliminated the unfunded liability of the plan by recording \$32.2 million to the fund pension plan and \$16.8 million to the fund healthcare trust.

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
2002	\$56,705	\$ 63,970	\$ (7,265)	88.6%	\$5,942	(122.3%)
2004	53,601	69,505	(15,904)	77.1%	6,530	(243.6%)
2006	77,311	111,820	(34,509)	69.1%	7,131	(484.0%)

Prior to July 1, 1997, postemployment healthcare benefits were provided by the payment of premiums to an insurance company. Beginning July 1, 1997, the Retiree Health Fund (RHF), a pension trust fund of the State, was established. The RHF is self-funded and provides major medical coverage to retirees. Retirees of three other state plans also participate in the RHF. The retirement plans retain the risk of loss of allowable claims.

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

Postemployment healthcare benefits are provided without cost to retired JRS members. The Schedule of Funding Progress for postemployment healthcare benefits follows (in thousands):

Actuarial Valuation Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liabilities (AAL)	Funding Excess (FE)/(Unfunded Actuarial Accrued Liabilities) (UAAL)	Funded Ratio	Covered Payroll	FE/(UAAL) as a Percentage of Covered Payroll
2002	\$ 6,979	\$ 7,873	\$ (894)	88.6%	\$5,942	(15.0%)
2004	16,855	21,856	(5,001)	77.1%	6,530	(76.6%)
2006	2,399	17,794	(15,395)	13.5%	7,131	(215.9%)

The actuarial valuation as of June 30, 2006 set the contribution rates for the year ended June 30, 2008. The entry age normal method was used and the future gains/losses are amortized on a 25-year fixed period level percentage of pay, closed. The State of Alaska's net pension asset for FY 08 follows (in thousands):

	Pension	OPEB
Annual Required Contribution	\$ 3,898	\$ 567
Interest on net pension asset	(27)	-
Adjustment to annual required contribution	21	-
Annual Pension Cost (APC)/OPEB Cost (AOC)	3,892	567
Contributions Made	(4,556)	(1,303)
Decrease in Obligation	(664)	(736)
Net Pension Obligation/(Asset) Beginning of Year	(333)	-
Net Pension Obligation/(Asset) End of the Year	\$ (997)	\$ (736)

Three year trend information for these obligations follows (in thousands):

Pension	Year Ended June 30	APC	Percentage of	Net
			APC	Pension
			Contributed	Obligation/ (Asset)
	2006	\$ 2,134	115.6%	\$ (333)
	2007	3,163	100.0%	(333)
	2008	3,892	117.1%	(997)

OPEB	Year Ended June 30	APC	Percentage of	Net OPEB
			AOC	Obligation/ (Asset)
			Contributed	
	2008	\$ 567	229.8%	\$ (736)

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 adequate to accumulate sufficient assets to pay benefits when due. State contributions are determined using the entry age normal actuarial funding method.

Senate Bill 221 appropriated \$10 million from the General Fund to NGNMRS for payment of NGNMRS unfunded liability for FY 08. This appropriation virtually eliminated the unfunded liability of the plan.

The Schedule of Funding Progress for pension benefits follows (in thousands):

Actuarial Valuation Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio
2002	\$ 12,114	\$ 20,545	\$ (8,431)	59.0%
2004	13,391	19,749	(6,358)	67.8%
2006	15,588	25,458	(9,870)	61.2%

The actuarial valuation as of June 30, 2006 set the contribution rates for the year ended June 30, 2008. The entry age normal method was used and the future gains/losses are amortized on a 20-year fixed period level percentage of pay, closed. The State of Alaska's net pension obligation for FY 08 follows:

Annual Required Contribution	\$ 1,737,406
Interest on net pension asset	(179)
Adjustment to annual required contribution	378
Annual Pension Cost (APC)	<u>1,737,605</u>
Contributions Made	<u>(1,737,406)</u>
Decrease in Net Pension Asset	199
Net Pension Obligation/(Asset) Beginning of Year	<u>(2,168)</u>
Net Pension Obligation/(Asset) End of the Year	<u><u>\$ (1,969)</u></u>

Three year trend information for pension obligations follows (in thousands):

Year Ended June 30	APC	Percentage of APC Contributed	Net Pension Obligation /(Asset)
2006	\$ 2,023	101.4%	\$ (2)
2007	1,738	100.0%	(2)
2008	1,738	100.0%	(2)

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, 2008, 2007, and 2006 was \$1.8 million, \$1.7 million, and \$1.7 million. The contributions received from employees totaled \$2,310 in FY 08. 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, 2006.

The Schedule of Funding Progress for pension benefits follows (in thousands):

Actuarial Valuation Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio
2006	\$0	\$16,265	\$(16,265)	0.0%

The Schedule of Funding Progress for postemployment healthcare benefits follows (in thousands):

Actuarial Valuation Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio
2006	\$0	\$2,983	\$(2,983)	0.0%

Plan benefits for EPORS are not prefunded, but are paid when due. Enough money has been appropriated each year to pay the benefits as they come due; therefore, there is no net pension obligation at the end of the year. The entry age normal method was used and the actuarial funding method amortizes all unfunded liabilities over 25-years in level dollar payments.

Three year trend information for these obligations follows (in thousands):

Pension	Year Ended June 30	APC	Percentage	Net
			of APC	Pension
			Contributed	Obligation
			/(Asset)	
	2006	\$ 1,250	100.0%	\$ -
	2007	1,281	100.0%	-
	2008	1,334	100.0%	-

OPEB	Year Ended June 30	AOC	Percentage	OPEB
			of AOC	Obligation
			Contributed	/(Asset)
	2008	\$ 413	100.0%	\$ -

ASSET VALUATION

See Note 3 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	\$10,777,763
Teachers' Retirement System	4,718,442
Judicial Retirement System	133,187
Alaska National Guard and Alaska Naval Militia Retirement System	27,262

PLAN MEMBERSHIPS

The table below includes the plan membership counts. For PERS, TRS and JRS, the counts are from the notes to the separately issued financial statements for the various plans. NGNMRS and EPORS are as of the the most recent valuation report date.

	PERS	TRS	JRS	NGNMRS	EPORS
	6/30/08	6/30/08	6/30/08	6/30/06	6/30/06
Retirees & beneficiaries receiving benefits & Terminated members with future benefits	30,421	10,786	92	1,442	38
Current active employees:					
Vested	20,208	5,678	43	*	1
Nonvested	9,223	3,004	28	3,846	-
Total	59,852	19,468	163	5,288	39

* A breakdown of active employees between vested and nonvested was not available for NGNMRS.

FUNDING STATUS AND PROGRESS

Actuarial Method and Assumptions

All systems use the entry age normal actuarial funding method within the June 30, 2006 valuation reports. The unfunded accrued benefit liability or funding surplus is amortized over a rolling 25 years (NGNMRS is 20 years).

The objective under the entry age normal actuarial funding method is to fund each participant's benefits under the Plan as a level percentage of covered compensation, starting at original participation date, and continuing until the assumed retirement, disability, termination, or death. On introduction, this method produces a liability which represents the contributions which would have been accumulated had this method always been in effect. This liability is generally funded over a period of years as a level percentage of compensation. This component is known as the Amortization Cost Percentage. The total employer appropriation cost of the system is the total of the Normal Cost Percentage and the Amortization Cost Percentage.

The following main assumptions were used in the actuarial valuation.

System	Investment Return Compounded Annually	Salary Scale Increase	Health Care Inflation		Consumer Price Index Inflation	Valuation Date	
			Medical	Rx			
PERS	8.25%	Police & Firefighters - 6.5% first 6 yrs, 4.5% thereafter. All Others - 9.5% first 5 yrs, 5.5% for year 6 then grading down to 5.0% and 4.0%.	FY 08	8.5%	12.0%	3.5%	6/30/2007
			FY 09	8.0%	11.0%		
			FY 10	7.5%	10.0%		
TRS	8.25%	6% first 5 yrs, grading down to 4% after 15 yrs	FY 08	8.5%	12.0%	3.5%	6/30/2007
			FY 09	8.0%	11.0%		
			FY 10	7.5%	10.0%		
JRS	8.25%	4.0% per year	FY 07	9.0%	13.0%	3.5%	6/30/2006
			FY 08	8.5%	12.0%		
			FY 09	8.0%	11.0%		
NGNMRS	7.25%	-		-	-		6/30/2006
EPORS	5.00%	4.0 % per year	FY 07	9.0%	13.0%	3.5%	6/30/2006
			FY 08	8.5%	12.0%		
			FY 09	8.0%	11.0%		

For PERS, TRS and JRS assets are at market value, with 20 percent of the investment gains or losses recognized in each of the current and preceding four years and phased in over the next five years. Valuation assets cannot be outside a range of 80 to 120 percent of the fair value of assets. NGNMRS and JRS assets valuation was changed from using the market value of assets without smoothing of gains and losses to a five year smoothing asset valuation method. This new method will be phased in over the next five years with the first phase-in recognized during FY 07.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

Governmental Accounting Standards Board Statement number forty-five was implemented prospectively for FY 08.

B. NON-STATE ADMINISTERED PLANS

THE MARINE ENGINEERS' BENEFICIAL ASSOCIATION (MEBA) PENSION PLAN

The MEBA plan is a defined benefit pension plan administered by MEBA for its members. Engineer Officers of the Alaska Marine Highway System participate in this program and the State contributes an amount (set by union contract) for each employee. The State assumes no liability for this pension plan or its participants other than the payment of required contributions. The State contributed \$805.2 thousand in FY 08.

NOTE 7 – 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, agent, 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. 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 6), 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, 2008, there were 159 employers participating in PERS-DCR. There were no retirees or beneficiaries currently receiving benefits, 12 terminated plan members entitled to future benefits, and 5,125 active members, of which 4,735 are general employees and 390 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 08 for each member's compensation was 0.99 percent for medical coverage and 0.58 percent for death and disability (1.33 percent for peace officers and firefighters). HRA is \$127.61 per month for full time employees and \$.98 per hour for part time employees.

The PERS pension contributions for the year ended June 30, 2008 by the employees were \$6,683 thousand and the State of Alaska employers were \$4,358 thousand. The PERS other postemployment contributions for the year ended June 30, 2008 were \$4,238 thousand.

See note 3 for information on pension funds' deposit and investment risk categories. The fair value of the PERS-DCR cash and investments as of June 30, 2008 is \$36,062 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 6), 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, 2008, there were 58 employers participating in TRS-DCR. There were no retirees or beneficiaries currently receiving benefits, 81 terminated plan members entitled to future benefits, and 1,203 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 08 for each member's compensation was 0.99 percent for medical coverage, 0.62 percent for death and disability. HRA is \$127.61 per month for full time employees and \$.98 per hour for part time employees.

The TRS pension contributions for the year ended June 30, 2008 by the employees were \$176 thousand and the State of Alaska employers were \$155 thousand. The TRS other postemployment contributions for the year ended June 30, 2008 were \$103 thousand.

See note 3 for information on pension funds' deposit and investment risk categories. The fair value of the TRS-DCR cash and investments as of June 30, 2008 is \$17,658 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 6) and deferred compensation plan (note 8), all state employees, as well as employees of political subdivisions, who have elected to participate in the program, are covered under the Alaska Supplemental Benefits System (SBS). SBS is comprised of the Supplemental Annuity Plan and the Supplemental Benefits Plan. The Supplemental Annuity Plan is a defined contribution plan that was created under Alaska statutes effective January 1, 1980, to provide

benefits in lieu of those provided by the federal Social Security System (Social Security). All state employees, who would have participated in Social Security if the State had not withdrawn, participate in SBS. Other employers whose employees participate in the State Public Employees' Retirement System and meet other requirements are eligible to have their employees participate in SBS as provided by Alaska Statute. As of January 31, 2008, there were sixteen other employers participating in SBS. There were approximately 36,000 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, 2008, were \$111,323 thousand. The state's covered payroll was approximately \$908,020 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, 2008, were \$4,840 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, 2008. Each participant's account is credited with the contributions and the increase or decrease in unit value for the investment funds and deduction for administrative fees.

Participant accounts under the Supplemental Annuity Plan are self-directed with respect to investment options. Each participant designates how contributions are allocated among the investment options. Each participant's account is credited with the contributions and the increase or decrease in unit value for the investment funds.

B. NON-STATE ADMINISTERED PLANS

THE NORTHWEST MARINE RETIREMENT TRUST (NMRT)

NMRT is an agent multiple-employer pension plan with defined contributions and is administered by the Pacific Northwest Marine Retirement Trust. The State assumes no liability for this pension plan or its participants other than the payment of required contributions. The State contributed \$833 thousand in FY 08.

NOTE 8 – DEFERRED COMPENSATION PLAN

The State of Alaska Deferred Compensation Plan was created by Alaska statutes. It is a deferred compensation plan under Section 457 of the Internal Revenue Code. It is available to all permanent and long term non-permanent employees, and elected officials of the State (and with the March 1, 2006 amendment, members of State of Alaska boards and commissions) who have completed a full pay period of employment. Participants authorize the State to reduce their current salary so that they can receive the amount deferred at a later date. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency, within the definition allowed by the applicable Internal Revenue Code. As of December 31, 2007 the Deferred Compensation Plan had approximately 8,800 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 new law, under an eligible 457 plan must be held in a trust for the exclusive benefit of employees and beneficiaries. This new law repealed the requirement that a Section 457 plan sponsored by a government be solely the property of the employer, subject only to the claims of the employer’s general creditors. The trust requirement generally applies to assets and income held by a plan on and after the date of enactment of the SBJPA. The Plan Document for the State of Alaska Deferred Compensation Plan was amended to recognize and establish the trust requirement for the Deferred Compensation Plan.

The Division of Retirement and Benefits is responsible for Deferred Compensation Plan administration and recordkeeping. The Alaska State Pension Investment Board (ASPIB) was responsible for the specific investment of monies in the Deferred Compensation Plan through September 30, 2005. Effective October 1, 2005 the ASPIB was disbanded and their duties were assumed by the Alaska Retirement Management Board.

Participant accounts are self-directed with respect to investment options. Each participant designates how his or her contribution is to be allocated among the investment options. Each participant’s account is credited with the participant’s contributions and the increase or decrease in unit value for the investment funds and deductions for administrative fees.

Deferred Compensation Plan net assets as of December 31, 2007 were \$545,603 thousand. Deferred Compensation Plan is reported in the accompanying financial statements as a pension (and other employee benefit) trust fund.

NOTE 9 – INTERFUND TRANSACTIONS

The following schedules summarize individual interfund receivable and payable balances at June 30, 2008, and interfund transfers for the year then ended (in thousands):

INTERFUND RECEIVABLE / PAYABLE BALANCES

<u>Due to Other Funds</u>	<u>Due from Other Funds</u>					<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Nonmajor Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Fiduciary Funds</u>	
General Fund	\$ -	\$ 72,531	\$ 50	\$ 5,137	\$ 42,495	\$ 120,213
Alaska Permanent Fund	1,326,170	-	-	-	-	1,326,170
Nonmajor						
Governmental Funds	8,399	-	-	-	-	8,399
International Airports	48,615	-	-	-	-	48,615
Nonmajor						
Enterprise Funds	4,152	-	-	-	-	4,152
Internal Service Funds	601	-	-	-	-	601
Fiduciary Funds	97,406	-	-	-	-	97,406
Other	(58,240)	(5)	9	(617)	75,239	16,386
Total	\$ 1,427,103	\$ 72,526	\$ 59	\$ 4,520	\$ 117,734	\$ 1,621,942

The amounts reported as “Other” are reconciling amounts resulting from reporting differences for certain funds included in the fund financial statements at June 30, 2008.

The \$1,326 million balance due from the Alaska Permanent Fund to the General Fund includes \$1,293 million for payment of 2008 Permanent Fund dividends to qualified residents of the State and administrative and associated costs of the 2008 Permanent Dividend Program. The remaining balance of \$33 million due from the Alaska Permanent Fund is payable to the Alaska Capital Income Fund, a subfund of the General Fund. The due to the Alaska Capital Income Fund is for realized earnings on the principal balance of the dedicated state revenues from the settlement of the North Slope royalty case, *State v. Amerada Hess, et. al.*

The majority of the other due from Other Funds and due to Other Funds balances are attributable to FY 08 activity during the reappropriation period in July and August 2008 that caused the movement of cash balances between funds after June 30, 2008.

INTERFUND TRANSFERS

Transfers From	Transfers to						Total
	General Fund	Alaska Permanent Fund	Nonmajor Governmental Funds	Enterprise Funds	Internal Service Funds	Other	
General Fund	\$ -	\$ -	\$ 120,042	\$ 4,636	\$ 16,846	\$ 2,136	\$ 143,660
Alaska Permanent Fund	1,326,170	-	-	-	-	-	1,326,170
Nonmajor							
Governmental Funds	6,608	552	6,726	-	-	-	13,886
Enterprise Funds	3,885	-	-	-	-	126	4,011
Internal Service Funds	-	-	-	-	-	-	-
Other	15,590	-	-	-	-	-	15,590
Total	<u>\$ 1,352,253</u>	<u>\$ 552</u>	<u>\$ 126,768</u>	<u>\$ 4,636</u>	<u>\$ 16,846</u>	<u>\$ 2,262</u>	<u>\$ 1,503,317</u>

The general purpose for transfers is to move monies from funds required by statute to collect them to the funds required by statute or budget to expend them, to move receipts restricted to debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments come due, and transfer accumulated surpluses from other funds to the General Fund. The transfer from Alaska Permanent Fund to the General Fund includes a \$1,293 billion transfer for payment of the Permanent Fund dividends and for administrative and associated costs of the dividend program. The transfer from other to the General Fund represents a transfer from the Unclaimed Property Fund, a fiduciary fund, which does not report the transfer out, for the sale of abandoned property, and an appropriation from the Investment Loss Trust account within the Supplemental Benefit Fund, a fiduciary fund, which does not report the transfer out, and a transfer from the International Airports Fund that was not reported as a transfer on their audited financial statements. The transfer from General Fund to other represents a transfer to the Public Building Fund, as well as rounding differences. The transfer from Enterprise Funds to other represents a transfer to the Unemployment Insurance Fund, as well as rounding differences.

NOTE 10 – 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, 2008, is \$28,915,441. This amount was calculated using the base pay on file for each employee as of June 30, 2008. 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 08 expended for school debt was \$91,103,263, 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 \$1,183,170,477. The State has in the past and may in the future appropriate less than the full amount to which the municipalities are entitled under statute.

C. RISK MANAGEMENT AND SELF-INSURANCE

The State maintains a risk management program that is administered by the Department of Administration, Division of Risk Management. The Division of Risk Management's objective is to protect the financial assets and operations of the State of Alaska from accidental loss through a comprehensive self-insurance program for normal and expected property and casualty claims of high frequency and low severity, combined with high-limit, broad-form excess insurance protection for catastrophic loss exposures.

Risk Management acts as the insurance carrier for each state agency, funding all sudden and accidental property and casualty claims. The annual premiums allocated by Risk Management are the maximum each agency is called upon to pay. This planning for known and catastrophic losses forestalls the need for the affected agency to request a supplemental appropriation or disrupt vital state services after a major property loss, adverse civil jury award, or significant workers' compensation claim.

By effectively managing the state's property and liability exposures through a comprehensive self-insurance program, Risk Management expends less public funds than would be paid to private insurance companies, while at the same time providing streamlined claims services utilizing professional adjusting firms located throughout Alaska.

Property insurance with all-risk (including earthquake and flood) coverage is provided on a replacement cost basis for all state-owned or leased property; buildings (including contents, museum fine arts, etc.), aircraft, watercraft (Alaska Marine Highway System ferries and other agency vessels), and large highway bridges.

Casualty coverages protect each state agency and their personnel from third-party civil (tort) liability claims alleged to have arisen from combined liability - general (premises/operations), automobile, professional (errors and omissions), medical malpractice, aviation (aircraft and airport), or marine (crew and passenger injuries).

Additional specialty coverage includes blanket public employee faithful performance and custom bonding, accidental death and disability (including medical expenses) for volunteers, computer fraud, and foreign liability, etc. These insurance programs continually evolve, responding to new activities and special projects undertaken by each state agency. The State has not incurred a loss in excess of its insurance program.

In FY 08, the State completely self-insured all statutory workers' compensation claims, general (premises and operations) and professional liability, and automobile liability. The State had Self-Insured Retention (SIR) levels of \$1 million per claim for property and marine risks, and \$250,000 per incident for airport and aviation liability exposures. Limits of excess insurance vary by risk: \$50 million per occurrence for marine, \$100 million for property, and \$500 million for aviation.

Both domestic and international insurance companies and various Lloyd's of London underwriting syndicates participate in the State of Alaska's excess insurance program. Independent brokers provide marketing. The State obtains an annual independent actuarial assessment of the state insurance program as required by AS 37.05.287(b) which calculates unfunded claims and allocated loss adjustment expenses (ALAE).

An unconstrained audit of the State of Alaska’s overall property and casualty insurance program performed by an independent risk management consultant found the retention levels and excess insurance coverage purchased are appropriate.

Risk Management’s budget is funded entirely through interagency receipts annually billed to each agency through a “Cost of Risk” premium allocation system. The Risk Management information system generates the annual cost of risk allocation to each agency, reflecting their proportionate share of the state’s overall cost of risk. Designed to achieve equitable distribution of the self-insurance program costs, it factors exposure values subject to loss and considers the past five years actual claims experience incurred by each department.

For most cost of risk allocations, 80 percent of the premium billing is based on the average of the past five years actual claims experience. This provides a direct fiscal incentive to each agency to reduce or control their claim costs.

The program compiles a property inventory schedule of all owned or leased buildings used or occupied by state agencies, listing age and type of building construction, occupancy, fire protection services and sprinkler systems, and projected replacement cost value. Individual premiums are then determined and, in cases of multiple occupancy, allocated to each department on the basis of their square foot use.

The “Cost of Risk” premium is collected through two methods from individual state agency operating budgets. Reimbursable Services Agreements (RSAs) are used for all categories of insurance other than Workers’ Compensation and Combined Liability (general, auto, and professional), which are assessed on a rate per \$100 payroll applied monthly to each agency’s actual payroll until the allocated premium is paid.

The table below presents changes in policy claim liabilities for the fiscal years ending June 30, 2007, and June 30, 2008. The state records its related liability using discounted amounts provided by actuaries. The amount of unpaid claim liabilities for Risk Management are presented at their present value using a 3.5 percent discount interest rate for FY 07 and a 3.5 percent discount interest rate for FY 08. Claims payment amounts include allocated loss adjustment expenses (legal and adjusting).

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments (Includes ALAE)	Ending Balance
2007	\$ 70,445,475	\$ 25,783,548	\$ (31,130,593)	\$ 65,098,430
2008	65,098,430	24,091,348	(31,887,028)	57,302,750

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 \$3,448,000, with an additional possible liability of \$299,786,000. The probable loss amount has been reported as long-term debt obligations.

The amount of revenue recognized by the Northern Tobacco Securitization Corporation could be adversely impacted by certain third party litigation involving tobacco companies and others.

The 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 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.

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, 2008, the Alaska Clean Water and the Alaska Drinking Water Funds are committed to funding loans for which they have entered into agreements for communities but funds have not yet been disbursed. The total amounts to be disbursed under these agreements is uncertain as not all of the loans are expected to be fully drawn and some loans may increase with changes in scope of the underlying projects; accordingly, they are not included in the financial statements for these funds.

At June 30, 2008, the Alaska Energy Authority had open loan commitments of \$4,596,000 and held approximately \$5,750,000 of investments in escrow.

At June 30, 2008, the Alaska Industrial Development and Export Authority (AIDEA) had extended loan commitments of \$26,797,000 and loan guarantees of \$845,000. In addition, AIDEA has legislative authorization to guarantee loans made to the Alaska Insurance Guarantee Association (AIGA). The AIGA pays, from assessments to member insurers, the claims of insurance companies put into liquidation by insurance regulators. Any guarantee is limited to loans necessary to make the AIGA financially able to meet cash flow needs up to a maximum outstanding principal balance at anytime of \$30,000,000. No loans have been made pursuant to this authorization.

H. INVESTMENT COMMITMENTS

The Alaska Retirement Management Board (ARMB) has entered into agreements with external investment managers to provide funding for future investments.

Investment Type/Term	PERS	TRS	JRS	NMRS
Domestic Equity Limited Partnerships Withdrawn annually in December with 90-days notice.	\$ 58,589,397	\$ 26,145,874	\$ 793,238	\$ 132,924
Limited Partnership				
To be paid through 2019.	493,056,100	220,349,814	-	-
To be paid through 2018.	58,080,852	25,951,218	-	-
Real Estate Investment				
To be paid through 2018.	200,592,634	89,382,437	1,914,351	-
	\$ 810,318,983	\$ 361,829,343	\$ 2,707,589	\$ 132,924

I. DEFINED BENEFIT RETIREE HEALTH PROGRAM CONTINGENCY

The Department of Administration determined that statutory changes were needed to ensure that the Defined Benefit Retiree Health Program is funded in compliance with the Internal Revenue Code. The Defined Benefit Retiree Health Program is funded through the Retirement Systems including the Public Employees' Retirement System, Teachers' Retirement System, and Judicial Retirement System. Consequently, during the fiscal year 2007 legislative session, a law was enacted that created the Alaska Retiree Health Care Trusts (ARHCT), two separate irrevocable trusts. Senate Bill 123 (SB 123), effective June 7, 2007, directs all separately calculated employer contributions for the retiree health benefits, and appropriations, earning and reserves for payment of retiree medical obligations, to be credited to the ARHCT. Pursuant to SB 123, Treasury and the Department of Administration established and implemented the ARHCT effective as of July 1, 2007. The ARHCT will be funded through contributions from employers and premiums paid by retirees.

The Department of Administration has received a favorable tax determination letter from the Internal Revenue Service during the filing cycle beginning on February 1, 2008 and ending on January 31, 2009, concerning the status of the pension plan it administers as qualified governmental plans under Internal Revenue code Sections 401(a) and 414(d).

The Department of Administration recently received Internal Revenue Service approval to transfer balances as of June 30, 2007 from the respective pension system Postemployment Healthcare funds to the ARHCT fund during fiscal year 2008. Movement of investment funds will occur during fiscal year 2009.

NOTE 11 – SUBSEQUENT EVENTS

A. ALASKA MUNICIPAL BOND BANK AUTHORITY

Subsequent to June 30, 2008, the Bond Bank issued one general obligation bond series:

General Obligation Bonds, 2008 Series Two, in the face amount of \$19,700,000 with interest rates ranging from 4 percent to 6 percent, over maturities of June 2009 through June 2036.

B. ALASKA CLEAN WATER FUND

Plans are in place to issue Series A Revenue Bond Anticipation Notes for FY 09 in an amount not to exceed \$2,040,000. Although this transaction has not yet been finalized, the issuance of the bonds is imminent. The borrowing is to be secured by interest earnings of the Alaska Clean Water Fund.

C. ALASKA DRINKING WATER FUND

Plans are in place to issue Series A Revenue Bond Anticipation Notes for FY 09 in an amount not to exceed \$1,100,000. Although this transaction has not yet been finalized, the issuance of the bonds is imminent. The borrowing is to be secured by interest earnings of the Alaska Drinking Water Fund.

D. ALASKA HOUSING FINANCE CORPORATION

Plans are in place to issue Series B Home Mortgage Revenue Bonds for FY 09 in an amount not to exceed \$85,000,000.

E. PUBLIC EMPLOYEE RETIREMENT SYSTEM

The Alaska Legislature passed and signed into law Chapter 13, SLA 2008 (SB 125) which converted the Public Employees' Retirement System to a cost-sharing plan and provided for an integrated system of accounting for all employers. Under the integrated system, the Public Employees' Retirement System defined benefit plan's unfunded liability will be shared among all employers. This bill became effective July 1, 2008.

F. INVESTMENT VOLATILITY

Recent market conditions have resulted in an unusually high degree of volatility and decreased short-term liquidity of many investments held by the State of Alaska. There has been a significant negative return on investment assets since the Balance Sheet date. This could adversely impact the funding status of the retirement funds, the ability of the Alaska Permanent Fund to offset the effect of inflation on the principal of the Fund, and the overall investment earnings of the State.

Effective September 29, 2008, Wachovia Bank, N.A., as Trustee of the Commonfund for Short Term Investments (the "Short Term Fund") announced its decision to terminate and liquidate the Short Term Fund. No additional contributions to the Short Term Fund will be accepted. Under the liquidation plan, investors in the Short Term Fund will be allowed to withdraw balances based on their proportional interest in the Short Term Fund as assets mature or are sold. The University of Alaska had a balance as of June 30, 2008 of \$29.4 million deposited in the Short Term Fund. Realization of this value depends upon market conditions including the liquidity of the Short Term Fund's assets during the liquidation period. The University of Alaska is not anticipating any adverse effect on its available working capital.

G. AGRICULTURAL REVOLVING LOAN FUND

On September 9, 2007, Agriculture Revolving Loan Fund (ARLF), acting through the Board of Agriculture and Conservation approved a resolution recommending the sale of all, or substantially all, of the Creamery Corporation, d/b/a Matanuska Maid (the Corporation) property, plant, and equipment. The disposal plan includes closing the Matanuska Maid Creamery and

Distribution Center located in Anchorage and the Matanuska Maid Blow Mold facility located in Palmer. On October 12, 2007 Public Notice of Competitive Sealed Bid was issued for the sale of real and personal property of the Corporation with a minimum acceptable offer for the entire property of \$3,350,000; however, no bids were received during this bid opening.

As of June 30, 2008 the buildings had not sold. In August 2008 the Matanuska Maid Creamery and Distribution Center located in Anchorage was sold for \$1.5 million, which was the minimum bid for that facility. The Matanuska Maid Blow Mold facility in Palmer is expected to go up for sale with a minimum bid of \$1.3 million.

H. RELATED PARTY ACTIVITY

Beginning in September 2008, the Alaska Housing Capital Corporation implemented a program to temporarily purchase and hold certain variable-rate debt obligations from its parent entity, the Alaska Housing Finance Corporation. Such obligations were purchased via arm's length, open-market transactions. As of October 31, 2008 the Alaska Housing Capital Corporation held \$95,460,000 par value of such securities.

Required Supplementary Information



STATE OF ALASKA
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2008
 (Stated in Thousands)

STATEMENT 2.01

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Unrestricted:				
Taxes	\$ 2,028,853	\$ 2,029,579	\$ 7,622,370	\$ (5,592,791)
Licenses and Permits	103,104	109,182	114,669	(5,487)
Charges for Services	156,020	164,622	178,835	(14,213)
Fines and Forfeitures	14,400	14,400	18,503	(4,103)
Rents and Royalties	1,420,098	1,420,521	2,335,870	(915,349)
Premiums and Contributions	145	161	12,625	(12,464)
Interest and Investment Income	245,200	245,200	420,798	(175,598)
Payments In from Component Units	50,463	50,463	50,463	
Other Revenues	18,716	18,716	15,226	3,490
Restricted:				
Federal Grants in Aid	6,442,687	6,411,331	1,832,809	4,578,522
Interagency	619,365	916,280	557,669	358,611
Payments In from Component Units	152,553	149,105	65,173	83,932
Other Revenues	68,714	714	922	(208)
Total Revenues	11,320,318	11,530,274	13,225,932	(1,695,658)
EXPENDITURES				
Current:				
General Government	834,947	856,507	673,714	182,793
Alaska Permanent Fund Dividend	1,001,002	1,001,002	990,379	10,623
Education	1,014,104	1,941,411	1,877,124	64,287
University	941,821	994,492	373,728	620,764
Health and Human Services	2,566,015	2,869,336	2,053,426	815,910
Law and Justice	244,324	267,547	236,973	30,574
Public Protection	832,517	929,498	734,222	195,276
Natural Resources	549,118	613,134	359,894	253,240
Development	521,969	593,314	358,756	234,558
Transportation	5,424,785	5,883,986	1,852,249	4,031,737
Intergovernmental Revenue Sharing	119,563	132,824	131,303	1,521
Debt Service:				
Principal	8,382	8,522	8,425	97
Interest and Other Charges	2,860	2,860	2,860	
Total Expenditures	14,061,407	16,094,433	9,653,053	6,441,380
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,741,089)</u>	<u>(4,564,159)</u>	<u>3,572,879</u>	<u>(8,137,038)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In from Other Funds	2,817,795	7,438,856	7,437,902	954
Transfers (Out to) Other Funds	(2,008,452)	(6,629,592)	(6,629,592)	
Total Other Financing Sources and Uses	809,343	809,264	808,310	954
Excess (Deficiency) of Revenues, Other Financing Sources, Special Items, Over (Under) Expenditures, Other Financing Uses and Special Items, Budgetary Basis				
	<u>\$ (1,931,746)</u>	<u>\$ (3,754,895)</u>	4,381,189	<u>\$ (8,136,084)</u>
Reconciliation of Budgetary/ GAAP Reporting:				
Adjust Expenditures for Encumbrances			1,812,734	
Basis Difference			<u>784,646</u>	
Excess (Deficiency) of Revenues, GAAP Basis				
			6,978,569	
Fund Balances - Beginning of Year				
			7,637,897	
Fund Balances - End of Year				
			<u>\$ 14,616,466</u>	

**Note to Required Supplementary Information – Budgetary Reporting
For the Fiscal Year Ended June 30, 2008**

The Budgetary Comparison Schedule – General Fund presents comparisons of the original and final adopted budget with actual data on a budgetary basis. The State issues a separate legal basis budgetary report, which demonstrates legal compliance with the budget. A copy of this report may be obtained by contacting the State of Alaska, Department of Administration, Division of Finance, P.O. Box 110204, Juneau, AK 99821-0204, or may be viewed online at http://fin.admin.state.ak.us/dof/financial_reports/cafr_toc.jsp, the Division of Finance web page under the “Of Interest”, “Financial Reports” section.

The legislature's legal authorization (appropriations) to incur obligations is enacted on a basis inconsistent with Generally Accepted Accounting Principles (GAAP). The reconciliation of the budgetary basis to GAAP is shown directly on the Budgetary Comparison Schedule – General Fund. Both the annual operating budget and the net continuing total budget are included.

The types of differences are as follows:

- Encumbrances are included for total authorized expenditures, although for GAAP purposes they are excluded.
- There was financial activity related to reimbursable services agreements (RSA) and interfund transactions that were recorded in the general fund and in other funds. For budgetary purposes, that activity was left in the general fund, but for GAAP purposes it was eliminated from the general fund.
- Basis differences arise when the budgetary basis of accounting differs from the basis of accounting applicable to fund type when reporting on operations in accordance with GAAP. This difference is comprised of the following in the general fund (in thousands):

Petroleum Severance Taxes and Royalties	\$ 790,152
Medical Assistance Program	(7,306)
Working Reserve	4,006
Tobacco Tax	(1,523)
Alcohol Tax	971
Tire Tax	(19)
Vehicle Rental Tax	117
Commercial Passenger Vessel Excise Tax	(1,752)
Total General Fund Basis Difference	\$ 784,646



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Combining Fund Statements





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General Fund

The General Fund is the State's primary operating fund. All public monies and revenues coming into the state treasury not specifically authorized by statute to be placed in a special fund constitute the General Fund. Unlike other funds held in the name of the State, the General Fund has become a fundamental component of our fund structure without benefit of formal creation by the Constitution or the Alaska Statutes.

There are several accounts and funds that have been created by law which are considered a part of the General Fund. These are treated as subfunds of the General Fund and are accounted for as individual funds for accounting purposes but they are included in the General Fund for annual financial reporting purposes. The following lists those funds and accounts.

- **Adak Airport Operations Fund (Fund 11181)** – PL 101-510 – The Alaska Department of Transportation and Public Facilities and the United States Department of Defense entered into a cooperative agreement under which the State will undertake operation and maintenance of a portion of the former Naval Air Facility known as the Adak Airport. In accordance with the agreement, the Navy paid the State \$10,000,000 to operate and maintain the airport.
- **Alaska Capital Income Fund (Fund 11185)** – AS 37.05.545 – Administered by the Department of Revenue. This fund consists of money deposited to the fund from income earned on money awarded in or received as a result of State v. Amerada Hess and of appropriations to the fund. Money may be appropriated from this fund for any public purpose, including covering annual debt service and reserves for debt service on bonds authorized by state law.
- **Alaska Children's Trust Fund (Fund 34050)** – AS 37.14.200 – Administered by the Department of Health and Social Services and the Alaska Children's Trust Board established in the Office of the Governor. The income from this endowment is used to provide a continuing source of revenue for grants to community-based programs for the prevention of child abuse and neglect.
- **Alaska Debt Retirement Fund (Fund 11138)** – AS 37.15.011 – The fund consists of all money appropriated to it. The fund was established to help meet the General Fund debt obligations of the State and its political subdivisions, to fund lease-purchases, and to finance capital projects with money remaining after debt obligations are paid.
- **Alaska Gasline Inducement Act Reimbursement (Fund 11188)** – AS 43.90.400 – Administered by the Office of the Governor. This fund consists of money appropriated to it by the legislature for reimbursing a percentage of qualified expenditures as authorized under AS 43.90.110. These state matching contributions serve as an inducement to aid in the construction of a natural gas pipeline.
- **Alaska Historical Commission Receipts Account (Fund 11111)** – AS 41.35.380 – Administered by the Department of Natural Resources. Consists of all monetary gifts, grants, bequests, royalties, and other income received by the Alaska Historical Commission and is used for commission projects.
- **Alaska Marine Highway System Fund (Fund 12135)** – AS 19.65.060 – Administered by the Department of Transportation and Public Facilities, Alaska Marine Highway System. Gross revenues of the Alaska Marine Highway System are deposited into the fund. The fund also consists of legislative appropriations of amounts necessary to provide stable services to the public, after consideration of gross revenue.
- **Alaska Marine Highway System Vessel Replacement Fund (Fund 11137)** – AS 37.05.550 – Managed by the Department of Revenue. The fund consists of money appropriated to it by the legislature. The legislature may appropriate money from the fund for refurbishment of existing state ferry vessels, acquisition of additional state ferry vessels, or replacement of retired or outmoded state ferry vessels.
- **Alaska Technical and Vocational Education Program Fund (Fund 11166)** – AS 23.15.830 – Administered by the Department of Labor and Workforce Development. The fund consists of amounts collected under AS 23.15.835. The legislature may appropriate the annual estimated balance in the fund to the Alaska Workforce Investment Board to implement AS 23.15.820 – 23.15.850. The legislature may appropriate the lapsing balance of the fund to the Unemployment Compensation Fund established in AS 23.20.130.

- **Alaska Transportation Infrastructure Bank (Fund 21653)** – Section 350 of the National Highway System Designation Act of 1995 Federal Law – Managed by the Department of Transportation and Public Facilities. This fund was established as a pilot program with the U.S. Department of Transportation to increase infrastructure investment in the private sector. The fund has the ability to make loans and provide other forms of credit assistance to public and private entities to carry out highway construction and transit capital projects.
- **Alaska Veterans’ Memorial Endowment (Fund 36010)** – AS 37.14.700(a) – Administered by the Department of Military and Veterans’ Affairs. The fund is used to maintain and develop veteran or military memorials. The fund consists of appropriations to the fund, donations to the fund, and income earned on investments of fund assets.
- **Alcohol and Other Drug Abuse Treatment and Prevention Fund (Fund 11178)** – AS 43.60.050 – Administered by the Department of Health and Social Services. The fund is used to establish and maintain programs for the prevention and treatment of alcoholism, drug abuse, and misuse of hazardous volatile materials and substances by inhalant abusers under AS 47.37.030.
- **Anatomical Gift Awareness Fund (Fund 11183)** – AS 13.50.160(a) – Administered by the Department of Administration. This fund was established to promote gifts under AS 13.50 the Health Care Decisions Act and to administer the donation program established under AS 13.50.130. The fund consists of donations and fees collected to support the Donor Registry Program.
- **Art in Public Places Fund (Fund 11124)** – AS 44.27.060 – Administered by the Alaska State Council on the Arts. This fund consists of one percent of the construction cost of buildings exempt from AS 35.27. The money is used to commission or purchase art for public state-owned or leased buildings or facilities.
- **Assistive Technology Loan Guarantee Fund (Fund 11154)** – AS 23.15.125 – Administered by the Department of Labor and Workforce Development, Division of Vocational Rehabilitation (DVR). The fund consists of money appropriated to it. DVR may solicit and accept available public and private money for distribution from the fund. Money in the fund may be used to guarantee 90 percent of the principal amount of a loan or to subsidize the interest rate of a loan guaranteed by DVR for appropriate assistive technology.
- **Budget Reserve Fund (Fund 11115)** – AS 37.05.540 – Administered by the Department of Revenue. This fund consists of appropriations to the fund. Money received by the State that is subject to the appropriation limit under AS 37.05.540(b) and that exceeds that limit may be appropriated to the budget reserve fund.
- **Building Safety Account (Fund 11177)** – AS 44.31.025 – Administered by the Department of Labor and Workforce Development. The collection of fees associated with building inspection and the issuance of certificates of fitness will be deposited in the Building Safety Account. The legislature may appropriate money from the account for necessary costs incurred by the Department of Labor and Workforce Development in the administration of AS 18.60.180 – 18.60.395, 18.60.800 – 18.60.620 and AS 18.62 relating to building safety and certificates of fitness.
- **Commercial Passenger Vessel Environmental Compliance Fund (Fund 11174)** – AS 46.03.482 – Administered by the Department of Environmental Conservation. Sources of income for this fund include: (1) money received by the department in payment of fees under AS 46.03.480; (2) money received as a result of a violation; (3) money appropriated to the fund by the legislature; (4) earnings on the fund. The legislature may make appropriations from this fund to the department to pay for the department’s operational costs necessary to prepare reports that assess the information received by the department for the cruise ship seasons of 2000, 2001, 2002, and 2003 and for the department’s operational costs necessary to carry out activities under AS 46.03.460 – 46.03.490 relating to commercial passenger vessels.
- **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.

- **Correctional Industries Fund (Fund 22654)** – AS 33.32.020 – Administered by the Department of Corrections. This statute was repealed effective June 30, 2005. This fund accounted for correctional industries program activities which included a commercial laundry service and a furniture manufacturing enterprise. The correctional industries program provided employment for inmates at several of the State’s correctional institutions. All expenses of the correctional industries program were financed from the correctional industries fund and budgeted in accordance with the executive budget.
- **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.
- **Permanent Fund Dividend Fund (Fund 33020)** – AS 43.23.045 – Administered by the Department of Revenue. This fund consists of 50 percent of the income earned by the Alaska Permanent Fund during the fiscal year ending on June 30 that is paid out to eligible Alaska residents.
- **Public Education Fund (Fund 11184)** – AS 14.17.300 – Administered by the Department of Education and Early Development. This account may be expended only in aid of public schools and for centralized correspondence study programs under Chapter 17 – Financing of Public Schools, and for transportation of pupils under AS 14.09.010.
- **Railbelt Energy Fund (Fund 11123)** – AS 37.05.520 – Managed by the Department of Revenue. The legislature may appropriate money from the fund for programs, projects, and other expenditures to assist in meeting Railbelt energy needs, including projects for retrofitting state-owned buildings and facilities for energy conservation.

- **Randolph-Sheppard Small Business Fund (Fund 11118)** – AS 23.15.130, 20 USC 107-107(f) – Administered by the Department of Labor and Workforce Development. This fund consists of receipts from vending facilities on federal properties and is used to aid only blind licensees in operating vending machine facilities.
- **Real Estate Surety Fund (Fund 11121)** – AS 08.88.450 – Administered by the Department of Commerce, Community, and Economic Development. This fund is composed of payments made by real estate licensees under AS 08.88.455 and filing fees under AS 08.88.460, income earned on investment of the money in the fund, and money deposited in the fund under AS 08.88.450(c). Amounts in the fund may be appropriated for claims against the fund, for hearing and legal expenses directly related to fund operations and claims, and real estate educational purposes.
- **School Construction Grant Fund (Fund 11143)** – AS 14.11.005 – Administered by the Department of Education and Early Development. The fund shall be used to make grants for the costs of school construction. Legislative appropriations for school construction shall be deposited in the fund and the proceeds from the sale of general obligation bonds for school construction may be deposited in the fund.
- **School Trust Land Sales (Fund 11162)** – Established per attorney general memo regarding Public School Trust Litigation. Used to separately account for the sales of 21 parcels of public school trust land, the status of which is in litigation.
- **Senior Care Fund (Fund 11182)** – Chapter 3, SLA 2004 amended the uncodified law of the State of Alaska by creating the Senior Care Fund to be used by the Department of Health and Social Services. The fund is used to pay for the costs incurred for the provision of senior services under the senior care program. The department shall provide cash assistance and prescription drug benefits as far as practicable under appropriations provided by law.
- **State Insurance Catastrophe Reserve Account (Fund 11133)** – AS 37.05.289 – Administered by the Department of Administration. Assets of the account may be used to obtain insurance, to establish reserves for the self-insurance program, and to satisfy claims or judgments arising under the program.
- **State Land Disposal Income Fund (Fund 11164)** – AS 38.04.022(a) – Administered by the Department of Natural Resources. The fund consists of revenue from the state land disposal program.
- **State Land Reforestation Fund (Fund 12130)** – AS 41.17.300 – Administered by the Department of Natural Resources. The money in the state land reforestation fund may be used only for the reforestation of state land, including site preparation; seed and seedling acquisition and cultivation; planting and other reforestation measures; timber stand improvement; and the development of materials and techniques for the reforestation of state land.
- **Storage Tank Assistance Fund (Fund 11136)** – AS 46.03.410 – Administered by the Department of Environmental Conservation. The fund consists of money appropriated to it by the legislature. The receipts of the fund may be used for certain costs as defined in AS 46.03.410(a) relating to underground petroleum storage tank systems and for grants and loans.
- **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 TAPS (Trans-Alaska Pipeline Liability Fund) to the State of Alaska for its contributions as an owner of oil. The funds are to be used for the remediation of above-ground storage tanks.
- **Training and Building Fund (Fund 12121)** – AS 23.20.130(d) – Administered by the Department of Labor and Workforce Development. This fund consists of interest and penalties for failure to file timely reports and pay contributions to the Unemployment Compensation Fund. It may be used for the administration of the Employment Security Act when federal funds are not available and for the acquisition of land and buildings for the purpose of providing office space for the department.

- **Unincorporated Community Capital Project Matching Grant Fund (Fund 11147)** – AS 37.06.020 – Administered by the Department of Commerce, Community, and Economic Development. This fund was created for unincorporated communities to acquire or improve an asset with an anticipated life exceeding one year and includes land acquisition, construction, repair or structural improvement of a facility, engineering and design for a facility, and acquisition or repair of equipment.
- **Vocational Rehabilitation Small Business Enterprise Revolving Fund (Fund 11116)** – AS 23.15.130 – Administered by the Department of Labor and Workforce Development, Division of Vocational Rehabilitation. This fund consists of receipts from the net proceeds of vending facilities on public property. The annual estimated receipts of the fund may be used by the legislature to make appropriations to the department to aid licensees in operating vending machine facilities.
- **Workers' Compensation Benefits Guaranty Fund (Fund 11186)** – AS 23.30.082 – Administered by the Department of Labor and Workforce Development. This fund is composed of civil penalty payments made by employers under AS 23.30.080, income earned on investment of the money in the fund, money deposited in the fund, and appropriations to the fund. The fund may be appropriated for claims against the fund, for expenses directly related to fund operations and claims, and for legal expenses.
- **Workers' Safety and Compensation Administration Account (Fund 11173)** – AS 23.05.067 – Administered by the Department of Labor and Workforce Development. This fund is used to account for the annual service fees collected from employers for the administrative expenses of the State for workers' safety programs under AS 18.60 and the workers' compensation program under AS 23.30.





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STATE OF ALASKA
 Combining Balance Sheet
 General Fund
 June 30, 2008
 (Stated in Thousands)

STATEMENT 3.01

	General Fund		
	Constitutional Budget Reserve Subfund	Permanent Fund Dividend Subfund	Public Education Subfund
ASSETS			
Cash and Investments	\$ 5,601,126	\$ 18,332	\$ 927,028
Accounts Receivable - Net	641	2	134
Interest and Dividends Receivable	216	48	
Due from Other Funds	2,611,923	1,293,207	
Due from Component Units			
Due from Other Governments		295	
Loans, Notes, and Bonds Receivable			
Inventories			
Other Assets		4	
Total Assets	\$ 8,213,906	\$ 1,311,888	\$ 927,162
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 183	\$ 4,421	\$
Due to Other Funds		611	
Due to Component Units			
Due to Other Governments			
Unearned and Deferred Revenue		68	
Other Liabilities		5	
Total Liabilities	183	5,105	0
Fund Balances:			
Reserved:			
Encumbrances		1,318	
Nonliquid Assets	150,093		
Other Purposes			
Unreserved:			
Designated for Continuing Appropriations		812	
Designated for Other	641	1,304,653	927,162
Undesignated	8,062,989		
Total Fund Balances	8,213,723	1,306,783	927,162
Total Liabilities and Fund Balances	\$ 8,213,906	\$ 1,311,888	\$ 927,162

STATEMENT 3.01

General and all Other Subfunds	Eliminations of Internal Balances	Total General Fund
\$ 6,013,889	\$	\$ 12,560,375
1,291,131		1,291,908
5,897		6,161
1,134,559	(3,612,586)	1,427,103
8,942		8,942
374,714		375,009
20,455		20,455
15,072		15,072
26,058		26,062
<u>\$ 8,890,717</u>	<u>\$ (3,612,586)</u>	<u>\$ 15,731,087</u>
\$ 630,152	\$	\$ 634,756
3,732,188	(3,612,586)	120,213
16,831		16,831
126		126
341,679		341,747
943		948
<u>4,721,919</u>	<u>(3,612,586)</u>	<u>1,114,621</u>
661,904		663,222
49,347		199,440
36,072		36,072
1,818,871		1,819,683
1,752,697		3,985,153
(150,093)		7,912,896
<u>4,168,798</u>	<u>0</u>	<u>14,616,466</u>
<u>\$ 8,890,717</u>	<u>\$ (3,612,586)</u>	<u>\$ 15,731,087</u>

STATE OF ALASKA
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
General Fund
June 30, 2008
(Stated in Thousands)

STATEMENT 3.02

	General Fund		
	Constitutional Budget Reserve Subfund	Permanent Fund Dividend Subfund	Public Education Subfund
REVENUES			
Taxes	\$ 219,005	\$	\$
Licenses and Permits			
Charges for Services		288	
Fines and Forfeitures		252	
Rents and Royalties	31,309		
Premiums and Contributions			
Interest and Investment Income	176,511		
Federal Grants in Aid		3,772	
Payments In from Component Units			
Other Revenues		118	2
Total Revenues	<u>426,825</u>	<u>4,430</u>	<u>2</u>
EXPENDITURES			
Current:			
General Government	11,051	7,706	
Alaska Permanent Fund Dividend		990,379	
Education			900,611
University			
Health and Human Services		12,865	
Law and Justice		1,068	
Public Protection		12,552	
Natural Resources			
Development			
Transportation			
Intergovernmental Revenue Sharing			
Debt Service:			
Principal			
Interest and Other Charges			
Total Expenditures	<u>11,051</u>	<u>1,024,570</u>	<u>900,611</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>415,774</u>	<u>(1,020,140)</u>	<u>(900,609)</u>
OTHER FINANCING SOURCES (USES)			
Capital Leases			
Transfers In from Other Funds	467	1,293,207	291,381
Transfers (Out to) Other Funds			
Total Other Financing Sources and Uses	<u>467</u>	<u>1,293,207</u>	<u>291,381</u>
Net Change in Fund Balances	<u>416,241</u>	<u>273,067</u>	<u>(609,228)</u>
Fund Balances - Beginning of Year	<u>7,797,482</u>	<u>1,033,716</u>	<u>1,536,390</u>
Fund Balances - End of Year	<u>\$ 8,213,723</u>	<u>\$ 1,306,783</u>	<u>\$ 927,162</u>

STATEMENT 3.02

General and all Other Subfunds	Eliminations of Internal Balances	Total General Fund
\$ 8,038,144	\$	\$ 8,257,149
114,669		114,669
178,547		178,835
18,251		18,503
2,457,727		2,489,036
12,625		12,625
269,596		446,107
1,893,527		1,897,299
115,635		115,635
16,028		16,148
<u>13,114,749</u>	<u>0</u>	<u>13,546,006</u>
497,620		516,377
		990,379
776,509		1,677,120
373,726		373,726
1,864,488		1,877,353
206,486		207,554
564,825		577,377
233,166		233,166
238,540		238,540
1,004,380		1,004,380
128,564		128,564
8,285		8,285
2,860		2,860
<u>5,899,449</u>	<u>0</u>	<u>7,835,681</u>
7,215,300	0	5,710,325
59,651		59,651
59,046	(291,848)	1,352,253
(435,508)	291,848	(143,660)
(316,811)		1,268,244
6,898,489	0	6,978,569
(2,729,691)		7,637,897
<u>\$ 4,168,798</u>	<u>\$ 0</u>	<u>\$ 14,616,466</u>



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Nonmajor Governmental Funds



STATE OF ALASKA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008
(Stated in Thousands)

STATEMENT 3.11

	Permanent Fund	
	Public School Trust Fund	Special Revenue Funds
ASSETS		
Cash and Investments	\$ 363,949	\$ 433,035
Accounts Receivable - Net	2,026	2,635
Interest and Dividends Receivable	756	
Due from Other Funds	662	249
Due from Component Units		
Due from Other Governments		4,946
Loans, Notes, and Bonds Receivable	76	
Other Assets		70
Total Assets	\$ 367,469	\$ 440,935
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 6	\$ 6,080
Due to Other Funds		5,581
Unearned and Deferred Revenue	1,079	35
Other Liabilities	3	372
Total Liabilities	1,088	12,068
Fund Balances:		
Reserved:		
Encumbrances		30,077
Debt Service		
Other Purposes	350,784	895
Unreserved:		
Designated for Continuing Appropriations	583	355,457
Designated for Other		3,963
Undesignated	15,014	38,475
Total Fund Balances	366,381	428,867
Total Liabilities and Fund Balances	\$ 367,469	\$ 440,935

STATEMENT 3.11

Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
\$ 41,123	\$ 99,115	\$ 937,222
		4,661
	251	1,007
975	70,640	72,526
	514	514
		4,946
		76
		70
<u>\$ 42,098</u>	<u>\$ 170,520</u>	<u>\$ 1,021,022</u>
	1,355	\$ 7,441
	2,818	8,399
		1,114
		375
<u>0</u>	<u>4,173</u>	<u>17,329</u>
	52,832	82,909
42,098		42,098
		351,679
	104,579	460,619
		3,963
	8,936	62,425
42,098	166,347	1,003,693
<u>\$ 42,098</u>	<u>\$ 170,520</u>	<u>\$ 1,021,022</u>

STATE OF ALASKA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2008
(Stated in Thousands)

STATEMENT 3.12

	Permanent Fund	
	Public School Trust Fund	Special Revenue Funds
REVENUES		
Taxes	\$	\$ 24,925
Licenses and Permits		35,538
Charges for Services		378
Fines and Forfeitures	3	167
Rents and Royalties	16,654	5,246
Premiums and Contributions		4,895
Interest and Investment Income	(8,946)	21,898
Federal Grants in Aid		28,259
Other Revenues		(34)
Total Revenues	<u>7,711</u>	<u>121,272</u>
EXPENDITURES		
Current:		
General Government	149	1,737
Education	12,365	23,361
University		
Health and Human Services		4,105
Natural Resources		60,031
Development		12,511
Transportation		29
Debt Service:		
Principal		
Interest and Other Charges		
Total Expenditures	<u>12,514</u>	<u>101,774</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,803)</u>	<u>19,498</u>
OTHER FINANCING SOURCES (USES)		
Transfers In from Other Funds	11	5,029
Transfers (Out to) Other Funds		(7,278)
Total Other Financing Sources and Uses	<u>11</u>	<u>(2,249)</u>
Net Change in Fund Balances	<u>(4,792)</u>	<u>17,249</u>
Fund Balances - Beginning of Year	371,173	411,618
Fund Balances - End of Year	<u>\$ 366,381</u>	<u>\$ 428,867</u>

STATEMENT 3.12

Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
\$	\$	\$
		24,925
		35,538
		378
		170
		21,900
		4,895
2,032	3,897	18,881
27,794		28,259
<u>29,826</u>	<u>3,897</u>	<u>27,760</u>
		1,886
	4,030	39,756
	8,733	8,733
		4,105
	3,682	63,713
		12,511
	31,943	31,972
37,585		37,585
41,349	2,337	43,686
<u>78,934</u>	<u>50,725</u>	<u>243,947</u>
(49,108)	(46,828)	(81,241)
51,086	70,642	126,768
	(6,608)	(13,886)
<u>51,086</u>	<u>64,034</u>	<u>112,882</u>
1,978	17,206	31,641
40,120	149,141	972,052
<u>\$ 42,098</u>	<u>\$ 166,347</u>	<u>\$ 1,003,693</u>



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Permanent Funds

Permanent funds account for permanent endowments created when the principal amount of a contribution must be invested and preserved but earnings on amounts invested can be used for public purpose. Following are the State's permanent funds.

- **Alaska Mental Health Trust Authority (Fund 34040)** – AS 47.30.011 – This is a Discretely Presented Component Unit. The fund description is contained in the Notes to the Basic Financial Statements, Note 1A. Statements are included in the Nonmajor Component Units section.
- **Alaska Permanent Fund (Fund 34030)** – Alaska Constitution, Article IX, Section 15 – Administered by the Alaska Permanent Fund Corporation. The Alaska Constitution provides that at least 25 percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments, and bonuses received by the State shall be placed in the Alaska Permanent Fund. This is a major fund and included in Statements 1.11, 1.13, and 3.23.
- **Public School Trust Fund (Fund 34010)** – AS 37.14.110 – Administered by the Department of Revenue. The principal consists of the balance of the public school permanent fund on July 1, 1978, and one-half of one percent of the receipts derived from the management of state land (AS 34.14.150). The net income of the fund may be appropriated only for the support of the state public school program. This is a non-major fund and is included in Statements 3.11, 3.12, and 3.23.



Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Permanent Funds

For the Fiscal Year Ended June 30, 2008

(Stated in Thousands)

	Public School Trust		
	Budget	Actual	Variance with Budget
REVENUES			
Unrestricted:			
Fines and Forfeitures	\$ 3	\$ 3	\$ 0
Rents and Royalties	16,654	16,654	0
Interest and Investment Income	(9,216)	(9,216)	0
Total Revenues	<u>7,441</u>	<u>7,441</u>	<u>0</u>
EXPENDITURES			
Current:			
General Government	233	149	84
Education	12,095	12,095	0
Law and Justice			
Natural Resources	583		583
Total Expenditures	<u>12,911</u>	<u>12,244</u>	<u>667</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(5,470)</u>	<u>(4,803)</u>	<u>(667)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In from Other Funds	11	11	0
Transfers (Out to) Other Funds			
Total Other Financing Sources and Uses	<u>11</u>	<u>11</u>	<u>0</u>
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), Budgetary Basis	<u>\$ (5,459)</u>	<u>(4,792)</u>	<u>\$ (667)</u>
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), GAAP Basis		<u>(4,792)</u>	
Fund Balances - Beginning of Year		<u>371,173</u>	
Fund Balances - End of Year		<u>\$ 366,381</u>	

Alaska Permanent			Total Permanent Funds		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
\$ 843,760	\$ 843,760	\$ 0	\$ 860,414	\$ 860,414	\$ 0
(1,378,559)	(1,378,559)	0	(1,387,775)	(1,387,775)	0
(534,799)	(534,799)	0	(527,358)	(527,358)	0
78,491	78,491	0	78,724	78,640	84
1,477	1,477	0	12,095	12,095	0
4,781	4,781	0	1,477	1,477	0
84,749	84,749	0	5,364	4,781	583
(619,548)	(619,548)	0	97,660	96,993	667
			(625,018)	(624,351)	(667)
49		49	60	11	49
(1,325,618)	(1,325,618)	0	(1,325,618)	(1,325,618)	0
(1,325,569)	(1,325,618)	49	(1,325,558)	(1,325,607)	49
<u>\$ (1,945,117)</u>	(1,945,166)	<u>\$ 49</u>	<u>\$ (1,950,576)</u>	(1,949,958)	<u>\$ (618)</u>
	(1,945,166)			(1,949,958)	
	37,826,096			38,197,269	
	<u>\$ 35,880,930</u>			<u>\$ 36,247,311</u>	



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Nonmajor Special Revenue Funds

Special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. Additionally, special revenue funds account for the General Fund of legally separate entities (component units) that are blended with the government. The following are the State's special revenue funds.

- **Alaska Housing Capital Corporation (AHCC) (Fund 34076)** – AS 18.56.086 – Subsidiary of Alaska Housing Finance Corporation (AHFC). The purpose of this fund is to fund capital projects, including financing expenses. AHCC is authorized to issue bonds necessary to provide sufficient funds for carrying out its purpose.
- **Alyeska Settlement Trust Fund (Fund 12138)** – Consent Decree between the United States, the State of Alaska, and Alyeska Pipeline Service Company – Administered by the Department of Revenue. The fund was created for the purpose of receiving, holding, and disbursing settlement proceeds from Alyeska under the Consent Decree. The funds are to be used to clean up oil spills and for other projects specified in the Consent Decree.
- **Clean Air Protection Fund (Fund 12133)** – AS 46.14.260 and Federal Clean Air Act – Administered by the Department of Environmental Conservation. The fund was established to collect and account for permit fees under the Federal Clean Air Act. Monies collected may only be used to cover reasonable costs required to support the permit program.
- **Exxon Valdez Oil Spill Restoration Fund (Fund 12136)** – United States District Court judgement in the criminal case U.S. v. Exxon Shipping Company and Exxon Corporation resulted in \$50 million restitution being received by the State to be used exclusively for restoration projects related to the Exxon Valdez oil spill. Administered by the Department of Revenue.
- **Exxon Valdez Settlement Trust Fund (Fund 33070)** – AS 37.14.400 – Memorandum of Agreement and Consent Decree between the United States (U.S.) and the State of Alaska to maximize the funds available for restoration of natural resources and to resolve the governments' claims against one another relating to the Exxon Valdez Oil Spill, which occurred on the night of March 23-24, 1989, in Prince William Sound, Alaska. The funds are administered by the trustee council which consists of the Secretaries of the U.S. Departments of the Interior and Agriculture and the Administrator of the National Oceanic and Atmospheric Administration (the federal trustees) and the Commissioners of the Departments of Environmental Conservation and Fish and Game and the Attorney General of the State of Alaska (State trustees). The trustee council determines which projects shall be financed by monies from the trust. The Exxon Valdez Settlement Trust Fund established in the state accounting system accounts for those monies transferred to the State for projects approved by the trustee council. These projects are for the purpose of restoring, replacing, enhancing, rehabilitating, or acquiring the equivalent of natural resources injured, lost, or destroyed as a result of the oil spill.
- **Fish and Game Fund (Fund 12122)** – AS 16.05.100 – Administered by the Department of Fish and Game. Statutory revenue in this fund can only be used for the purpose of protection, propagation, investigation, and restoration of sport fish and game resources and the expenses of administering the sport fish and wildlife divisions of the Department of Fish and Game. These monies are received from the sale of state sport fishing and hunting licenses and special permits; sale of furs, skins, and specimens taken by predator hunters; money received in settlement of a claim or loss caused by damage to fish and game purposes; and donations. In addition to the statutory revenues, federal revenues, crewmember license fees, and other sources are appropriated to the fund for purposes related to fish and wildlife.

- **Fishermen's Fund (Fund 11119)** – AS 23.35.060 – Administered by the Department of Labor and Workforce Development. This fund is composed of 39 percent of the money derived by the State from all commercial fishermen's licenses and money appropriated by the legislature to pay for emergency treatment, transportation, medical care, and hospitalization of injured or disabled commercial fishermen.
- **Mine Reclamation Trust Fund (Fund 12140)** – AS 37.14.800(a) – Administered by the Department of Natural Resources. The principal and earnings of the fund shall be held by the State for the purpose of protecting the public interest in reclaiming mine sites in the State. The fund is composed of the mine reclamation trust fund income account and the mine reclamation trust fund operating account. The fund's income account consists of payments and deposits made by miners to satisfy the miners' reclamation bonding or financial assurance obligation under AS 27.19.040 or AS 27.21.160 and earnings on the income account. The mine reclamation trust fund operating account consists of appropriations by the legislature of the annual balance of the mine reclamation trust fund income account and any earnings on those appropriations while in the operating account.
- **National Petroleum Reserve Fund (Fund 12131)** – AS 37.05.530 – Administered by the Department of Commerce, Community, and Economic Development. This fund consists of all money disbursed to the State by the federal government under 42 USC 6508 since December 12, 1980, less the amount deposited in the General Fund and expended by the State by General Fund appropriations before June 9, 1984. The monies are spent by municipalities to alleviate the impact from oil and gas development within the National Petroleum Reserve.
- **Northern Tobacco Securitization Corporation (NTSC) Fund (Fund 21664)** – AS 18.56.086 – Subsidiary of AHFC. The purpose of this fund is to purchase Tobacco Settlement Revenues from the State in order to provide financing of construction of public school facilities, facilities for the University of Alaska, public housing facilities of AHFC and facilities for ports and harbors. NTSC is authorized to issue bonds necessary to provide sufficient funds for carrying out its purpose.
- **Reclamation Bonding Pool Fund (Fund 12132)** – AS 27.19.040 – Administered by the Department of Natural Resources. The fund is a statewide bonding pool for mining operations as an alternative to individual financial assurance. A miner participating in the bonding pool contributes a nonrefundable annual fee and an initial deposit that is refunded upon satisfactory completion of the approved reclamation plan. If a miner violates the reclamation plan, the financial assurance is forfeited and deposited in the fund. Income and other earnings on the bonding pool are also added to the fund. The reclamation and administrative costs and forfeited financial assurances are used for reclamation of the mining sites subject to forfeiture.
- **School Fund (Fund 12123)** – AS 43.50.140 – Administered by the Department of Revenue and the Department of Education and Early Development. This fund receives the revenue from the payment of cigarette taxes, fees, and penalties. It can only be used to rehabilitate, construct, and repair the State's school facilities, and for costs of insurance on buildings comprising school facilities.
- **Second Injury Fund (Fund 11117)** – AS 23.30.040 – Administered by the Department of Labor and Workforce Development. The fund consists of contributions from employers collected under AS 23.30.040(b) and (c), and civil penalties collected under AS 23.30.155(c). Money in the fund may only be paid for the benefit of those persons entitled to payment of benefits from the second injury fund under AS 23.30.





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STATE OF ALASKA
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2008
 (Stated in Thousands)

STATEMENT 3.31

	Second Injury	Fishermen's	Fish and Game	School	National Petroleum Reserve	Reclamation Bonding Pool
ASSETS						
Cash and Investments	\$ 6,369	\$ 11,472	\$ 13,429	\$ 5,143	\$ 36,228	\$ 1,499
Accounts Receivable - Net			26	2,597		
Due from Other Funds		249				
Due from Other Governments			4,916			
Other Assets			70			
Total Assets	<u>\$ 6,369</u>	<u>\$ 11,721</u>	<u>\$ 18,441</u>	<u>\$ 7,740</u>	<u>\$ 36,228</u>	<u>\$ 1,499</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable and Accrued Liabilities	\$ 473	\$ 10	\$ 1,907	\$ 1,401	\$ 1,908	\$ 1
Due to Other Funds	220		3,526			
Unearned and Deferred Revenue			35			
Other Liabilities						372
Total Liabilities	<u>693</u>	<u>10</u>	<u>5,468</u>	<u>1,401</u>	<u>1,908</u>	<u>373</u>
Fund Balances:						
Reserved:						
Encumbrances			644		29,075	
Other Purposes						
Unreserved:						
Designated for Continuing Appropriations			2,073			
Designated for Other						
Undesignated	5,676	11,711	10,256	6,339	5,245	1,126
Total Fund Balances	<u>5,676</u>	<u>11,711</u>	<u>12,973</u>	<u>6,339</u>	<u>34,320</u>	<u>1,126</u>
Total Liabilities and Fund Balances	<u>\$ 6,369</u>	<u>\$ 11,721</u>	<u>\$ 18,441</u>	<u>\$ 7,740</u>	<u>\$ 36,228</u>	<u>\$ 1,499</u>

STATEMENT 3.31

Clean Air Protection	Exxon Valdez Oil Spill Restoration	Alyeska Settlement Trust	Exxon Valdez Settlement Trust	Northern Tobacco Securitization Corporation	Mine Reclamation Trust	Alaska Housing Capital Corporation	Total Nonmajor Special Revenue Funds
\$ 3,747	\$ 3,510	\$ 7,905	\$ 2,485	\$ 3,963	\$ 896	\$ 336,389	\$ 433,035
5			5		2		2,635
							249
			30				4,946
							70
<u>\$ 3,752</u>	<u>\$ 3,510</u>	<u>\$ 7,905</u>	<u>\$ 2,520</u>	<u>\$ 3,963</u>	<u>\$ 898</u>	<u>\$ 336,389</u>	<u>\$ 440,935</u>
\$ 18	\$	\$	\$ 362	\$	\$	\$	\$ 6,080
1,751			81		3		5,581
							35
							372
<u>1,769</u>	<u>0</u>	<u>0</u>	<u>443</u>	<u>0</u>	<u>3</u>	<u>0</u>	<u>12,068</u>
		200	158				30,077
					895		895
		5,229	11,766			336,389	355,457
				3,963			3,963
<u>1,983</u>	<u>3,510</u>	<u>2,476</u>	<u>(9,847)</u>				<u>38,475</u>
<u>1,983</u>	<u>3,510</u>	<u>7,905</u>	<u>2,077</u>	<u>3,963</u>	<u>895</u>	<u>336,389</u>	<u>428,867</u>
<u>\$ 3,752</u>	<u>\$ 3,510</u>	<u>\$ 7,905</u>	<u>\$ 2,520</u>	<u>\$ 3,963</u>	<u>\$ 898</u>	<u>\$ 336,389</u>	<u>\$ 440,935</u>

STATE OF ALASKA
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2008
 (Stated in Thousands)

STATEMENT 3.32

	Second Injury	Fishermen's	Fish and Game	School	National Petroleum Reserve	Reclamation Bonding Pool
REVENUES						
Taxes	\$	\$ 7	\$	\$ 24,918	\$	\$
Licenses and Permits		1,045	30,933			
Charges for Services			336			42
Fines and Forfeitures	37		128			
Rents and Royalties					5,246	
Premiums and Contributions	3,416					
Interest and Investment Income			901			87
Federal Grants in Aid			28,187			
Other Revenues	5		(39)			
Total Revenues	<u>3,458</u>	<u>1,052</u>	<u>60,446</u>	<u>24,918</u>	<u>5,246</u>	<u>129</u>
EXPENDITURES						
Current:						
General Government			1,590			
Education				23,343	18	
Health and Human Services	2,995	1,103				
Natural Resources			54,833			6
Development					11,270	
Transportation						
Total Expenditures	<u>2,995</u>	<u>1,103</u>	<u>56,423</u>	<u>23,343</u>	<u>11,288</u>	<u>6</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>463</u>	<u>(51)</u>	<u>4,023</u>	<u>1,575</u>	<u>(6,042)</u>	<u>123</u>
OTHER FINANCING SOURCES (USES)						
Transfers In from Other Funds	14	16	4,921			
Transfers (Out to) Other Funds			(6,715)		(563)	
Total Other Financing Sources and Uses	<u>14</u>	<u>16</u>	<u>(1,794)</u>	<u>0</u>	<u>(563)</u>	<u>0</u>
Net Change in Fund Balances	477	(35)	2,229	1,575	(6,605)	123
Fund Balances - Beginning of Year	5,199	11,746	10,744	4,764	40,925	1,003
Fund Balances - End of Year	<u>\$ 5,676</u>	<u>\$ 11,711</u>	<u>\$ 12,973</u>	<u>\$ 6,339</u>	<u>\$ 34,320</u>	<u>\$ 1,126</u>

STATEMENT 3.32

Clean Air Protection	Exxon Valdez Oil Spill Restoration	Alyeska Settlement Trust	Exxon Valdez Settlement Trust	Northern Tobacco Securitization Corporation	Mine Reclamation Trust	Alaska Housing Capital Corporation	Total Nonmajor Special Revenue Funds
\$ 3,560	\$	\$	\$	\$	\$	\$	\$ 24,925
2							35,538
			1,479				378
	209	471	195			20,035	167
			72				5,246
							4,895
							21,898
							28,259
							(34)
<u>3,562</u>	<u>209</u>	<u>471</u>	<u>1,746</u>	<u>0</u>	<u>0</u>	<u>20,035</u>	<u>121,272</u>
72				75			1,737
							23,361
7							4,105
2,596	13		2,566		17		60,031
						1,241	12,511
		29					29
<u>2,675</u>	<u>13</u>	<u>29</u>	<u>2,566</u>	<u>75</u>	<u>17</u>	<u>1,241</u>	<u>101,774</u>
887	196	442	(820)	(75)	(17)	18,794	19,498
			78				5,029
							(7,278)
0	0	0	78	0	0	0	(2,249)
887	196	442	(742)	(75)	(17)	18,794	17,249
1,096	3,314	7,463	2,819	4,038	912	317,595	411,618
<u>\$ 1,983</u>	<u>\$ 3,510</u>	<u>\$ 7,905</u>	<u>\$ 2,077</u>	<u>\$ 3,963</u>	<u>\$ 895</u>	<u>\$ 336,389</u>	<u>\$ 428,867</u>

STATE OF ALASKA
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2008
 (Stated in Thousands)

STATEMENT 3.33

	Second Injury		
	Budget	Actual	Variance with Budget
REVENUES			
Unrestricted:			
Taxes	\$	\$	\$
Licenses and Permits			
Charges for Services			
Fines and Forfeitures	37	37	0
Rents and Royalties			
Premiums and Contributions	3,416	3,416	0
Interest and Investment Income			
Other Revenues	5	5	0
Restricted:			
Federal Grants in Aid			
Interagency			
Total Revenues	<u>3,458</u>	<u>3,458</u>	<u>0</u>
EXPENDITURES			
Current:			
General Government			
Education			
Health and Human Services	3,968	3,141	827
Law and Justice			
Natural Resources			
Development			
Transportation			
Total Expenditures	<u>3,968</u>	<u>3,141</u>	<u>827</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>(510)</u>	<u>317</u>	<u>(827)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In from Other Funds	14	14	0
Transfers (Out to) Other Funds			
Total Other Financing Sources	<u>14</u>	<u>14</u>	<u>0</u>
and Uses			
Excess (Deficiency) of Revenues, Over (Under)			
Expenditures, and Other Financing Sources (Uses),			
Budgetary Basis	<u>\$ (496)</u>	331	<u>\$ (827)</u>
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Adjust Expenditures for Encumbrances		146	
Funds Not Annually Budgeted			
Basis Difference			
Excess (Deficiency) of Revenues, Over (Under)			
Expenditures, and Other Financing Sources (Uses),			
GAAP Basis		477	
Fund Balances - Beginning of Year		5,199	
Fund Balances - End of Year		<u>\$ 5,676</u>	

Fishermen's			Fish and Game		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
\$ 7	\$ 7	\$ 0	\$ 30,933	\$ 30,933	\$ 0
1,045	1,045	0	336	336	0
				128	(128)
			27,026	901	(901)
				(39)	27,065
			32,074	28,187	3,887
			535		535
<u>1,052</u>	<u>1,052</u>	<u>0</u>	<u>90,904</u>	<u>60,446</u>	<u>30,458</u>
			1,590	1,590	0
1,622	1,103	519			
			68,312	57,546	10,766
<u>1,622</u>	<u>1,103</u>	<u>519</u>	<u>69,902</u>	<u>59,136</u>	<u>10,766</u>
<u>(570)</u>	<u>(51)</u>	<u>(519)</u>	<u>21,002</u>	<u>1,310</u>	<u>19,692</u>
16	16	0	2,465	4,921	(2,456)
			(8,569)	(6,715)	(1,854)
<u>16</u>	<u>16</u>	<u>0</u>	<u>(6,104)</u>	<u>(1,794)</u>	<u>(4,310)</u>
<u>\$ (554)</u>	<u>(35)</u>	<u>\$ (519)</u>	<u>\$ 14,898</u>	<u>(484)</u>	<u>\$ 15,382</u>
				2,713	
	(35)			2,229	
	<u>11,746</u>			<u>10,744</u>	
	<u>\$ 11,711</u>			<u>\$ 12,973</u>	

This statement continued on the next page.

STATE OF ALASKA
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2008
 (Stated in Thousands)

STATEMENT 3.33

	School		
	Budget	Actual	Variance with Budget
REVENUES			
Unrestricted:			
Taxes	\$ 26,423	\$ 26,423	\$ 0
Licenses and Permits			
Charges for Services			
Fines and Forfeitures			
Rents and Royalties			
Premiums and Contributions			
Interest and Investment Income			
Other Revenues			
Restricted:			
Federal Grants in Aid			
Interagency			
Total Revenues	<u>26,423</u>	<u>26,423</u>	<u>0</u>
EXPENDITURES			
Current:			
General Government			
Education	23,343	23,343	0
Health and Human Services			
Law and Justice			
Natural Resources			
Development			
Transportation			
Total Expenditures	<u>23,343</u>	<u>23,343</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,080</u>	<u>3,080</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)			
Transfers In from Other Funds			
Transfers (Out to) Other Funds			
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), Budgetary Basis	<u>\$ 3,080</u>	<u>3,080</u>	<u>\$ 0</u>
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Adjust Expenditures for Encumbrances			
Funds Not Annually Budgeted			
Basis Difference		<u>(1,505)</u>	
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), GAAP Basis		<u>1,575</u>	
Fund Balances - Beginning of Year		<u>4,764</u>	
Fund Balances - End of Year		<u>\$ 6,339</u>	

National Petroleum Reserve			Clean Air Protection		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
\$	\$	\$	\$	\$	\$
			3,560	3,560	0
			2	2	0
5,246	5,246	0			
<u>5,246</u>	<u>5,246</u>	<u>0</u>	<u>3,562</u>	<u>3,562</u>	<u>0</u>
18	18	0	72	72	0
			7	7	0
40,345	40,338	7	2,596	2,596	0
<u>40,363</u>	<u>40,356</u>	<u>7</u>	<u>2,675</u>	<u>2,675</u>	<u>0</u>
<u>(35,117)</u>	<u>(35,110)</u>	<u>(7)</u>	<u>887</u>	<u>887</u>	<u>0</u>
<u>(563)</u>	<u>(563)</u>	<u>0</u>			
<u>(563)</u>	<u>(563)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ (35,680)</u>	<u>(35,673)</u>	<u>\$ (7)</u>	<u>\$ 887</u>	<u>887</u>	<u>\$ 0</u>
	29,068				
	(6,605)			887	
	<u>40,925</u>			<u>1,096</u>	
	<u>\$ 34,320</u>			<u>\$ 1,983</u>	

This statement continued on the next page.

STATE OF ALASKA
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2008
 (Stated in Thousands)

STATEMENT 3.33

	Exxon Valdez Oil Spill Restoration		
	Budget	Actual	Variance with Budget
REVENUES			
Unrestricted:			
Taxes	\$	\$	\$
Licenses and Permits			
Charges for Services			
Fines and Forfeitures			
Rents and Royalties			
Premiums and Contributions			
Interest and Investment Income	196	196	0
Other Revenues			
Restricted:			
Federal Grants in Aid			
Interagency			
Total Revenues	196	196	0
EXPENDITURES			
Current:			
General Government			
Education			
Health and Human Services			
Law and Justice	400		400
Natural Resources			
Development			
Transportation	2,653		2,653
Total Expenditures	3,053	0	3,053
Excess (Deficiency) of Revenues Over Expenditures	(2,857)	196	(3,053)
OTHER FINANCING SOURCES (USES)			
Transfers In from Other Funds			
Transfers (Out to) Other Funds			
Total Other Financing Sources and Uses	0	0	0
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), Budgetary Basis			
	\$ (2,857)	196	\$ (3,053)
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Adjust Expenditures for Encumbrances			
Funds Not Annually Budgeted			
Basis Difference			
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), GAAP Basis			
		196	
Fund Balances - Beginning of Year		3,314	
Fund Balances - End of Year		<u>3,510</u>	

Alyeska Settlement Trust			Exxon Valdez Settlement Trust		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
\$	\$	\$	\$	\$	\$
			1,479	1,479	0
438	442	(4)	185	185	0
			72	72	0
<u>438</u>	<u>442</u>	<u>(4)</u>	<u>1,736</u>	<u>1,736</u>	<u>0</u>
			17,673	2,948	14,725
5,429	200	5,229			
<u>5,429</u>	<u>200</u>	<u>5,229</u>	<u>17,673</u>	<u>2,948</u>	<u>14,725</u>
(4,991)	242	(5,233)	(15,937)	(1,212)	(14,725)
				78	(78)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>78</u>	<u>(78)</u>
<u>\$ (4,991)</u>	242	<u>\$ (5,233)</u>	<u>\$ (15,937)</u>	(1,134)	<u>\$ (14,803)</u>
	200			392	
	442			(742)	
	<u>7,463</u>			<u>2,819</u>	
	<u>\$ 7,905</u>			<u>\$ 2,077</u>	

This statement continued on the next page.

STATE OF ALASKA
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2008
 (Stated in Thousands)

STATEMENT 3.33

	Mine Reclamation Trust		
	Budget	Actual	Variance with Budget
REVENUES			
Unrestricted:			
Taxes	\$	\$	\$
Licenses and Permits			
Charges for Services	19		19
Fines and Forfeitures			
Rents and Royalties			
Premiums and Contributions			
Interest and Investment Income			
Other Revenues			
Restricted:			
Federal Grants in Aid			
Interagency			
Total Revenues	<u>19</u>	<u>0</u>	<u>19</u>
EXPENDITURES			
Current:			
General Government			
Education			
Health and Human Services			
Law and Justice			
Natural Resources		17	(17)
Development			
Transportation			
Total Expenditures	<u>0</u>	<u>17</u>	<u>(17)</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>19</u>	<u>(17)</u>	<u>36</u>
OTHER FINANCING SOURCES (USES)			
Transfers In from Other Funds			
Transfers (Out to) Other Funds			
Total Other Financing Sources			
and Uses	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues, Over (Under)			
Expenditures, and Other Financing Sources (Uses),			
Budgetary Basis	<u>\$ 19</u>	<u>(17)</u>	<u>\$ 36</u>
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Adjust Expenditures for Encumbrances			
Funds Not Annually Budgeted			
Basis Difference			
Excess (Deficiency) of Revenues, Over (Under)			
Expenditures, and Other Financing Sources (Uses),			
GAAP Basis		(17)	
Fund Balances - Beginning of Year		912	
Fund Balances - End of Year		<u>\$ 895</u>	

Funds Not Annually Budgeted					
Reclamation Bonding Pool	Northern Tobacco Securitization Corporation	Alaska Housing Capital Corporation	Total Nonmajor Special Revenue Funds		
			Budget	Actual	Variance with Budget
Actual	Actual	Actual			
\$	\$	\$	\$ 26,430	\$ 26,430	\$ 0
			35,538	35,538	0
			355	336	19
			39	167	(128)
			5,246	5,246	0
			4,895	4,895	0
			819	1,724	(905)
			27,031	(34)	27,065
			32,146	28,259	3,887
			535	0	535
0	0	0	133,034	102,561	30,473
			1,662	1,662	0
			23,361	23,361	0
			5,597	4,251	1,346
			400	0	400
			88,581	63,107	25,474
			40,345	40,338	7
			8,082	200	7,882
0	0	0	168,028	132,919	35,109
0	0	0	(34,994)	(30,358)	(4,636)
			2,495	5,029	(2,534)
			(9,132)	(7,278)	(1,854)
0	0	0	(6,637)	(2,249)	(4,388)
0	0	0	<u>(41,631)</u>	(32,607)	<u>(9,024)</u>
				32,519	
123	(75)	18,794		18,842	
				(1,505)	
123	(75)	18,794		17,249	
1,003	4,038	317,595		411,618	
<u>\$ 1,126</u>	<u>\$ 3,963</u>	<u>\$ 336,389</u>		<u>\$ 428,867</u>	



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Nonmajor Debt Service Funds

The debt service funds account for the accumulation of resources for, and the payment of, principal, interest, and related costs of general long-term debt. The following are the State's debt service funds.

- **Alaska Fish and Game Revenue Bond Redemption Fund (Fund 14122)** – AS 37.15.770 – Accounts for accumulation of resources for, and the payment of, principal, interest, redemption premium, and related trustee fees on the Sport Fishing Revenue Bonds.
- **General Obligation Bond Redemption Fund (Fund 14050)** – Accounts for accumulation of resources for, and the payment of, principal, interest, and related costs of general obligation bonds.
- **Northern Tobacco Securitization Corporation (NTSC) Bond Redemption Fund (Fund 14120)** – AS 18.56.086 – Accounts for accumulation of resources for, and the payment of, principal, interest, and related costs of revenue bonds issued by NTSC.



STATE OF ALASKA
 Combining Balance Sheet
 Nonmajor Debt Service Funds
 June 30, 2008
 (Stated in Thousands)

STATEMENT 3.41

	General Obligation Bond Redemption	Northern Tobacco Securitization Corporation	Alaska Fish and Game Revenue Bond Redemption	Total Nonmajor Debt Service Funds
ASSETS				
Cash and Investments	\$ 274	\$ 33,278	\$ 7,571	\$ 41,123
Due from Other Funds			975	975
Total Assets	\$ 274	\$ 33,278	\$ 8,546	\$ 42,098
LIABILITIES AND FUND BALANCES				
Liabilities:				
Total Liabilities	0	0	0	0
Fund Balances:				
Reserved:				
Debt Service	274	33,278	8,546	42,098
Total Fund Balances	274	33,278	8,546	42,098
Total Liabilities and Fund Balances	\$ 274	\$ 33,278	\$ 8,546	\$ 42,098

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Debt Service Funds

For the Fiscal Year Ended June 30, 2008

(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	\$ 17	\$ 1,748	\$ 267	\$ 2,032
Other Revenues		27,794		27,794
Total Revenues	17	29,542	267	29,826
EXPENDITURES				
Debt Service:				
Principal	25,440	9,850	2,295	37,585
Interest and Other Charges	18,998	19,428	2,923	41,349
Total Expenditures	44,438	29,278	5,218	78,934
Excess (Deficiency) of Revenues Over Expenditures	(44,421)	264	(4,951)	(49,108)
OTHER FINANCING SOURCES (USES)				
Transfers In from Other Funds	44,371		6,715	51,086
Total Other Financing Sources and Uses	44,371	0	6,715	51,086
Net Change in Fund Balances	(50)	264	1,764	1,978
Fund Balances - Beginning of Year	324	33,014	6,782	40,120
Fund Balances - End of Year	\$ 274	\$ 33,278	\$ 8,546	\$ 42,098



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Nonmajor Capital Projects Funds

The capital projects funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The following are the State's capital projects funds.

- **Accelerated Alaska Transportation Projects Fund (Fund 13110)** – Chapter 114, SLA 2002 – This fund consists of the proceeds from the sale of \$102,805,000 of general obligation bonds, and is to be used for the purpose of paying the cost of State transportation projects that qualify for federal highway aid.
- **Alaska Sport Fishing Construction Account (Fund 13220)** – AS 16.05.130(f) – This fund consists of the proceeds from the sale of \$58,060,000 of Sport Fishing Revenue Bonds and General Fund money appropriated by the legislature. The purpose of the fund is to finance the construction and renovation of fisheries rehabilitation, enhancement, and development projects that benefit sport fishing.
- **Educational and Museum Facility Design, Construction, and Major Maintenance Fund (GO Bonds) (Fund 13112)** – Chapter 2, SSSLA 2002 – This fund consists of the proceeds from the sale of \$235,215,500 of general obligation bonds, and is to be used for the purpose of paying the cost of design, construction, and major maintenance of educational and museum facilities.
- **Transportation Projects Fund (GO Bonds) (Fund 13111)** – Chapter 114, SLA 2002 – This fund consists of the proceeds from the sale of \$123,914,500 of general obligation bonds, and is to be used for the purpose of paying the cost of state transportation projects.



STATEMENT 3.51

Educational and Museum Facility Design, Construction, and Major Maintenance	Alaska Sport Fishing Construction Account	Total Nonmajor Capital Projects Funds
\$ 11,148	\$ 63,249	\$ 99,115
25	166	251
	70,640	70,640
514		514
<u>\$ 11,687</u>	<u>\$ 134,055</u>	<u>\$ 170,520</u>
\$ 1,215	\$ 140	\$ 1,355
	284	2,818
<u>1,215</u>	<u>424</u>	<u>4,173</u>
7,951	34,382	52,832
2,133	93,253	104,579
388	5,996	8,936
<u>10,472</u>	<u>133,631</u>	<u>166,347</u>
<u>\$ 11,687</u>	<u>\$ 134,055</u>	<u>\$ 170,520</u>

STATE OF ALASKA
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Capital Projects Funds
 For the Fiscal Year Ended June 30, 2008
 (Stated in Thousands)

STATEMENT 3.52

	Accelerated Alaska Transportation Projects	Transportation Projects
REVENUES		
Interest and Investment Income	\$ 634	\$ 640
Total Revenues	634	640
EXPENDITURES		
Current		
Education		
University		
Natural Resources		
Transportation	14,367	17,576
Debt Service:		
Interest and Other Charges	510	961
Total Expenditures	14,877	18,537
Excess (Deficiency) of Revenues Over Expenditures	(14,243)	(17,897)
OTHER FINANCING SOURCES (USES)		
Transfers In from Other Funds		
Transfers (Out to) Other Funds	(1,435)	(2,716)
Total Other Financing Sources and Uses	(1,435)	(2,716)
Net Change in Fund Balances	(15,678)	(20,613)
Fund Balances - Beginning of Year	26,388	32,147
Fund Balances - End of Year	\$ 10,710	\$ 11,534

STATEMENT 3.52

Educational and Museum Facility Design, Construction, and Major Maintenance	Alaska Sport Fishing Construction Account	Total Nonmajor Capital Projects Funds
\$ 687	\$ 1,936	\$ 3,897
687	1,936	3,897
4,030		4,030
8,733		8,733
	3,682	3,682
		31,943
866		2,337
13,629	3,682	50,725
(12,942)	(1,746)	(46,828)
(2,457)	70,642	70,642
(2,457)	70,642	64,034
(15,399)	68,896	17,206
25,871	64,735	149,141
\$ 10,472	\$ 133,631	\$ 166,347



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Nonmajor Enterprise Funds

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

COMMERCIAL ASSISTANCE ENTERPRISE FUNDS

- **Alaska World War II Veterans' Revolving Loan Fund (Fund 21605)** – AS 26.15.090 – Administered by the Department of Commerce, Community, and Economic Development (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.
- **Child Care Facility Revolving Loan Fund (Fund 21612)** – AS 44.33.240 – Administered by DCCED. The purpose of this fund is to make loans for the construction, renovation, and equipping of child care facilities.
- **Commercial Fishing Revolving Loan Fund (Fund 21608)** – AS 16.10.340 – Administered by DCCED. The purpose of this fund is to promote the development and continued maintenance of commercial fishing gear and vessels by means of long-term, low interest loans.
- **Fisheries Enhancement Revolving Loan Fund (Fund 21615)** – AS 16.10.505 – Administered by DCCED. The purpose of this fund is to promote the enhancement of the State's fisheries by means of long-term, low interest loans for hatchery planning, construction, and operation.
- **Historical District Revolving Loan Fund (Fund 21614)** – AS 45.98.010 – Administered by DCCED. The purpose of this fund is to make loans for the restoration or rehabilitation of structures within the boundaries of a historical district. These structures are identified as important to state or national history and are suitable for superficial modification to conform to the period or motif of the surrounding area.
- **Mining Revolving Loan Fund (Fund 21625)** – AS 27.09.010 – Administered by DCCED. This fund consists of money appropriated by the legislature for loans to underwrite advanced mineral exploration, development, or mining.
- **Small Business Revolving Loan Fund (Fund 21607)** – AS 45.95.060 – Administered by DCCED. AS 45.95 authorizes the Commissioner of DCCED to make small business loans. Loans may be used to acquire, finance, refinance or equip businesses, including mining, fishing, and farming equipment.

ENERGY ASSISTANCE ENTERPRISE FUNDS

- **Alternative Energy Revolving Loan Fund (Fund 21619)** – AS 45.88.010 – Administered by DCCED. This fund consists of monies appropriated by the legislature for the purpose of developing energy production from sources other than fossil or nuclear fuel.
- **Residential Energy Conservation Fund (Fund 21623)** – AS 45.89.010 – Administered by DCCED. This fund consists of money appropriated by the legislature for grants and loans to purchase, construct, or install energy conservation improvements.

OTHER AGENCIES ENTERPRISE FUNDS

- **Agricultural Revolving Loan Fund (Fund 21606)** – AS 03.10.040 – Administered by the Department of Natural Resources. The Alaska Agricultural Loan Act is a declaration of policy to promote the development of agriculture as an industry throughout the State by means of long-term, low interest loans. The fund was created to fulfill this purpose.
- **Alaska Clean Water Fund (Fund 21658)** – AS 46.03.032-036 & 37.15.565 – Administered by the Department of Environmental Conservation. The fund consists of money appropriated by the legislature to meet federal matching requirements for public water and sewage treatment facilities and to provide financial assistance for this purpose.
- **Alaska Drinking Water Fund (Fund 21659)** – AS 46.03.036-038 & 37.15.565 – Administered by the Department of Environmental Conservation. The fund consists of federal capitalization grants. The capitalization grants are divided between two purposes: (1) part of each capitalization grant is to be deposited into the fund for providing loans for drinking water infrastructure projects; (2) the other part is to be used or set aside for non-project activities.
- **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.





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STATE OF ALASKA
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2008
(Stated in Thousands)

STATEMENT 4.01

	Commercial Assistance	Energy Assistance	Other Agencies	Total Nonmajor Enterprise Funds
ASSETS				
Current Assets:				
Cash and Investments	\$ 58,395	\$ 212	\$ 470,283	\$ 528,890
Accounts Receivable - Net	184		9,630	9,814
Interest and Dividends Receivable	4,298		2,401	6,699
Due from Other Funds			59	59
Due from Other Governments			478	478
Loans, Notes, and Bonds Receivable	6,280		15,187	21,467
Other Current Assets			9	9
Total Current Assets	<u>69,157</u>	<u>212</u>	<u>498,047</u>	<u>567,416</u>
Noncurrent Assets:				
Interest and Dividends Receivable	23,560			23,560
Loans, Notes, and Bonds Receivable	102,400	5	183,570	285,975
Repossessed Property	216		837	1,053
Investment in Projects, Partnerships, or Corporations			5,280	5,280
Other Noncurrent Assets			3,204	3,204
Capital Assets:				
Construction in Progress			33,067	33,067
Total Noncurrent Assets	<u>126,176</u>	<u>5</u>	<u>225,958</u>	<u>352,139</u>
Total Assets	<u>195,333</u>	<u>217</u>	<u>724,005</u>	<u>919,555</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	116		5,970	6,086
Due to Other Funds	467	85	3,600	4,152
Due to Other Governments			3,514	3,514
Claims, Judgements and Compensated Absences			71	71
Other Current Liabilities			683	683
Total Current Liabilities	<u>583</u>	<u>85</u>	<u>13,838</u>	<u>14,506</u>
Noncurrent Liabilities:				
Claims, Judgements and Compensated Absences			119	119
Other Noncurrent Liabilities			149	149
Total Noncurrent Liabilities	<u>0</u>	<u>0</u>	<u>268</u>	<u>268</u>
Total Liabilities	<u>583</u>	<u>85</u>	<u>14,106</u>	<u>14,774</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt			33,067	33,067
Restricted for:				
Unemployment Compensation			331,262	331,262
Health and Human Services			324,057	324,057
Other Purposes			198	198
Unrestricted	194,750	132	21,315	216,197
Total Net Assets	<u>\$ 194,750</u>	<u>\$ 132</u>	<u>\$ 709,899</u>	<u>\$ 904,781</u>

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2008

(Stated in Thousands)

	Commercial Assistance	Energy Assistance	Other Agencies	Total Nonmajor Enterprise Funds
OPERATING REVENUES				
Premiums and Contributions	\$	\$	\$ 147,107	\$ 147,107
Charges for Goods and Services	123		786	909
Interest and Investment Income	6,416	7	2,372	8,795
Allowance for Uncollectible Interest	(35)			(35)
Fines and Forfeitures	46		7	53
Federal Grants in Aid			732	732
Other Operating Revenues			2,592	2,592
Total Operating Revenues	6,550	7	153,596	160,153
OPERATING EXPENSES				
Benefits			122,128	122,128
Operating	4,018		4,814	8,832
Depreciation			36	36
Provision for Loan Losses and Forgiveness	4,133		2	4,135
Other Operating Expenses			249	249
Total Operating Expenses	8,151	0	127,229	135,380
Operating Income (Loss)	(1,601)	7	26,367	24,773
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Income			23,640	23,640
Interest and Investment Expense			(2,057)	(2,057)
Other Nonoperating Revenues (Expenses)			3,204	3,204
Total Nonoperating Revenues (Expenses)	0	0	24,787	24,787
Income Before Capital Contributions and Transfers	(1,601)	7	51,154	49,560
Capital Contributions			25,575	25,575
Transfers In from Other Funds			1,415	1,415
Transfers (Out to) Other Funds	(1,473)	(85)	(2,453)	(4,011)
Change in Net Assets	(3,074)	(78)	75,691	72,539
Total Net Assets - Beginning of Year	197,824	210	634,208	832,242
Total Net Assets - End of Year	\$ 194,750	\$ 132	\$ 709,899	\$ 904,781

STATE OF ALASKA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2008
(Stated in Thousands)

STATEMENT 4.03

	Commercial Assistance	Energy Assistance	Other Agencies	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Other Governments	\$	\$	\$ 711	\$ 711
Receipts from Customers				146
Receipt of Principal from Loan Recipients	13,159	2	10,194	23,355
Receipt of Interest and Fees from Loan Recipients	5,859	5	2,411	8,275
Receipts from Insured			147,849	147,849
Payments to Employees			(1,445)	(1,445)
Payments to Suppliers			(2,277)	(2,277)
Payments to Other Governments			(1,605)	(1,605)
Payments to Loan Recipients	(7,611)		(34,598)	(42,209)
Claims Paid			(121,443)	(121,443)
Payments for Interfund Services Used	(4,162)		(4)	(4,166)
Other Receipts	8		128	136
Other Payments			(61)	(61)
Net Cash Provided (Used) by Operating Activities	<u>7,399</u>	<u>7</u>	<u>(140)</u>	<u>7,266</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating Subsidies and Transfers (Out to) Other Funds	(1,504)	(112)	(2,023)	(3,639)
Operating Subsidies and Transfers In from Other Funds			297	297
Federal Grants			26,212	26,212
Proceeds from Issuance of Short-term Debt			3,183	3,183
Payments on Short-term Debt			(1,926)	(1,926)
Interest and Fees Paid on Borrowing			(3)	(3)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(1,504)</u>	<u>(112)</u>	<u>25,740</u>	<u>24,124</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets			(2,249)	(2,249)
Federal Grants			3,173	3,173
Other Receipts (Payments)			(924)	(924)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Income from Securities Lending Activities			533	533
Expenses from Securities Lending Activities			(486)	(486)
Interest and Dividends on Investments			23,079	23,079
Net Cash Provided (Used) by Investing Activities	<u>0</u>	<u>0</u>	<u>23,126</u>	<u>23,126</u>
Net Increase (Decrease) in Cash	5,895	(105)	48,726	54,516
Cash and Cash Equivalents - Beginning of Year	52,500	317	421,557	474,374
Cash and Cash Equivalents - End of Year	<u>\$ 58,395</u>	<u>\$ 212</u>	<u>\$ 470,283</u>	<u>\$ 528,890</u>

This statement continued on the next page.

STATE OF ALASKA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2008
(Stated in Thousands)

STATEMENT 4.03

	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)	\$ (1,601)	\$ 7	\$ 26,367	\$ 24,773
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization			36	36
Other Reconciling Items			(1,535)	(1,535)
Net Changes in Assets and Liabilities:				
Accounts Receivable - Net	4		(3,189)	(3,185)
Due from Other Funds			(255)	(255)
Due from Other Governments			(238)	(238)
Loans, Notes and Bonds Receivable - Net	9,354		(25,097)	(15,743)
Reposessed Property			34	34
Investment in Projects, Partnerships, or Corporations			1,561	1,561
Securities Lending Collateral			23,471	23,471
Interest and Dividends Receivable - Net	(366)		(310)	(676)
Other Assets	372		188	560
Due to Other Funds	(144)		912	768
Due to Other Governments			433	433
Accounts Payable and Accrued Liabilities	(220)		(161)	(381)
Obligations Under Securities Lending			(23,471)	(23,471)
Other Liabilities			1,114	1,114
Net Cash Provided (Used) by Operating Activities	<u>\$ 7,399</u>	<u>\$ 7</u>	<u>\$ (140)</u>	<u>\$ 7,266</u>
Reconciliation of Cash to the Statement of Net Assets:				
Total Cash and Investments per the Statement of Net Assets	\$ 58,395	\$ 212	\$ 470,283	\$ 528,890
Cash, End of Year	<u>\$ 58,395</u>	<u>\$ 212</u>	<u>\$ 470,283</u>	<u>\$ 528,890</u>
Noncash Investing, Capital, and Financing Activities:				
Transfers (Out to) Other Funds (Accrual)	(610)	(85)		(695)

STATE OF ALASKA
Combining Statement of Net Assets
Commercial Assistance Enterprise Funds
June 30, 2008
(Stated in Thousands)

STATEMENT 4.11

	Alaska World War II Veterans' Revolving Loan	Small Business Revolving Loan	Commercial Fishing Revolving Loan
ASSETS			
Current Assets:			
Cash and Investments	\$ 171	\$ 154	\$ 39,044
Accounts Receivable - Net	184		
Interest and Dividends Receivable			2,628
Loans, Notes, and Bonds Receivable		3	5,606
Total Current Assets	<u>355</u>	<u>157</u>	<u>47,278</u>
Noncurrent Assets:			
Interest and Dividends Receivable			3,141
Loans, Notes, and Bonds Receivable		1	51,006
Repossessed Property			216
Total Noncurrent Assets	<u>0</u>	<u>1</u>	<u>54,363</u>
Total Assets	<u>355</u>	<u>158</u>	<u>101,641</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	8		108
Due to Other Funds	46	79	301
Total Current Liabilities	<u>54</u>	<u>79</u>	<u>409</u>
Total Liabilities	<u>54</u>	<u>79</u>	<u>409</u>
NET ASSETS			
Unrestricted	301	79	101,232
Total Net Assets	<u>\$ 301</u>	<u>\$ 79</u>	<u>\$ 101,232</u>

STATEMENT 4.11

Child Care Facility Revolving Loan	Historical District Revolving Loan	Fisheries Enhancement Revolving Loan	Mining Revolving Loan	Total Commercial Assistance Enterprise Funds
\$	\$ 96	\$ 18,678	\$ 252	\$ 58,395
	13	1,657		184
		671		4,298
<u>0</u>	<u>109</u>	<u>21,006</u>	<u>252</u>	<u>6,280</u>
		20,419		23,560
	74	51,319		102,400
<u>0</u>	<u>74</u>	<u>71,738</u>	<u>0</u>	<u>126,176</u>
<u>0</u>	<u>183</u>	<u>92,744</u>	<u>252</u>	<u>195,333</u>
				116
	21	18	2	467
<u>0</u>	<u>21</u>	<u>18</u>	<u>2</u>	<u>583</u>
<u>0</u>	<u>21</u>	<u>18</u>	<u>2</u>	<u>583</u>
	162	92,726	250	194,750
<u>\$ 0</u>	<u>\$ 162</u>	<u>\$ 92,726</u>	<u>\$ 250</u>	<u>\$ 194,750</u>

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Commercial Assistance Enterprise Funds
 For the Fiscal Year Ended June 30, 2008
 (Stated in Thousands)

	Alaska World War II Veterans' Revolving Loan	Small Business Revolving Loan	Commercial Fishing Revolving Loan
OPERATING REVENUES			
Charges for Goods and Services	\$ 1	\$	\$ 97
Interest and Investment Income	4	1	4,098
Allowance for Uncollectible Interest			(35)
Fines and Forfeitures			45
Total Operating Revenues	<u>5</u>	<u>1</u>	<u>4,205</u>
OPERATING EXPENSES			
Operating			3,550
Provision for Loan Losses and Forgiveness			1,344
Total Operating Expenses	<u>0</u>	<u>0</u>	<u>4,894</u>
Operating Income (Loss)	<u>5</u>	<u>1</u>	<u>(689)</u>
NONOPERATING REVENUES (EXPENSES)			
Transfers (Out to) Other Funds	<u>(45)</u>	<u>(79)</u>	<u>(1,326)</u>
Change in Net Assets	<u>(40)</u>	<u>(78)</u>	<u>(2,015)</u>
Total Net Assets - Beginning of Year	341	157	103,247
Total Net Assets - End of Year	<u>\$ 301</u>	<u>\$ 79</u>	<u>\$ 101,232</u>

STATEMENT 4.12

Child Care Facility Revolving Loan	Historical District Revolving Loan	Fisheries Enhancement Revolving Loan	Mining Revolving Loan	Total Commercial Assistance Enterprise Funds
\$	\$	\$	\$	\$
	8	25 2,303	2	123 6,416 (35)
		1		46
<u>0</u>	<u>8</u>	<u>2,329</u>	<u>2</u>	<u>6,550</u>
		468		4,018
		2,789		4,133
<u>0</u>	<u>0</u>	<u>3,257</u>	<u>0</u>	<u>8,151</u>
<u>0</u>	<u>8</u>	<u>(928)</u>	<u>2</u>	<u>(1,601)</u>
	(21)		(2)	(1,473)
<u>0</u>	<u>(13)</u>	<u>(928)</u>	<u>0</u>	<u>(3,074)</u>
	175	93,654	250	197,824
<u>\$ 0</u>	<u>\$ 162</u>	<u>\$ 92,726</u>	<u>\$ 250</u>	<u>\$ 194,750</u>

STATE OF ALASKA
Combining Statement of Cash Flows
Commercial Assistance Enterprise Funds
For the Fiscal Year Ended June 30, 2008
(Stated in Thousands)

STATEMENT 4.13

	Alaska World War II Veterans' Revolving Loan	Small Business Revolving Loan	Commercial Fishing Revolving Loan
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$	\$	\$ 146
Receipts of Principal from Loan Recipients	29	3	9,911
Receipt of Interest and Fees from Loan Recipients	13	1	4,108
Payments to Loan Recipients			(6,472)
Payments for Interfund Services Used	(5)		(3,518)
Other Receipts			8
Net Cash Provided (Used) by Operating Activities	<u>37</u>	<u>4</u>	<u>4,183</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating Subsidies and Transfers (Out to) Other Funds		(54)	(1,326)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>0</u>	<u>(54)</u>	<u>(1,326)</u>
Net Increase (Decrease) in Cash	37	(50)	2,857
Cash and Cash Equivalents - Beginning of Year	134	204	36,187
Cash and Cash Equivalents - End of Year	<u>\$ 171</u>	<u>\$ 154</u>	<u>\$ 39,044</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 5	\$ 1	\$ (689)
Adjustments to Reconcile Operating Income to Net Cash			
Net Changes in Assets and Liabilities:			
Accounts Receivable - Net	4		
Loans, Notes and Bonds Receivable - Net	19	3	4,516
Interest and Dividends Receivable - Net	9		177
Other Assets			372
Due to Other Funds	(5)		32
Accounts Payable and Accrued Liabilities	5		(225)
Net Cash Provided (Used) by Operating Activities	<u>\$ 37</u>	<u>\$ 4</u>	<u>\$ 4,183</u>
Reconciliation of Cash to the Statement of Net Assets:			
Total Cash and Investments per the Statement of Net Assets	\$ 171	\$ 154	\$ 39,044
Cash, End of Year	<u>\$ 171</u>	<u>\$ 154</u>	<u>\$ 39,044</u>
Noncash Investing, Capital, and Financing Activities:			
Transfers (Out to) Other Funds (Accrual)	(40)	(79)	

STATEMENT 4.13

Child Care Facility Revolving Loan	Historical District Revolving Loan	Fisheries Enhancement Revolving Loan	Mining Revolving Loan	Total Commercial Assistance Enterprise Funds
\$	\$	\$	\$	\$
	13	3,203		146
	8	1,727	2	13,159
		(1,139)		5,859
		(639)		(7,611)
				(4,162)
				8
0	21	3,152	2	7,399
(102)	(21)		(1)	(1,504)
(102)	(21)	0	(1)	(1,504)
(102)	0	3,152	1	5,895
102	96	15,526	251	52,500
\$ 0	\$ 96	\$ 18,678	\$ 252	\$ 58,395
\$	\$	\$	\$	\$
	8	(928)	2	(1,601)
				4
	13	4,803		9,354
		(552)		(366)
				372
		(171)		(144)
				(220)
\$ 0	\$ 21	\$ 3,152	\$ 2	\$ 7,399
\$	\$	\$	\$	\$
	96	18,678	252	58,395
\$ 0	\$ 96	\$ 18,678	\$ 252	\$ 58,395

(21) (468) (2) (610)

STATE OF ALASKA
 Combining Statement of Net Assets
 Energy Assistance Enterprise Funds
 June 30, 2008
 (Stated in Thousands)

STATEMENT 4.21

	Alternative Energy Revolving Loan	Residential Energy Conservation	Total Energy Assistance Enterprise Funds
ASSETS			
Current Assets:			
Cash and Investments	\$ 206	\$ 6	\$ 212
Total Current Assets	206	6	212
Noncurrent Assets:			
Loans, Notes, and Bonds Receivable	5		5
Total Noncurrent Assets	5	0	5
Total Assets	211	6	217
LIABILITIES			
Current Liabilities:			
Due to Other Funds	81	4	85
Total Current Liabilities	81	4	85
Total Liabilities	81	4	85
NET ASSETS			
Unrestricted	130	2	132
Total Net Assets	\$ 130	\$ 2	\$ 132

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

Energy Assistance Enterprise Funds

For the Fiscal Year Ended June 30, 2008

(Stated in Thousands)

	Alternative Energy Revolving Loan	Residential Energy Conservation	Total Energy Assistance Enterprise Funds
OPERATING REVENUES			
Interest and Investment Income	\$ 5	\$ 2	\$ 7
Total Operating Revenues	<u>5</u>	<u>2</u>	<u>7</u>
OPERATING EXPENSES			
Total Operating Expenses	<u>0</u>	<u>0</u>	<u>0</u>
Operating Income (Loss)	<u>5</u>	<u>2</u>	<u>7</u>
NONOPERATING REVENUES (EXPENSES)			
Transfers (Out to) Other Funds	<u>(81)</u>	<u>(4)</u>	<u>(85)</u>
Change in Net Assets	<u>(76)</u>	<u>(2)</u>	<u>(78)</u>
Total Net Assets - Beginning of Year	<u>206</u>	<u>4</u>	<u>210</u>
Total Net Assets - End of Year	<u>\$ 130</u>	<u>\$ 2</u>	<u>\$ 132</u>

STATE OF ALASKA
Combining Statement of Cash Flows
Energy Assistance Enterprise Funds
For the Fiscal Year Ended June 30, 2008
(Stated in Thousands)

STATEMENT 4.23

	Alternative Energy Revolving Loan	Residential Energy Conservation	Total Energy Assistance Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts of Principal from Loan Recipients	\$ 2	\$	\$ 2
Receipt of Interest and Fees from Loan Recipients	3	2	5
Net Cash Provided (Used) by Operating Activities	5	2	7
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating Subsidies and Transfers (Out to) Other Funds	(112)		(112)
Net Cash Provided (Used) by Noncapital Financing Activities	(112)	0	(112)
Net Increase (Decrease) in Cash	(107)	2	(105)
Cash and Cash Equivalents - Beginning of Year	313	4	317
Cash and Cash Equivalents - End of Year	\$ 206	\$ 6	\$ 212
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 5	\$ 2	\$ 7
Net Cash Provided (Used) by Operating Activities	\$ 5	\$ 2	\$ 7
Reconciliation of Cash to the Statement of Net Assets:			
Total Cash and Investments per the Statement of Net Assets	\$ 206	\$ 6	\$ 212
Cash, End of Year	\$ 206	\$ 6	\$ 212
Noncash Investing, Capital, and Financing Activities:			
Transfers (Out to) Other Funds (Accrual)	(81)	(4)	(85)



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STATE OF ALASKA
Combining Statement of Net Assets
Other Agencies Enterprise Funds
June 30, 2008
(Stated in Thousands)

STATEMENT 4.31

	Alcoholism and Drug Abuse Revolving Loan	Agricultural Revolving Loan	Unemployment Compensation
ASSETS			
Current Assets:			
Cash and Investments	\$ 198	\$ 5,029	\$ 332,590
Accounts Receivable - Net		101	9,529
Interest and Dividends Receivable		88	
Due from Other Funds			58
Due from Other Governments			403
Loans, Notes, and Bonds Receivable		835	
Other Current Assets			
Total Current Assets	<u>198</u>	<u>6,053</u>	<u>342,580</u>
Noncurrent Assets:			
Loans, Notes, and Bonds Receivable		8,553	
Reposessed Property		837	
Investment in Projects, Partnerships, or Corporations		5,280	
Other Noncurrent Assets		1,258	
Capital Assets:			
Construction in Progress			
Total Noncurrent Assets	<u>0</u>	<u>15,928</u>	<u>0</u>
Total Assets	<u>198</u>	<u>21,981</u>	<u>342,580</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities		186	5,189
Due to Other Funds		37	2,242
Due to Other Governments			3,514
Claims, Judgements and Compensated Absences		47	
Other Current Liabilities			373
Total Current Liabilities	<u>0</u>	<u>270</u>	<u>11,318</u>
Noncurrent Liabilities:			
Claims, Judgements and Compensated Absences		70	
Other Noncurrent Liabilities		43	
Total Noncurrent Liabilities	<u>0</u>	<u>113</u>	<u>0</u>
Total Liabilities	<u>0</u>	<u>383</u>	<u>11,318</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt			
Restricted for:			
Unemployment Compensation			331,262
Health and Human Services			
Other Purposes	198		
Unrestricted		21,598	
Total Net Assets	<u>\$ 198</u>	<u>\$ 21,598</u>	<u>\$ 331,262</u>

STATEMENT 4.31

Alaska Clean Water	Alaska Drinking Water	Knik Arm Bridge and Toll Authority	Total Other Agencies Enterprise Funds
\$ 79,998	\$ 52,468	\$	\$ 470,283
1,496	817		9,630
1			2,401
36	39		59
11,528	2,824		478
		9	15,187
<u>93,059</u>	<u>56,148</u>	<u>9</u>	<u>9</u>
103,595	71,422		183,570
			837
		1,946	5,280
			3,204
		<u>33,067</u>	<u>33,067</u>
<u>103,595</u>	<u>71,422</u>	<u>35,013</u>	<u>225,958</u>
<u>196,654</u>	<u>127,570</u>	<u>35,022</u>	<u>724,005</u>
		595	5,970
	34	1,287	3,600
			3,514
16	8		71
		<u>310</u>	<u>683</u>
<u>16</u>	<u>42</u>	<u>2,192</u>	<u>13,838</u>
44	5		119
29	31	46	149
<u>73</u>	<u>36</u>	<u>46</u>	<u>268</u>
<u>89</u>	<u>78</u>	<u>2,238</u>	<u>14,106</u>
		33,067	33,067
			331,262
196,565	127,492		324,057
			198
		(283)	21,315
<u>\$ 196,565</u>	<u>\$ 127,492</u>	<u>\$ 32,784</u>	<u>\$ 709,899</u>

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

Other Agencies Enterprise Funds

For the Fiscal Year Ended June 30, 2008

(Stated in Thousands)

	Alcoholism and Drug Abuse Revolving Loan	Agricultural Revolving Loan	Unemployment Compensation
OPERATING REVENUES			
Premiums and Contributions	\$	\$	\$ 147,107
Charges for Goods and Services		3	
Interest and Investment Income		543	
Fines and Forfeitures		4	
Federal Grants in Aid			
Other Operating Revenues			2,592
Total Operating Revenues	<u>0</u>	<u>550</u>	<u>149,699</u>
OPERATING EXPENSES			
Benefits			122,128
Operating	2	388	
Depreciation		36	
Provision for Loan Losses and Forgiveness		2	
Other Operating Expenses			
Total Operating Expenses	<u>2</u>	<u>426</u>	<u>122,128</u>
Operating Income (Loss)	<u>(2)</u>	<u>124</u>	<u>27,571</u>
NONOPERATING REVENUES (EXPENSES)			
Interest and Investment Income	12	20	15,754
Interest and Investment Expense	(7)	(1,561)	
Other Nonoperating Revenues (Expenses)		(118)	
Total Nonoperating Revenues (Expenses)	<u>5</u>	<u>(1,659)</u>	<u>15,754</u>
Income Before Capital Contributions and Transfers	3	(1,535)	43,325
Capital Contributions			
Transfers In from Other Funds		36	
Transfers (Out to) Other Funds		(2)	(2,451)
Change in Net Assets	<u>3</u>	<u>(1,501)</u>	<u>40,874</u>
Total Net Assets - Beginning of Year	195	23,099	290,388
Total Net Assets - End of Year	<u>\$ 198</u>	<u>\$ 21,598</u>	<u>\$ 331,262</u>

STATEMENT 4.32

Alaska Clean Water	Alaska Drinking Water	Knik Arm Bridge and Toll Authority	Total Other Agencies Enterprise Funds
\$	\$	\$	\$
506	277		147,107
1,273	556		786
3			2,372
312	420		7
			732
			2,592
2,094	1,253	0	153,596
			122,128
338	326	3,760	4,814
			36
			2
119	130		249
457	456	3,760	127,229
1,637	797	(3,760)	26,367
5,125	2,729		23,640
(294)	(195)		(2,057)
		3,322	3,204
4,831	2,534	3,322	24,787
6,468	3,331	(438)	51,154
8,759	14,892	1,924	25,575
	573	806	1,415
			(2,453)
15,227	18,796	2,292	75,691
181,338	108,696	30,492	634,208
\$ 196,565	\$ 127,492	\$ 32,784	\$ 709,899

STATE OF ALASKA
Combining Statement of Cash Flows
Other Agencies Enterprise Funds
For the Fiscal Year Ended June 30, 2008
(Stated in Thousands)

STATEMENT 4.33

	Alcoholism and Drug Abuse Revolving Loan	Agricultural Revolving Loan	Unemployment Compensation
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Other Governments	\$	\$	\$
Receipts of Principal from Loan Recipients	6	1,539	
Receipt of Interest and Fees from Loan Recipients		582	
Receipts from Insured			147,849
Payments to Employees		(92)	
Payments to Suppliers		(293)	
Payments to Other Governments			
Payments to Loan Recipients		(948)	
Claims Paid			(121,443)
Payments for Interfund Services Used	(2)	(2)	
Other Receipts		128	
Other Payments		(51)	
Net Cash Provided (Used) by Operating Activities	<u>4</u>	<u>863</u>	<u>26,406</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating Subsidies and Transfers (Out to) Other Funds		(146)	(2,451)
Operating Subsidies and Transfers In from Other Funds		20	
Federal Grants			
Proceeds from Issuance of Short-term Debt			
Payments on Short-term Debt			
Interest and Fees Paid on Borrowing			
Net Cash Provided (Used) by Noncapital Financing Activities	<u>0</u>	<u>(126)</u>	<u>(2,451)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets			
Federal Grants			
Other Receipts (Payments)			
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Income from Securities Lending Activities	1		
Expenses from Securities Lending Activities	(1)		
Interest and Dividends on Investments	5		15,754
Net Cash Provided (Used) by Investing Activities	<u>5</u>	<u>0</u>	<u>15,754</u>
Net Increase (Decrease) in Cash	9	737	39,709
Cash and Cash Equivalents - Beginning of Year	189	4,292	292,881
Cash and Cash Equivalents - End of Year	<u>\$ 198</u>	<u>\$ 5,029</u>	<u>\$ 332,590</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (2)	\$ 124	\$ 27,571
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization		36	
Other Reconciling Items		(1,535)	
Net Changes in Assets and Liabilities:			
Accounts Receivable - Net		(12)	(3,177)
Due From Other Funds			(58)
Due From Other Governments			(216)
Loans, Notes and Bonds Receivable - Net	6	338	
Repossessed Property		34	
Investment in Projects, Partnerships, or Corporations		1,561	
Securities Lending Collateral	(38)		
Interest and Dividends Receivable - Net		37	
Other Assets		188	
Due to Other Funds		(38)	1,039
Due to Other Governments			433
Accounts Payable and Accrued Liabilities		120	(288)
Obligations Under Securities Lending	38		
Other Liabilities		10	1,102
Net Cash Provided (Used) by Operating Activities	<u>\$ 4</u>	<u>\$ 863</u>	<u>\$ 26,406</u>
Reconciliation of Cash to the Statement of Net Assets:			
Total Cash and Investments per the Statement of Net Assets	\$ 198	\$ 5,029	\$ 332,590
Cash, End of Year	<u>\$ 198</u>	<u>\$ 5,029</u>	<u>\$ 332,590</u>

STATEMENT 4.33

Alaska Clean Water	Alaska Drinking Water	Knik Arm Bridge and Toll Authority	Total Other Agencies Enterprise Funds
\$ 301	\$ 410	\$	\$ 711
6,295	2,354		10,194
1,273	556		2,411
			147,849
(278)	(314)	(761)	(1,445)
(125)	(130)	(1,729)	(2,277)
		(1,605)	(1,605)
(15,769)	(17,881)		(34,598)
			(121,443)
			(4)
			128
(2)	(8)		(61)
(8,305)	(15,013)	(4,095)	(140)
(29,000)	29,574		(2,023)
		277	297
8,759	14,892	2,561	26,212
822	1,104	1,257	3,183
(822)	(1,104)		(1,926)
(1)	(2)		(3)
(20,242)	44,464	4,095	25,740
		(2,249)	(2,249)
		3,173	3,173
		(924)	(924)
0	0	0	0
314	218		533
(292)	(193)		(486)
4,810	2,510		23,079
4,832	2,535	0	23,126
(23,715)	31,986	0	48,726
103,713	20,482	0	421,557
\$ 79,998	\$ 52,468	\$ 0	\$ 470,283
\$ 1,637	\$ 797	\$ (3,760)	\$ 26,367
			36
			(1,535)
			(3,189)
(1)	(24)	(172)	(255)
(11)	(11)		(238)
(9,589)	(15,852)		(25,097)
			34
			1,561
19,613	3,896		23,471
(378)	31		(310)
			188
(18)	34	(105)	912
			433
60	13	(66)	(161)
(19,613)	(3,896)		(23,471)
(5)	(1)	8	1,114
(8,305)	(15,013)	(4,095)	(140)
\$ 79,998	\$ 52,468	\$ 0	\$ 470,283
\$ 79,998	\$ 52,468	\$ 0	\$ 470,283



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Internal Service Funds

Internal service funds account for the operations of state agencies that render services to other state agencies, institutions, or other governmental units on a cost-reimbursement basis. The following are the State's internal service funds.

- **Alaska Public Building Fund (Fund 11165)** – AS 37.05.570 – Administered by the Department of Administration. Effective July 1, 2000, the Department of Administration began to manage the maintenance and operations of eight state owned buildings. The goals are to manage these buildings, in good order and a functional state, while providing cost effective and efficient space for state agencies and private tenants (until private tenant leases expire and space is converted to state agency use), to retain maximum value of these state assets, and to maximize revenue from non-general fund sources.
- **Group Health and Life Benefits Fund (Fund 11135)** – AS 39.30.095 – Administered by the Department of Administration. Effective July 1, 1997, the State began a self-insurance program to provide health care coverage for state employees covered by the retirement programs administered by the State. This fund consists of accumulated assets held for the purpose of paying health care claims for employees and accounts for transactions pertaining to the self-insurance program.
- **Highways Equipment Working Capital Fund (Fund 22652)** – AS 44.68.210 – Administered by the Department of Transportation and Public Facilities. This fund is used for necessary expenses resulting from the centralization of equipment maintenance and for the operation of supply depots.
- **Information Services Fund (Fund 22500)** – AS 44.21.045 – During the 1990 Legislative Session, the Legislature established the Information Services Fund (ISF) in the Department of Administration and classified it as an internal service fund. The ISF is used to account for the operation and financing of computing and telecommunication services for the State of Alaska. Included in these services is operation of the State's mainframe computer; the statewide consolidated data network; the telephone system in Juneau, Anchorage, and Fairbanks; and the microwave communications infrastructure.



STATE OF ALASKA
Combining Statement of Net Assets
Internal Service Funds
June 30, 2008
(Stated in Thousands)

STATEMENT 4.41

	Group Health and Life Benefits	Alaska Public Building
ASSETS		
Current Assets:		
Cash and Investments	\$ 50,671	\$ 12,228
Accounts Receivable - Net	76	297
Due from Other Funds		30
Inventories		
Other Current Assets		1
Total Current Assets	<u>50,747</u>	<u>12,556</u>
Noncurrent Assets:		
Other Noncurrent Assets		10
Capital Assets:		
Equipment, Net of Depreciation		
Buildings, Net of Depreciation		49,307
Construction in Progress		
Total Noncurrent Assets	<u>0</u>	<u>49,317</u>
Total Assets	<u>50,747</u>	<u>61,873</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	11,219	767
Due to Other Funds	601	
Claims, Judgments, and Compensated Absences	17	51
Notes, Bonds, and Leases Payable		
Total Current Liabilities	<u>11,837</u>	<u>818</u>
Noncurrent Liabilities:		
Claims, Judgements, and Compensated Absences		
Notes, Bonds, and Leases Payable		
Other Noncurrent Liabilities		110
Total Noncurrent Liabilities	<u>0</u>	<u>110</u>
Total Liabilities	<u>11,837</u>	<u>928</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		49,307
Unrestricted	38,910	11,638
Total Net Assets	<u>\$ 38,910</u>	<u>\$ 60,945</u>

STATEMENT 4.41

Information Services	Highways Equipment Working Capital	Total Internal Service Funds
\$ 40,978	\$ 6,928	\$ 110,805
21	42	436
1,555	2,935	4,520
	2,868	2,868
1,455		1,456
<u>44,009</u>	<u>12,773</u>	<u>120,085</u>
	124	134
16,623	104,124	120,747
	137	49,444
22,765		22,765
<u>39,388</u>	<u>104,385</u>	<u>193,090</u>
<u>83,397</u>	<u>117,158</u>	<u>313,175</u>
2,350	515	14,851
		601
980	1,207	2,255
1,214	257	1,471
<u>4,544</u>	<u>1,979</u>	<u>19,178</u>
167	624	791
1,592	842	2,434
1,112	1,533	2,755
<u>2,871</u>	<u>2,999</u>	<u>5,980</u>
<u>7,415</u>	<u>4,978</u>	<u>25,158</u>
36,582	103,420	189,309
39,400	8,760	98,708
<u>\$ 75,982</u>	<u>\$ 112,180</u>	<u>\$ 288,017</u>

STATE OF ALASKA

STATEMENT 4.42

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

Internal Service Funds

June 30, 2008

(Stated in Thousands)

	Group Health and Life Benefits	Alaska Public Building
OPERATING REVENUES		
Premiums and Contributions	\$ 71,743	\$
Charges for Goods and Services		12,264
Other Operating Revenues	716	5
Total Operating Revenues	<u>72,459</u>	<u>12,269</u>
OPERATING EXPENSES		
Benefits	66,883	
Operating	4,143	10,163
Depreciation		2,672
Total Operating Expenses	<u>71,026</u>	<u>12,835</u>
Operating Income (Loss)	<u>1,433</u>	<u>(566)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest and Investment Income	3,132	8
Interest and Investment Expense	(187)	
Gain (Loss) on Disposal of Capital Assets		
Other Nonoperating Revenues (Expenses)		
Total Nonoperating Revenues (Expenses)	<u>2,945</u>	<u>8</u>
Income Before Capital Contributions and Transfers	4,378	(558)
Capital Contributions		4,050
Transfers In from Other Funds		96
Change in Net Assets	4,378	3,588
Total Net Assets - Beginning of Year	34,532	57,357
Total Net Assets - End of Year	<u>\$ 38,910</u>	<u>\$ 60,945</u>

STATEMENT 4.42

Information Services	Highways Equipment Working Capital	Total Internal Service Funds
\$ 35,150	\$ 46,853	\$ 71,743
35,150	46,853	94,267
35,150	46,853	721
35,150	46,853	166,731
35,802	29,875	66,883
2,879	14,263	79,983
38,681	44,138	19,814
(3,531)	2,715	166,680
(107)	(192)	51
(740)	36	3,140
(847)	71	(486)
(4,378)	(85)	36
15,604	2,630	(669)
11,226	3,419	2,021
64,756	1,146	2,072
\$ 75,982	\$ 112,180	\$ 288,017
75,982	112,180	7,469
75,982	112,180	16,846
75,982	112,180	26,387
75,982	112,180	261,630
75,982	112,180	288,017

STATE OF ALASKA
Combining Statement of Cash Flows
Internal Service Funds
June 30, 2008
(Stated in Thousands)

STATEMENT 4.43

	Group Health and Life Benefits	Alaska Public Building
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Other Governments	\$	\$
Receipts from Customers		274
Receipts for Interfund Services Provided		12,264
Receipts from Insured	71,716	
Payments to Employees	(199)	(1)
Payments to Suppliers	(4,005)	(10,498)
Claims Paid	(68,330)	
Other Receipts	1,147	5
Other Payments		(96)
Net Cash Provided (Used) by Operating Activities	329	1,948
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Subsidies and Transfers (Out to) Other Funds		(12)
Operating Subsidies and Transfers In from Other Funds		96
Net Cash Provided (Used) by Noncapital Financing Activities	0	84
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Contributions		
Proceeds from Sale of Capital Assets		
Acquisition and Construction of Capital Assets		(1,043)
Principal Paid on Capital Debt		
Interest and Fees Paid on Capital Debt		
Other Receipts (Payments)		
Net Cash Provided (Used) by Capital and Related Financing Activities	0	(1,043)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends on Investments	2,945	8
Net Cash Provided (Used) by Investing Activities	2,945	8
Net Increase (Decrease) in Cash	3,274	997
Cash and Cash Equivalents - Beginning of Year	47,397	11,231
Cash and Cash Equivalents - End of Year	\$ 50,671	\$ 12,228
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ 1,433	\$ (566)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization		2,671
Net Changes in Assets and Liabilities:		
Accounts Receivable - Net	405	(297)
Due From Other Funds		(30)
Due From Component Units		275
Inventories		(10)
Other Assets		
Due to Other Funds	333	
Accounts Payable and Accrued Liabilities	(1,842)	(109)
Other Liabilities		14
Net Cash Provided (Used) by Operating Activities	\$ 329	\$ 1,948
Reconciliation of Cash to the Statement of Net Assets:		
Total Cash and Investments per the Statement of Net Assets	\$ 50,671	\$ 12,228
Cash, End of Year	\$ 50,671	\$ 12,228
Noncash Investing, Capital, and Financing Activities:		
Contributed Capital Assets		4050

STATEMENT 4.43

Information Services	Highways Equipment Working Capital	Total Internal Service Funds
\$ 177	\$	\$ 177
		274
34,346	47,032	93,642
		71,716
(13,554)	(15,170)	(28,924)
(24,208)	(13,137)	(51,848)
		(68,330)
		1,152
	(2,251)	(2,347)
(3,239)	16,474	15,512
		(12)
15,604	1,611	17,311
15,604	1,611	17,299
	50	50
	415	415
(9,773)	(11,023)	(21,839)
(1,028)	(3,530)	(4,558)
(107)	(191)	(298)
	71	71
(10,908)	(14,208)	(26,159)
		2,953
0	0	2,953
1,457	3,877	9,605
39,521	3,051	101,200
\$ 40,978	\$ 6,928	\$ 110,805
\$ (3,531)	\$ 2,715	\$ 51
2,879	14,264	19,814
(13)	179	274
(614)		(644)
		275
	(72)	(82)
(790)	(124)	(914)
		333
(798)	(549)	(3,298)
(372)	61	(297)
\$ (3,239)	\$ 16,474	\$ 15,512
\$ 40,978	\$ 6,928	\$ 110,805
\$ 40,978	\$ 6,928	\$ 110,805
	3,470	7,520



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Fiduciary Funds

Trust and agency funds are fiduciary in nature and are maintained to account for assets held by the State acting in the capacity as a trustee or agent. The following are the State's trust and agency funds.

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

- **Alaska National Guard and Alaska Naval Militia Retirement System (Fund 35030)** – AS 26.05.222 – Administered by the Department of Administration. This fund consists of accumulated assets held for the purpose of paying benefits provided by the Alaska National Guard and Alaska Naval Militia Retirement System.
- **Deferred Compensation (Fund 32014)** – AS 39.45.010 – Administered by the Department of Administration. This fund consists of compensation deferred by employees under the State's deferred compensation plan allowed under Section 457 of the Internal Revenue Code.
- **Judicial Retirement System (Fund 35025)** – 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 35010)** – AS 39.35.003 – 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 35041)** – 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 35020)** – AS 14.25.010 – 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)** – Administered by the Department of Labor and Workforce Development. This fund was established to account for receipts and disbursements for wage and hour violations.





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STATE OF ALASKA
Combining Statement of Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
June 30, 2008
(Stated in Thousands)

STATEMENT 5.01

	Retiree Health	Deferred Compensation	Supplemental Benefits
ASSETS			
Cash and Cash Equivalents	\$ 28,367	\$ 6,483	\$ 17,491
Investments:			
Short-Term Investments		5,021	31,705
Commercial Paper		473	49,224
U.S. Treasury	11,194	3,185	228,366
U.S. Government Agency	2,164	19,852	136,653
Municipal Bonds	6	32	3,948
Foreign Government Bonds			
Mortgage-Backed	32,278	64,146	300,455
Other Asset-Backed	3,171	15,482	18,435
Corporate Bonds	12,538	31,345	253,966
Yankees	1,958	6,041	49,296
Domestic Equity Pool	67,099	15,721	514,746
International Equity Pool	30,968	996	27,974
Emerging Markets Equity Pool			
Private Equity Pool			
Absolute Return Pool			
Other Investment Pool	4,535		
Real Estate Pool			
Common Trust Funds			
Participant-Directed		374,889	567,237
Other Net Investments	(3,021)	143	11,260
Investment Loss Trust Fund Assets			1,849
Accounts Receivable - Net			
Contributions Receivable	45	1,794	6,203
Interest and Dividends Receivable	27		
Due from Other Funds	5,493		
Other Assets			
Total Assets	<u>196,822</u>	<u>545,603</u>	<u>2,218,808</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	18,146		3,132
Due to Other Funds	1,051		
Total Liabilities	<u>19,197</u>	<u>0</u>	<u>3,132</u>
NET ASSETS			
Held in Trust for:			
Pension Benefits			
Postemployment Healthcare Benefits	177,625		
Individuals, Organizations, and Other Governments		545,603	2,215,676
Total Net Assets	<u>\$ 177,625</u>	<u>\$ 545,603</u>	<u>\$ 2,215,676</u>

STATEMENT 5.01

Public Employees' Retirement	Teachers' Retirement	Judicial Retirement	Alaska National Guard and Alaska Naval Militia Retirement	Total Pension and Other Employee Benefit Trust Funds
\$ 34,332	\$ 14,972	\$ 988	\$ 25	\$ 102,658
47,723	21,232	652	60	106,393
201	38			49,936
286,327	122,804	7,219	2,322	661,417
29,469	12,534	330	300	201,302
621	259	7	6	4,879
121,986	54,504	1,392		177,882
881,425	374,464	9,876	8,966	1,671,610
100,842	42,849	1,131	1,021	182,931
584,273	253,771	7,032	3,380	1,146,305
68,727	29,553	817	537	156,929
3,375,737	1,507,063	48,571	7,770	5,536,707
1,512,090	671,571	20,668	2,577	2,266,844
293,598	131,105	2,357		427,060
888,882	397,247			1,286,129
435,243	194,481	5,023		634,747
469,494	214,278	1,699	857	690,863
1,303,833	580,977	12,443		1,897,253
429,524	133,751	13,513		576,788
				942,126
(50,502)	(21,370)	(531)	(559)	(64,580)
				1,849
138	61	1		200
27,255	5,380	257		40,934
				27
20,441	85,223	4,420		115,577
8	17			25
<u>10,861,667</u>	<u>4,826,764</u>	<u>137,865</u>	<u>27,262</u>	<u>18,814,791</u>
9,022	3,517	43	56	33,916
87,341		4,011	17	92,420
<u>96,363</u>	<u>3,517</u>	<u>4,054</u>	<u>73</u>	<u>126,336</u>
6,963,700	3,565,252	116,209	27,189	10,672,350
3,801,604	1,257,995	17,602		5,254,826
				2,761,279
<u>\$ 10,765,304</u>	<u>\$ 4,823,247</u>	<u>\$ 133,811</u>	<u>\$ 27,189</u>	<u>\$ 18,688,455</u>

Combining Statement of Changes in Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
For the Fiscal Year Ended June 30, 2008
(Stated in Thousands)

	Retiree Health	Deferred Compensation	Supplemental Benefits
ADDITIONS			
Premiums and Contributions:			
Employer	\$	\$	\$ 60,517
Member	43,892	37,366	66,893
Other	16,853		
Total Premiums and Contributions	<u>60,745</u>	<u>37,366</u>	<u>127,410</u>
Investment Income:			
Net Appreciation (Depreciation) in Fair			
Value of Investments	(16,364)	22,206	58,478
Interest	6,820	6,250	7,386
Dividends	2,733		
Total Investment Income	(6,811)	28,456	65,864
Less Investment Expense	181		
Securities Lending Income	279		
Less Securities Lending Expense	247		
Net Investment Income	<u>(6,960)</u>	<u>28,456</u>	<u>65,864</u>
Other Additions			6,298
Total Additions	<u>53,785</u>	<u>65,822</u>	<u>199,572</u>
DEDUCTIONS			
Benefits Paid	194,611	43,759	166,473
Insurance Premiums			4,949
Refunds of Premiums and Contributions			
Administrative Expenses	14,348	782	3,090
Total Deductions	<u>208,959</u>	<u>44,541</u>	<u>174,512</u>
Net Increase (Decrease) in Net Assets Held in			
Trust for:			
Pension Benefits			
Postemployment Healthcare Benefits	(155,174)		
Individuals, Organizations, and Other Governments		21,281	25,060
Net Assets - Beginning of the Year	332,799	524,322	2,190,616
Net Assets - End of the Year	<u>\$ 177,625</u>	<u>\$ 545,603</u>	<u>\$ 2,215,676</u>

STATEMENT 5.02

Public Employees' Retirement	Teachers' Retirement	Judicial Retirement	Alaska National Guard and Alaska Naval Militia Retirement	Total Pension and Other Employee Benefit Trust Funds
\$ 379,519	\$ 82,980	\$ 5,860	\$ 1,737	\$ 530,613
134,151	59,579	524		342,405
185,000	269,992	49,000	10,000	530,845
<u>698,670</u>	<u>412,551</u>	<u>55,384</u>	<u>11,737</u>	<u>1,403,863</u>
(738,604)	(325,755)	(9,280)	(1,149)	(1,010,468)
135,514	61,026	1,480	616	219,092
284,899	127,572	2,455	156	417,815
<u>(318,191)</u>	<u>(137,157)</u>	<u>(5,345)</u>	<u>(377)</u>	<u>(373,561)</u>
23,089	10,544	182	24	34,020
39,642	17,913	410	61	58,305
35,347	15,979	363	55	51,991
<u>(336,985)</u>	<u>(145,767)</u>	<u>(5,480)</u>	<u>(395)</u>	<u>(401,267)</u>
(211)	1,531			7,618
<u>361,474</u>	<u>268,315</u>	<u>49,904</u>	<u>11,342</u>	<u>1,010,214</u>
439,123	306,689	6,680	1,642	1,158,977
77,074	29,494	251		111,768
15,159	3,963	18	125	19,265
8,702	3,543	64		30,529
<u>540,058</u>	<u>343,689</u>	<u>7,013</u>	<u>1,767</u>	<u>1,320,539</u>
(484,457)	(246,749)	29,292	9,575	(692,339)
305,873	171,375	13,599		335,673
				46,341
10,943,888	4,898,621	90,920	17,614	18,998,780
<u>\$ 10,765,304</u>	<u>\$ 4,823,247</u>	<u>\$ 133,811</u>	<u>\$ 27,189</u>	<u>\$ 18,688,455</u>

STATE OF ALASKA
 Combining Statement of Fiduciary Assets and Liabilities
 Agency Funds
 June 30, 2008
 (Stated in Thousands)

STATEMENT 5.11

	Deposits, Suspense, and Miscellaneous	Wage and Hour
ASSETS		
Cash and Cash Equivalents	\$ 131,438	\$ 126
Investments		
Accounts Receivable - Net	4	
Due from Other Funds	2,157	
Total Assets	<u>\$ 133,599</u>	<u>\$ 126</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 3,442	\$ 5
Trust Deposits Payable	125,260	121
Due to Other Funds	4,897	
Total Liabilities	<u>\$ 133,599</u>	<u>\$ 126</u>

STATEMENT 5.11

Public Advocacy	Exxon Valdez Oil Spill Investment	Impact Aid PL 103-382	Total Agency Funds
\$ 11,372	\$ 193,080	\$ 110	\$ 143,046
			193,080
			4
			2,157
<u>\$ 11,372</u>	<u>\$ 193,080</u>	<u>\$ 110</u>	<u>\$ 338,287</u>
\$ 11,372	\$ 192,992	\$ 109	\$ 3,556
	88	1	329,745
			4,986
<u>\$ 11,372</u>	<u>\$ 193,080</u>	<u>\$ 110</u>	<u>\$ 338,287</u>

STATE OF ALASKA
 Combining Statement of Changes in Assets and Liabilities
 Agency Funds
 For the Fiscal Year Ended June 30, 2008
 (Stated in Thousands)

STATEMENT 5.12

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<u>DEPOSITS, SUSPENSE, AND MISCELLANEOUS</u>				
ASSETS				
Cash and Cash Equivalents	\$ 79,946	\$ 157,480	\$ 105,988	\$ 131,438
Accounts Receivable - Net	3	1		4
Due from Other Funds	2,436	2,157	2,436	2,157
Total Assets	<u>\$ 82,385</u>	<u>\$ 159,638</u>	<u>\$ 108,424</u>	<u>\$ 133,599</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 3,054	\$ 73,561	\$ 73,173	\$ 3,442
Trust Deposits Payable	79,331	151,704	105,775	125,260
Due to Other Funds		4,897		4,897
Total Liabilities	<u>\$ 82,385</u>	<u>\$ 230,162</u>	<u>\$ 178,948</u>	<u>\$ 133,599</u>
<u>WAGE AND HOUR</u>				
ASSETS				
Cash and Cash Equivalents	\$ 125	\$ 313	\$ 312	\$ 126
Total Assets	<u>\$ 125</u>	<u>\$ 313</u>	<u>\$ 312</u>	<u>\$ 126</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 7	\$ 310	\$ 312	\$ 5
Trust Deposits Payable	118	315	312	121
Total Liabilities	<u>\$ 125</u>	<u>\$ 625</u>	<u>\$ 624</u>	<u>\$ 126</u>
<u>PUBLIC ADVOCACY</u>				
ASSETS				
Cash and Cash Equivalents	\$ 9,950	\$ 17,965	\$ 16,543	\$ 11,372
Total Assets	<u>\$ 9,950</u>	<u>\$ 17,965</u>	<u>\$ 16,543</u>	<u>\$ 11,372</u>
LIABILITIES				
Trust Deposits Payable	\$ 9,950	\$ 6,431	\$ 5,009	\$ 11,372
Total Liabilities	<u>\$ 9,950</u>	<u>\$ 6,431</u>	<u>\$ 5,009</u>	<u>\$ 11,372</u>
<u>EXXON VALDEZ OIL SPILL INVESTMENT</u>				
ASSETS				
Investments	\$ 210,786	\$ 20,926	\$ 38,632	\$ 193,080
Total Assets	<u>\$ 210,786</u>	<u>\$ 20,926</u>	<u>\$ 38,632</u>	<u>\$ 193,080</u>
LIABILITIES				
Trust Deposits Payable	\$ 210,730	\$ 20,838	\$ 38,576	\$ 192,992
Due to Other Funds	56	88	56	88
Total Liabilities	<u>\$ 210,786</u>	<u>\$ 20,926</u>	<u>\$ 38,632</u>	<u>\$ 193,080</u>

This statement continued on the next page.

STATE OF ALASKA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2008
(Stated in Thousands)

STATEMENT 5.12

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<u>IMPACT AID PL 103-382</u>				
ASSETS				
Cash and Cash Equivalents	\$ 0	\$ 27,602	\$ 27,492	\$ 110
Total Assets	<u>\$ 0</u>	<u>\$ 27,602</u>	<u>\$ 27,492</u>	<u>\$ 110</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 0	\$ 109	\$	\$ 109
Trust Deposits Payable	0	27,601	27,601	0
Due to Other Funds	0	1		1
Total Liabilities	<u>\$ 0</u>	<u>\$ 27,711</u>	<u>\$ 27,601</u>	<u>\$ 110</u>
<u>TOTAL AGENCY FUNDS</u>				
ASSETS				
Cash and Cash Equivalents	\$ 90,021	\$ 203,360	\$ 150,335	\$ 143,046
Investments	210,786	20,926	38,632	193,080
Accounts Receivable - Net	3	1		4
Due from Other Funds	2,436	2,157	2,436	2,157
Total Assets	<u>\$ 303,246</u>	<u>\$ 226,444</u>	<u>\$ 191,403</u>	<u>\$ 338,287</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 3,061	\$ 73,980	\$ 73,485	\$ 3,556
Trust Deposits Payable	300,129	206,889	177,273	329,745
Due to Other Funds	56	4,986	56	4,986
Total Liabilities	<u>\$ 303,246</u>	<u>\$ 285,855</u>	<u>\$ 250,814</u>	<u>\$ 338,287</u>



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Nonmajor Component Units

A description of the individual Component Units is contained in the
Notes to the Basic Financial Statements, Note 1A.



STATE OF ALASKA
Combining Statement of Net Assets
Nonmajor Component Units
June 30, 2008
(Stated in Thousands)

STATEMENT 6.01

	Alaska Municipal Bond Bank Authority	Alaska Student Loan Corporation	Alaska Railroad Corporation
ASSETS			
Cash and Investments	\$ 61,744	\$ 35,838	\$ 15,332
Accounts Receivable - Net			17,890
Interest and Dividends Receivable	5,228	3,713	
Due from Primary Government			
Due from Component Units			
Due from Other Governments		412	8,177
Loans, Notes, and Bonds Receivable	519,958	104,967	
Inventories			16,933
Securities Lending Collateral			
Restricted Assets		636,015	117,767
Other Assets		153	2,290
Capital Assets:			
Equipment, Net of Depreciation			96,594
Buildings, Net of Depreciation			797
Infrastructure, Net of Depreciation			328,986
Land			27,948
Construction in Progress			201,800
Total Assets	<u>586,930</u>	<u>781,098</u>	<u>834,514</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	22	1,235	25,085
Obligations Under Securities Lending			
Due to Primary Government	459	22,500	
Due to Component Units			
Interest Payable	4,809	3,861	
Other Current Liabilities	137	10	
Long-term Liabilities:			
Portion Due or Payable Within One Year:			
Claims, Judgments, and Compensated Absences			
Unearned and Deferred Revenue	1,517	748	5,868
Notes, Bonds, and Leases Payable	26,820	29,745	7,155
Other Long-term Debt	6,600		
Portion Due or Payable After One Year:			
Claims, Judgements, and Compensated Absences			
Unearned and Deferred Revenue		7,152	403,133
Notes, Bonds, and Leases Payable	499,990	535,881	194,642
Other Long-term Debt	4,406		
Other Noncurrent Liabilities		2,977	488
Total Liabilities	<u>544,760</u>	<u>604,109</u>	<u>636,371</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt			165,215
Restricted for:			
Permanent Funds Nonexpendable			
Expendable			
Education		37,552	
Debt Service	30,576		
Other Purposes			32,928
Unrestricted	11,594	139,437	
Total Net Assets	<u>\$ 42,170</u>	<u>\$ 176,989</u>	<u>\$ 198,143</u>

STATEMENT 6.01

Alaska Energy Authority	Alaska Aerospace Development Corporation	Alaska Mental Health Trust Authority	Alaska Natural Gas Development Authority	Total Nonmajor Component Units
\$ 454,739	\$ 14,680	\$ 483,535	\$	\$ 1,065,868
9,843		40		27,773
1,315		11,645		21,901
233			8,602	8,835
111				111
2,810	2,497			13,896
26,721		4,975		656,621
	395			17,328
		25,888		25,888
				753,782
		20	3	2,466
	27,153	171		123,918
	32,054	3,250		36,101
251,834	25,201			606,021
		2,226		30,174
	1,704		2,297	205,801
747,606	103,684	531,750	10,902	3,596,484
11,780	961	14,190		53,273
		25,888		25,888
113		753		23,825
1,844				1,844
3,225				11,895
1,007		2,606		3,760
	851	356		1,207
14,312		1,215		23,660
5,820				69,540
				6,600
			44	44
	11,323			421,608
112,454				1,342,967
				4,406
384	583	203	28	4,663
150,939	13,718	45,211	72	1,995,180
133,560	86,112	5,647	2,297	392,831
		339,495		339,495
		141,397		141,397
19,638				37,552
23,088				50,214
420,381	3,854		8,533	583,799
\$ 596,667	\$ 89,966	\$ 486,539	\$ 10,830	\$ 1,601,304

STATE OF ALASKA
 Combining Statement of Activities
 Nonmajor Component Units
 For the Fiscal Year Ended June 30, 2008
 (Stated in Thousands)

STATEMENT 6.02

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services, Royalties and Other Fees	Operating Grants and Contributions	Capital Grants and Contributions
Nonmajor Component Units:				
Alaska Municipal Bond Bank Authority	\$ 23,364	\$	\$	\$
Alaska Student Loan Corporation	64,188	57,502		
Alaska Railroad Corporation	154,706	134,909	9,017	23,932
Alaska Energy Authority	79,843	19,497	42,429	
Alaska Aerospace Development Corporation	22,681	17,678		727
Alaska Mental Health Trust Authority	24,399	12,035	35,421	(49,488)
Alaska Natural Gas Development Authority	1,073			
Total Nonmajor Component Units	<u>\$ 370,254</u>	<u>\$ 241,621</u>	<u>\$ 86,867</u>	<u>\$ (24,829)</u>

General Revenues:
Interest and Investment Income
Payments In from Primary Government
Total General Revenues and Special Revenues
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 Development Corporation	Alaska Mental Health Trust Authority	Alaska Natural Gas Development Authority	Total Nonmajor Component Units
\$ (23,364)	\$ (6,686)	\$ 13,152	\$ (17,917)	\$ (4,276)	\$ (26,431)	\$ (1,073)	\$ (23,364)
							(6,686)
							13,152
							(17,917)
							(4,276)
							(26,431)
							(1,073)
<u>(23,364)</u>	<u>(6,686)</u>	<u>13,152</u>	<u>(17,917)</u>	<u>(4,276)</u>	<u>(26,431)</u>	<u>(1,073)</u>	<u>(66,595)</u>
24,882	2,504	1,423	(14,672)	187			14,324
855				350	297	9,304	10,806
<u>25,737</u>	<u>2,504</u>	<u>1,423</u>	<u>(14,672)</u>	<u>537</u>	<u>297</u>	<u>9,304</u>	<u>25,130</u>
2,373	(4,182)	14,575	(32,589)	(3,739)	(26,134)	8,231	(41,465)
39,797	181,171	183,568	629,256	93,705	512,673	2,599	1,642,769
<u>\$ 42,170</u>	<u>\$ 176,989</u>	<u>\$ 198,143</u>	<u>\$ 596,667</u>	<u>\$ 89,966</u>	<u>\$ 486,539</u>	<u>\$ 10,830</u>	<u>\$ 1,601,304</u>



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Statistical Section





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STATE OF ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2008

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.

	<u>Page</u>
Financial Trends (Schedules A-1 through A-5) <i>These schedules contain trend information to help the reader understand how the state's financial performance and well-being have changed over time.</i>	232
Revenue Capacity (Schedules B-1 through B-3) <i>These schedules contain information to help the reader assess the state's most significant revenue sources: investment income, oil severance taxes, and oil royalties.</i>	242
Debt Capacity (Schedules C-1 and C-2) <i>These schedules present information to help the reader assess the affordability of the state's current levels of outstanding debt and the state's ability to issue additional debt in the future. The state has no statutory limit on the amount of general obligation debt that may be authorized.</i>	246
Demographic and Economic Information (Schedules D-1 and D-2) <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the state's financial activities take place.</i>	249
Operating Information (Schedules E-1 through E-3) <i>These schedules contain service and infrastructure data to help the reader understand how the information in the state's financial report relates to the services the state provides and the activities it performs.</i>	252

SOURCES:

Unless otherwise noted, the information in these schedules is derived from the financial statements presented in the comprehensive annual financial reports for the relevant years.

NOTES:

The State of Alaska implemented GASB Statement No. 34 in FY 02; therefore, some schedules only include financial data beginning in that year.

STATE OF ALASKA
Financial Trends - Net Assets By Component
Last Seven Fiscal Years
(Stated in Thousands)

SCHEDULE A-1

	<u>2008</u>	<u>2007</u>
Governmental Activities:		
Invested in Capital Assets, Net of Related Debt	\$ 5,063,796	\$ 4,968,171
Restricted ^a	31,421,373	34,200,958
Unrestricted	19,398,314	11,425,419
Total Governmental Activities Net Assets	<u>55,883,483</u>	<u>50,594,548</u>
Business-type Activities:		
Invested in Capital Assets, Net of Related Debt	677,900	596,997
Restricted	688,485	614,880
Unrestricted	311,346	330,553
Total Business-type Activities Net Assets	<u>1,677,731</u>	<u>1,542,430</u>
Primary Government:		
Invested in Capital Assets, Net of Related Debt	5,741,696	5,565,168
Restricted	32,109,858	34,815,838
Unrestricted	19,709,660	11,755,972
Total Primary Government Net Assets	<u>\$ 57,561,214</u>	<u>\$ 52,136,978</u>

NOTE:

This schedule is presented on the accrual basis of accounting.

- ^a The majority of the amount reported as Restricted Net Assets for Governmental Activities represents the Alaska Permanent Fund. Further discussion of this fund is included in Management's Discussion and Analysis.

SCHEDULE A-1

	2006	2005	2004	2003	2002
\$	4,721,066	\$ 4,654,684	\$ 3,921,815	\$ 3,724,321	\$ 3,353,079
	30,772,290	28,935,899	26,929,079	24,473,141	22,207,101
	7,539,120	5,185,548	4,066,781	3,450,742	5,469,850
	<u>43,032,476</u>	<u>38,776,131</u>	<u>34,917,675</u>	<u>31,648,204</u>	<u>31,030,030</u>
	535,585	483,883	451,273	415,389	370,663
	527,509	467,604	429,600	411,446	417,609
	<u>340,555</u>	<u>341,845</u>	<u>308,232</u>	<u>300,705</u>	<u>311,662</u>
	<u>1,403,649</u>	<u>1,293,332</u>	<u>1,189,105</u>	<u>1,127,540</u>	<u>1,099,934</u>
	5,256,651	5,138,567	4,373,088	4,139,710	3,723,742
	31,299,799	29,403,503	27,358,679	24,884,587	22,624,710
	7,879,675	5,527,393	4,375,013	3,751,447	5,781,512
\$	<u><u>44,436,125</u></u>	<u><u>40,069,463</u></u>	<u><u>36,106,780</u></u>	<u><u>32,775,744</u></u>	<u><u>32,129,964</u></u>

Financial Trends - Government-wide Expenses, Program Revenues, and Net (Expense)/Revenue

Last Seven Fiscal Years

(Stated in Thousands)

	2008	2007
Program Revenues		
Governmental Activities:		
Charges for Services		
General Government	\$ 11,754	\$ 11,058
Education	2,829	2,689
University	29	
Health and Human Services	39,492	39,144
Law and Justice	12,607	12,142
Public Protection	163,320	172,762
Natural Resources	3,404,033	2,207,217
Development	6,884	15,669
Transportation	68,105	68,042
Operating Grants and Contributions	1,354,695	1,463,791
Capital Grants and Contributions	612,769	632,829
Total Governmental Activities Program Revenues	<u>5,676,517</u>	<u>4,625,343</u>
Business-type Activities:		
Charges for Services		
Loans	9,175	9,655
Unemployment Compensation	149,699	169,070
Airports	118,874	115,490
Development	1,087	
Operating Grants and Contributions	21,717	16,400
Capital Grants and Contributions	83,922	79,588
Total Business-type Activities Program Revenues	<u>384,474</u>	<u>390,203</u>
Total Primary Government Program Revenues	<u>\$ 6,060,991</u>	<u>\$ 5,015,546</u>
Expenses		
Governmental Activities:		
General Government	\$ 520,244	\$ 326,205
Alaska Permanent Fund Dividend ^a	990,379	658,294
Education	1,705,227	1,364,756
University	382,463	319,963
Health and Human Services	1,869,940	1,827,623
Law and Justice	213,076	180,837
Public Protection	584,423	557,792
Natural Resources	293,999	286,236
Development	247,671	430,096
Transportation	952,916	812,686
Intergovernmental Revenue Sharing	129,678	62,082
Debt Service	43,820	40,555
Total Governmental Activities Expenses	<u>7,933,836</u>	<u>6,867,125</u>
Business-type Activities:		
Loans	9,987	9,561
Unemployment Compensation	122,128	122,908
Airports	112,437	129,074
Development	4,965	2,221
Total Business-type Activities Expenses	<u>249,517</u>	<u>263,764</u>
Total Primary Government Expenses	<u>\$ 8,183,353</u>	<u>\$ 7,130,889</u>
Net (Expense)/Revenue (To Schedule A-3)		
Governmental Activities	\$ (2,257,319)	\$ (2,241,782)
Business-type Activities	134,957	126,439
Total Primary Government Net Expense	<u>\$ (2,122,362)</u>	<u>\$ (2,115,343)</u>

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.

SCHEDULE A-2

2006	2005	2004	2003	2002
\$ 13,908	\$ 20,448	\$ 13,048	\$ 16,142	\$ 16,465
2,895	2,477	2,329	937	2,738
29,774	30,754	23,086	23,277	19,329
9,736	10,959	8,625	6,201	9,528
138,192	134,817	134,087	103,586	93,737
2,460,023	1,967,523	1,446,144	1,299,097	906,477
6,840	4,744	3,719	34,895	2,829
63,257	48,506	46,774	44,882	40,456
1,460,145	1,400,904	1,422,265	1,303,282	1,111,681
618,554	642,311	624,835	611,414	502,703
<u>4,803,324</u>	<u>4,263,443</u>	<u>3,724,912</u>	<u>3,443,713</u>	<u>2,705,943</u>
9,116	10,006	10,333	13,598	9,434
168,942	148,354	160,762	156,459	135,097
103,999	99,375	76,467	76,753	67,936
19,262	17,485	13,329	18,177	33,128
73,570	84,249	79,715	52,859	36,642
<u>374,889</u>	<u>359,469</u>	<u>340,606</u>	<u>317,846</u>	<u>282,237</u>
<u>\$ 5,178,213</u>	<u>\$ 4,622,912</u>	<u>\$ 4,065,518</u>	<u>\$ 3,761,559</u>	<u>\$ 2,988,180</u>
\$ 292,265	\$ 254,680	\$ 227,516	\$ 278,972	\$ 414,344
505,093	552,232	660,471	908,676	1,086,362
1,251,111	1,143,197	1,072,194	951,790	939,988
271,687	244,927	246,101	226,729	208,322
1,768,611	1,832,252	1,661,454	1,553,612	1,406,064
175,878	147,606	131,179	130,408	118,928
535,877	517,875	420,476	458,200	413,305
263,777	242,610	225,167	206,161	194,377
477,249	129,518	128,254	142,934	126,427
711,351	762,514	392,737	418,463	406,543
57,598	43,039	52,303	65,364	65,241
32,152	32,153	32,763	19,903	16,564
<u>6,342,649</u>	<u>5,902,603</u>	<u>5,250,615</u>	<u>5,361,212</u>	<u>5,396,465</u>
12,285	9,304	4,980	8,799	16,540
130,487	147,687	185,342	191,598	150,176
120,879	99,350	81,475	77,892	68,884
598	155	77		
<u>264,249</u>	<u>256,496</u>	<u>271,874</u>	<u>278,289</u>	<u>235,600</u>
<u>\$ 6,606,898</u>	<u>\$ 6,159,099</u>	<u>\$ 5,522,489</u>	<u>\$ 5,639,501</u>	<u>\$ 5,632,065</u>
\$ (1,539,325)	\$ (1,639,160)	\$ (1,525,703)	\$ (1,917,499)	\$ (2,690,522)
110,640	102,973	68,732	39,557	46,637
<u>(1,428,685)</u>	<u>(1,536,187)</u>	<u>(1,456,971)</u>	<u>(1,877,942)</u>	<u>(2,643,885)</u>

**Financial Trends - Government-wide General Revenues and Other Changes in Net Assets
Last Seven Fiscal Years
(Stated in Thousands)**

	2008	2007
Net (Expense)/Revenue (From Schedule A-2)		
Governmental Activities	\$ (2,257,319)	\$ (2,241,782)
Business-type Activities	134,957	126,439
Total Primary Government Net Expense	<u>\$ (2,122,362)</u>	<u>\$ (2,115,343)</u>
General Revenues and Other Changes in Net Assets		
Governmental Activities:		
Taxes:		
Severance Taxes	\$ 6,929,895	\$ 2,256,299
Selective Sales/Use	270,119	233,788
Income Taxes	981,673	812,652
Property Taxes	81,518	65,692
Other Taxes	18,387	9,495
Interest and Investment Earnings	(910,362)	5,968,976
Tobacco Settlement	32,141	21,247
Payments In from Component Units	115,635	400,382
Other Revenues	27,873	32,295
Transfers - Internal Activity	(625)	3,028
Special Items		
Prior Period Adjustments and Restatements		
Total Governmental Activities General Revenues and Other Changes in Net Assets	<u>7,546,254</u>	<u>9,803,854</u>
Business-type Activities:		
Interest and Investment Earnings	(281)	14,155
Other Revenues		1,215
Payments In from Component Units		
Transfers - Internal Activity	625	(3,028)
Special Items		
Prior Period Adjustments and Restatements		
Total Business-type Activities General Revenues and Other Changes in Net Assets	<u>344</u>	<u>12,342</u>
Total Primary Government General Revenues and Other Changes in Net Assets	<u>\$ 7,546,598</u>	<u>\$ 9,816,196</u>
Change in Net Assets		
Governmental Activities	\$ 5,288,935	\$ 7,562,072
Business-type Activities	135,301	138,781
Total Primary Government Changes in Net Assets	<u>\$ 5,424,236</u>	<u>\$ 7,700,853</u>

NOTE:

This schedule is presented on the accrual basis of accounting.

SCHEDULE A-3

2006	2005	2004	2003	2002
\$ (1,539,325)	\$ (1,639,160)	\$ (1,525,703)	\$ (1,917,499)	\$ (2,690,522)
110,640	102,973	68,732	39,557	46,637
<u>\$ (1,428,685)</u>	<u>\$ (1,536,187)</u>	<u>\$ (1,456,971)</u>	<u>\$ (1,877,942)</u>	<u>\$ (2,643,885)</u>
\$ 1,332,880	\$ 965,431	\$ 697,394	\$ 640,856	\$ 549,848
196,605	186,354	180,354	156,693	139,531
821,664	588,694	339,270	207,075	269,273
54,508	42,912	47,416	48,741	49,641
11,865	10,743	10,979	9,421	11,585
3,312,907	2,840,596	3,561,847	1,205,191	(371,614)
19,975	21,759	21,439	25,054	134,925
104,556	121,312	58,846	80,728	63,474
60,857	19,294	60,781	7,618	24,280
4,894	4,968	4,306	2,830	1,539
		4,829	127,413	
(125,041)	695,553	(192,287)	24,053	35,955,420
<u>5,795,670</u>	<u>5,497,616</u>	<u>4,795,174</u>	<u>2,535,673</u>	<u>36,827,902</u>
2,935	5,154	1,067	6,567	6,449
1,393	1,356		419	546
				652
(4,894)	(4,968)	(4,306)	(2,830)	(1,539)
			(5,453)	
243	(288)	(3,928)	(10,654)	(1,018)
(323)	1,254	(7,167)	(11,951)	5,090
<u>\$ 5,795,347</u>	<u>\$ 5,498,870</u>	<u>\$ 4,788,007</u>	<u>\$ 2,523,722</u>	<u>\$ 36,832,992</u>
\$ 4,256,345	\$ 3,858,456	\$ 3,269,471	\$ 618,174	\$ 34,137,380
110,317	104,227	61,565	27,606	51,727
<u>\$ 4,366,662</u>	<u>\$ 3,962,683</u>	<u>\$ 3,331,036</u>	<u>\$ 645,780</u>	<u>\$ 34,189,107</u>

STATE OF ALASKA
 Financial Trends - Fund Balances, Governmental Funds
 Last Ten Fiscal Years
 (Stated in Thousands)

SCHEDULE A-4

	2008	2007	2006	2005
General Fund:				
Reserved ^a	\$ 898,734	\$ 5,388,823	\$ 5,447,085	\$ 5,367,346
Unreserved	13,717,732	2,249,074	(123,785)	(1,297,611)
Total General Fund	<u>\$ 14,616,466</u>	<u>\$ 7,637,897</u>	<u>\$ 5,323,300</u>	<u>\$ 4,069,735</u>
All Other Governmental Funds:				
Reserved ^b	\$ 31,388,842	\$ 34,155,999	\$ 30,788,066	\$ 29,015,791
Unreserved, reported in:				
Permanent funds	4,984,371	4,144,850	2,594,854	1,449,370
Special revenue funds	397,895	381,225	51,662	75,991
Capital projects funds	113,515	116,074	140,606	126,963
Total All Other Governmental Funds	<u>\$ 36,884,623</u>	<u>\$ 38,798,148</u>	<u>\$ 33,575,188</u>	<u>\$ 30,668,115</u>

NOTES:

This schedule is presented on the modified accrual basis of accounting.

In FY 02, funds were reclassified in conjunction with implementing GASB Statement No. 34.

^a The majority of the amount reported as reserved for the General Fund since 2002 represents the Constitutional Budget Reserve Fund. Further discussion of this fund is included in the Notes to the Basic Financial Statements.

^b The majority of the amount reported as reserved for all other governmental funds since 2002 represents the Alaska Permanent Fund. Further discussion of this fund is included in Management's Discussion and Analysis.

2004	2003	2002	2001	2000	1999
\$ 5,369,520	\$ 5,400,958	\$ 4,819,136	\$ 192,610	\$ 187,278	\$ 369,214
(1,929,657)	(1,850,881)	(701,741)	(3,368,474)	(3,341,562)	(3,071,768)
<u>\$ 3,439,863</u>	<u>\$ 3,550,077</u>	<u>\$ 4,117,395</u>	<u>\$ (3,175,864)</u>	<u>\$ (3,154,284)</u>	<u>\$ (2,702,554)</u>
\$ 27,068,135	\$ 24,464,472	\$ 22,191,935	\$ 45,343	\$ 31,380	\$ 5,506
869,711	114,139	1,658,082			
47,841	78,987	46,919	23,171	23,163	31,613
227,982	438,606			102	102
<u>\$ 28,213,669</u>	<u>\$ 25,096,204</u>	<u>\$ 23,896,936</u>	<u>\$ 68,514</u>	<u>\$ 54,645</u>	<u>\$ 37,221</u>

STATE OF ALASKA
Financial Trends - Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Stated in Thousands)

SCHEDULE A-5

	2008	2007	2006	2005
Revenues				
Taxes	\$ 8,282,074	\$ 3,462,462	\$ 2,361,263	\$ 1,764,465
Licenses and Permits	150,207	142,204	129,604	122,888
Charges for Services	179,213	180,695	159,410	152,992
Fines and Forfeitures	18,673	32,367	10,441	11,030
Rents and Royalties	3,354,696	2,162,495	2,418,169	1,957,615
Premiums and Contributions	17,520	16,369	17,906	17,153
Interest and Investment Income	(913,571)	6,023,532	3,339,127	2,874,284
Federal Grants in Aid	1,925,558	2,021,414	1,997,567	1,951,921
Payments in from Component Units ^d	115,635	400,382	104,555	121,312
Other Revenues	43,908	31,349	74,163	30,957
Total Revenues	<u>13,173,913</u>	<u>14,473,269</u>	<u>10,612,205</u>	<u>9,004,617</u>
Expenditures				
General Government	596,754	346,530	294,151	261,596
Alaska Permanent Fund Dividend ^a	990,379	658,294	505,093	552,232
Education	1,716,876	1,359,413	1,227,523	1,136,016
University ^d	382,459	320,238	272,193	244,917
Health and Human Services	1,881,458	1,819,084	1,794,439	1,748,751
Law and Justice ^b	209,031	179,851	171,185	141,890
Public Protection ^b	577,377	553,412	527,332	525,855
Natural Resources	301,660	297,410	259,087	236,146
Development	251,051	429,894	477,945	128,257
Transportation	1,036,352	988,857	894,571	804,546
Capital Outlay ^c				
Intergovernmental Revenue Sharing	128,564	61,925	59,477	43,081
Debt Service:				
Principal	45,870	39,110	39,965	39,570
Interest and Other Charges	46,546	42,253	38,429	38,989
Existing Monies to Bond Escrow Agent		27,009		
Total Expenditures	<u>8,164,377</u>	<u>7,123,280</u>	<u>6,561,390</u>	<u>5,901,846</u>
Excess (Deficiency) of Revenues Over Expenditures	5,009,536	7,349,989	4,050,815	3,102,771
Other Financing Sources (Uses)				
Bonds Issued		218,938	92,060	
Refunding Bonds Issued ^e		193,050		25,725
Bond Issue Premium			856	
Other Debt Proceeds		(193,050)	1,957	
Refunding Bond Issue Premium ^e				1,251
Bond Discount		(11,180)		
Payment to Refunded Bond Escrow Agent ^e				(26,858)
Capital Leases	59,651	4,241	8,628	10,751
Transfers In from Other Funds	1,479,573	1,338,871	807,093	604,541
Transfers In from Component Units ^d				
Transfers (Out to) Other Funds	(1,483,716)	(1,363,302)	(801,164)	(615,931)
Transfers (Out to) Component Units ^d				
Total Other Financing Sources and Uses	<u>55,508</u>	<u>187,568</u>	<u>109,430</u>	<u>(521)</u>
Special Items				
Prior Period Adjustments and Restatements			393	(17,932)
Net Change in Fund Balances	<u>\$ 5,065,044</u>	<u>\$ 7,537,557</u>	<u>\$ 4,160,638</u>	<u>\$ 3,084,318</u>

Debt Service as a Percentage of Noncapital Expenditures	1.22%	1.69%	1.37%	1.51%
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NOTES:

This schedule is presented on the modified accrual basis of accounting.

In FY 02, funds were reclassified in conjunction with implementing GASB Statement No. 34.

^a Prior to 2002 and the implementation of GASB Statement No. 34, the Alaska Permanent Fund Dividend Fund was reported as an expendable trust fund.

^b Prior to 2002 and the implementation of GASB Statement No. 34, Law and Justice and Public Protection expenditures were combined as one function.

^c With the implementation of GASB Statement No. 34, capital outlay is no longer reported as a separate function.

^d Prior to 2002 and the implementation of GASB Statement No. 34, Transfers In from and Out to Component Units were classified as Other Financing Sources (Uses). Under GASB Statement No. 34 payments to component units are reported as revenues or expenditures rather than as transfers.

^e In 2005 new certificates of participation were issued to refund existing certificates of participation debt.

SCHEDULE A-5

	2004	2003	2002	2001	2000	1999
\$	1,275,413	\$ 1,062,786	\$ 1,019,878	\$ 1,332,572	\$ 1,165,502	\$ 794,453
	116,164	100,814	90,049	78,367	94,087	86,873
	184,178	167,505	157,458	161,418	122,720	91,433
	17,598	10,477	11,937	33,680	46,291	12,607
	1,428,982	1,286,742	867,143	1,134,884	1,083,715	512,115
	17,984	29,809	19,612			
	3,586,212	1,224,015	(379,887)	80,175	47,995	46,771
	1,941,037	1,769,144	1,552,694	1,324,761	1,226,821	1,039,968
	58,846	80,728	63,474			
	32,363	37,809	154,713	129,487	48,506	39,642
	<u>8,658,777</u>	<u>5,769,829</u>	<u>3,557,071</u>	<u>4,275,344</u>	<u>3,835,637</u>	<u>2,623,862</u>
	257,207	278,604	393,579	260,488	189,026	197,154
	660,471	908,676	1,086,362			
	1,042,702	990,384	973,716	879,584	876,890	866,346
	246,168	226,794	208,497			
	1,707,996	1,571,025	1,408,238	1,284,018	1,170,063	1,069,948
	135,026	131,359	117,648	526,676	462,056	449,256
	431,261	459,321	410,000			
	227,132	221,088	199,032	152,690	144,762	151,480
	132,452	145,242	130,893	19,404	18,634	38,336
	764,003	737,768	650,678	165,551	156,117	155,715
				573,691	549,345	479,070
	52,259	65,743	65,198	82,519	73,783	95,448
	15,568	18,107	16,664		2,376	8,515
	34,369	18,332	15,878	4,294	57	324
	<u>5,706,614</u>	<u>5,772,443</u>	<u>5,676,383</u>	<u>3,948,915</u>	<u>3,643,109</u>	<u>3,511,592</u>
	2,952,163	(2,614)	(2,119,312)	326,429	192,528	(887,730)
	14,145	461,935	142,790	116,050		
		39,310				
			(1,852)	(878)		
	15,615					
	614,250	706,507	961,827	32,098	16,366	29,479
				87,315	179,445	118,967
	(597,320)	(695,498)	(947,910)	(357,628)	(427,778)	(187,434)
				(213,075)	(394,797)	(170,223)
	<u>46,690</u>	<u>512,254</u>	<u>154,855</u>	<u>(336,118)</u>	<u>(626,764)</u>	<u>(209,211)</u>
	4,829	127,413				
	3,569	(5,103)	33,086,138	1,978	(70)	1,065
\$	<u>3,007,251</u>	<u>\$ 631,950</u>	<u>\$ 31,121,681</u>	<u>\$ (7,711)</u>	<u>\$ (434,306)</u>	<u>\$ (1,095,876)</u>
	1.00%	0.72%	0.62%	0.13%	0.08%	0.29%

Revenue Capacity - Alaska Permanent Fund Investment Income

Last Ten Fiscal Years

(Stated in Millions)

Fiscal Year	Ending Fund Market Value ^a	Reserved Fund Assets	Unreserved Fund Assets ^b	Total Fund Return
1999	\$ 25,132	\$ 22,542	\$ 2,590	9.5%
2000	26,516	23,543	2,973	9.2%
2001	24,815	22,431	2,384	-3.3%
2002	23,525	22,389	1,136	-2.2%
2003	24,194	24,094	100	4.5%
2004	27,400	26,541	859	14.2%
2005	29,962	28,522	1,440	10.4%
2006	32,910	30,325	2,585	11.0%
2007	37,826	33,694	4,132	17.1%
2008	35,881	30,912	4,969	-3.6%

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
1999	19.4%	9.4%	NA ^c	1.7%	8.6%	9.8%	NA ^c	9.5%
2000	8.7%	23.3%	NA ^c	3.7%	-1.7%	10.6%	NA ^c	9.2%
2001	-13.1%	-22.9%	NA ^c	11.4%	0.8%	14.3%	NA ^c	-3.3%
2002	-15.4%	-8.6%	NA ^c	8.0%	10.2%	10.3%	NA ^c	-2.2%
2003	-0.3%	-5.0%	NA ^c	10.2%	15.3%	9.1%	NA ^c	4.5%
2004	21.1%	28.4%	NA ^c	0.8%	4.3%	16.5%	NA ^c	14.2%
2005	7.2%	15.4%	NA ^c	6.8%	10.1%	27.2%	NA ^c	10.4%
2006	10.0%	26.1%	NA ^c	-0.3%	0.6%	20.0%	11.3%	11.0%
2007	19.2%	31.6%	8.9%	6.2%	2.8%	18.1%	13.6%	17.1%
2008	-11.7%	-5.5%	-10.2%	6.1%	10.9%	0.5%	1.0%	-3.6%

SOURCE:

Alaska Permanent Fund Corporation

NOTES:

^a The Alaska Permanent Fund is made up of two parts: reserved and unreserved assets. The reserved portion of the fund is invested in perpetuity and cannot be spent without amending the state constitution through a majority vote of the people.

^b Unreserved fund assets are defined in Alaska statute as the accumulation of cash flow and net realized gains from investments and are subject to appropriation by the Legislature. The unreserved fund assets have historically only been used to distribute a portion of realized earnings to the citizens of Alaska and to protect the reserved fund assets from inflation. The unreserved fund assets are where all income available for appropriation is recorded, retained and reinvested until distributed in accordance with State of Alaska law. The unreserved fund assets shown above have already been reduced by the annual dividend and inflation proofing transfer. The reserved and unreserved fund assets are commingled for investment purposes.

^c NA = The fund held no investments in this asset type.

^d Returns are shown by major asset class only and are unaudited. For the year 2007 global equity returns are for six months only.

REVENUE BASE (Last Seven Fiscal Years)

Fiscal Year	Well-Head Value	Oil Severance Taxes	
		Weighted Average Severance Tax Rate	Weighted Average Economic Limit Factor (ELF)
2008	\$84.85 per barrel	39.99%	Not Applicable
2007	\$55.79 per barrel	16.90%	Not Applicable
2006	\$55.31 per barrel	14.62%	58.26%
2005	\$38.92 per barrel	14.20%	52.99%
2004	\$26.78 per barrel	14.23%	53.22%
2003	\$23.27 per barrel	14.16%	55.19%
2002	\$16.80 per barrel	14.44%	59.75%

REVENUE RATE: The method of determining the revenue rate changed on April 1, 2006 with the implementation of the Petroleum Profits Tax (PPT). On July 1, 2007 Alaska Clear and Equitable Share (ACES) was implemented.

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:

$$[(\text{Petroleum Value}^1 \text{ minus Costs}^2) \text{ times Tax Rate}^3] \text{ minus Credits}^4$$

¹Petroleum Value = (Total number of barrels^a produced minus royalty barrels^b) multiplied by the wellhead value^c

^aThe total number of barrels of oil equivalent produced

See the Royalty Revenue Capacity Schedule B-3 for number of barrels produced.

^bMinus the number of royalty barrels

Barrels that are charged royalties are not taxed, therefore these barrels are subtracted from the total.

^cMultiplying by the wellhead value

Destination value minus allowable marine and transportation costs of each barrel.

²Costs = Lease expenditures, including qualified operating and capital expenses

³Tax 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%.

⁴Credits = **ACES:** Includes a 20% credit for all qualified capital expenditures, and a standard deduction of up to \$12 million per year for qualified companies.

PPT: Includes a 20% credit for all qualified capital expenditures, 20% credit for eligible transition expenditures, and a standard deduction of up to \$12 million per year for qualified companies.

Prior to April 1, 2006 the Revenue Rate was calculated using the Economic Limit Factor (ELF)

This effective severance tax rate was computed as: (Number of barrels produced less the number of royalty barrels) x the well-head value x the severance tax rate x ELF.

Production tax rate is applied to net production value beginning in FY 2007. Prior to FY 2007, production tax rate was applied to gross value at point of production.

REVENUE PAYERS (Current Reporting Period and Period Nine Years Prior)

	2008	1999
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 99.1% of severance tax.
Amount of Revenue Base	Five oil companies account for 265,978 thousands of barrels of oil production.	Five oil companies account for 365,303 thousands of barrels of oil production.
Percent of top payers to total oil production	99.0%	97.6%
Percent of top payers to total severance tax revenue	99.9%	99.1%

SOURCE:

Alaska Department of Revenue, Tax Division

NOTES:

^aThe 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 Seven Fiscal Years)

Fiscal Year	Gross Number of Barrels	Number of Barrels for Which Royalties are Charged	Weighted Average Royalty Rate
2008	269,773,057	34,158,311	12.66%
2007	276,283,804	35,287,199	12.77%
2006	315,713,921	39,953,892	12.65%
2005	340,267,626	44,669,897	13.13%
2004	370,732,200	48,080,646	12.97%
2003	376,494,188	49,296,600	13.09%
2002	387,190,479	48,415,456	12.50%

REVENUE RATE: The method of determining the revenue rate changed on April 1, 2006 with the implementation of the Petroleum Profits Tax (PPT) On July 1, 2007 Alaska Clear and Equitable Share (ACES) was implemented.

The royalty rate ranges from 5.00% to 33.33%, depending on lease terms. However, the majority of fields are charged at 12.50%.

REVENUE PAYERS (Current Reporting Period and Period Nine Years Prior)

	2008	1999
Top Payers	Royalties from British Petroleum, ConocoPhillips and Flint Hills corporations comprise more than 91% of oil royalty barrels this fiscal year.	Royalties from British Petroleum, ConocoPhillips, Williams, and Tesoro corporations comprise more than 85% of oil royalty barrels this fiscal year.
Amount of Revenue Base	British Petroleum, ConocoPhillips and Flint Hills corporations paid royalties on about 31 million barrels of oil this fiscal year.	British Petroleum, ConocoPhillips, Williams, and Tesoro corporations paid royalties on about 47 million barrels of oil this fiscal year.
Percent of top payers to number of royalty barrels:	90.71%	85.13%
Percent of top payers to total royalty revenue:	88.50%	78.66%

SOURCE:

Alaska Department of Natural Resources, Division of Oil and Gas

NOTE:

Per Article IX, Section 15 of the Alaska Constitution, "At least 25 percent of all mineral. . . royalties. . . received by the State shall be placed in a permanent fund..."



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Debt Capacity - Ratios of Outstanding Debt By Type

Last Ten Fiscal Years

(Stated in Thousands, Except Per Capita Amount)

Fiscal Year	General Bonded Debt			Other Governmental Activities Debt		
	General Obligation Bonds	Percentage of Personal Income ^a	Per Capita ^a	Tobacco Revenue Bonds	Sport Fishing Revenue Bonds	Certificates of Participation ^b
1999	\$ 2,376	0.01%	\$ 4	\$ -	\$ -	\$ -
2000	-	0.00%	-	-	-	-
2001	-	0.00%	-	115,172	-	-
2002	-	0.00%	-	232,863	-	16,000
2003	499,541	2.44%	776	224,599	-	16,000
2004	492,586	2.26%	760	218,316	-	30,145
2005	463,117	2.03%	707	212,794	-	61,625
2006 ^d	433,916	1.85%	654	207,995	68,345	74,770
2007 ^d	404,866	1.56%	604	387,252	64,273	65,275
2008	375,808	1.38%	555	381,399	61,942	56,990

NOTES:

Details regarding the state's outstanding debt can be found in the Notes to the Basic Financial Statements.

^a See Schedule D-1, Demographic and Economic Information - Statistics, for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

^b Prior to 2002, all Certificates of Participation (COPs) were reported as capital leases. For fiscal years 2002-2004, COPs related to facilities under construction were reported as COPs, and completed projects were reported as capital leases. Beginning in 2005, all COPs are reported as Certificates of Participation.

^c In 2002, the capitalization threshold for reporting capital leases was increased, and operating leases that met the criteria for reporting as capital leases were reported for the first time, in conjunction with implementation of GASB Statement No. 34.

^d For 2006 and 2007 the capital leases have been corrected to include internal service funds data.

SCHEDULE C-1

Capital Leases ^{b, c, d}	Business-type Activities		Total Primary Government	Percentage of Personal Income ^a	Per Capita ^a
	International Airports Revenue Bonds				
\$ 159,065	\$ 210,425	\$	371,866	2.17%	\$ 603
88,783	227,776		316,559	1.79%	509
116,529	226,976		458,677	2.46%	732
261,280	362,374		872,517	4.44%	1,377
272,473	356,510		1,369,123	6.69%	2,127
194,492	422,141		1,357,680	6.23%	2,094
147,993	412,057		1,297,586	5.68%	1,980
140,670	646,238		1,571,934	6.68%	2,369
130,311	633,152		1,685,129	6.51%	2,515
171,458	617,465		1,665,062	6.10%	2,460

STATE OF ALASKA
Debt Capacity - Pledged-Revenue Coverage
Last Ten Fiscal Years
(Stated in Thousands)

SCHEDULE C-2

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service Principal	Debt Service Interest	Coverage
International Airports Revenue Bonds:^a						
1999	\$ 60,800	\$ 40,901	\$ 19,899	\$ 3,970	\$ 1,735	3.49
2000	61,143	42,472	18,671	3,210	12,812	1.17
2001	82,165	44,798	37,367	1,135	11,613	2.93
2002	73,661	47,779	25,882	3,660	11,508	1.71
2003	83,320	54,686	28,634	6,300	18,642	1.15
2004	77,524	49,238	28,286	6,580	18,365	1.13
2005	104,538	61,131	43,407	12,138	21,554	1.29
2006	107,125	68,732	38,393	12,529	21,011	1.14
2007	123,435	70,609	52,826	12,770	31,675	1.19
2008	129,835	72,054	57,781	15,515	30,450	1.26
Northern Tobacco Securitization Corporation (NTSC) Tobacco Revenue Bonds:^b						
2001	\$ 774	\$ -	\$ 774	\$ -	\$ 4,294	0.18
2002	21,350	-	21,350	-	7,188	2.97
2003	21,467	-	21,467	490	13,309	1.56
2004	18,399	-	18,399	-	12,925	1.42
2005	18,620	-	18,620	-	12,569	1.48
2006	17,136	-	17,136	-	12,264	1.40
2007	18,428	-	18,428	-	11,996	1.54
2008	29,542	-	29,542	3,360	19,440	1.30
Sport Fishing Revenue Bonds:^c						
2006	\$ 1,296	\$ -	\$ 1,296	\$ -	\$ -	-
2007	7,418	-	7,418	2,415	2,883	1.40
2008	7,483	-	7,483	2,295	2,923	1.43

NOTES:

Details regarding the state's outstanding debt can be found in the Notes to the Basic Financial Statements. Gross revenues include nonoperating interest and investment income. Operating expenses do not include interest, depreciation or amortization expenses. Additional details regarding revenues and expenses can be found in the combining fund statements of this CAFR.

^a The principal revenues of the International Airports are charges to customers for airfield operations, concession fees, rent, and user fees.

^b Tobacco Revenue Bonds are debt of the Northern Tobacco Securitization Corporation (NTSC), which was incorporated on September 29, 2000. NTSC revenues include Tobacco Settlement Revenues (TSRs) and investment earnings, both of which are pledged as security under the revenue bond indentures.

^c Sport Fishing Revenue Bonds were sold April 11, 2006. Revenues consist primarily of a sport fishing facility surcharge collected on the sale of sport fishing licenses.

STATE OF ALASKA
Demographic and Economic Information - Statistics
Last Ten Calendar Years

SCHEDULE D-1

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
1998	617,082	\$ 17,167	\$ 27,904	\$ 27,322	32.5	5.8%
1999	622,000	17,704	28,577	28,542	32.9	6.4%
2000	626,932	18,612	30,064	29,676	32.4	6.2%
2001	633,630	19,641	30,936	30,472	32.6	6.2%
2002	643,786	20,467	31,792	30,832	32.7	7.1%
2003	648,280	21,779	33,568	31,632	33.1	7.7%
2004	655,435	22,582	34,454	32,937	33.3	7.5%
2005	663,661	23,515	35,433	33,050	33.4	6.8%
2006	670,053	25,879	38,622	34,471	33.5	6.7%
2007	676,987	27,294	39,934	36,714	33.5	6.2%

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
Demographic and Economic Information - Principal Employers
Calendar Year 2007 and Period Ten Years Prior

SCHEDULE D-2

Employer	2007			1998		
	Employees	Rank	Percentage of Total State Employment	Employees	Rank	Percentage of Total State Employment
Uniformed Military	23,416	1	7.36%	18,020	1	6.29%
Federal Government	16,800	3	5.28%	16,573	2	5.78%
State of Alaska ^a	17,500	2	5.50%	15,948	3	5.56%
University of Alaska	7,105	4	2.23%	5,635	4	1.97%
Anchorage School District	6,699	5	2.11%	5,486	5	1.91%
Providence Health System Alaska ^b	4,000	6	1.26%	2,971	8	1.04%
Safeway Stores/Carrs ^b	3,249	7	1.02%	3,132	7	1.09%
Municipality of Anchorage	3,072	8	0.97%	3,561	6	1.24%
Fred Meyer ^b	2,999	9	0.94%	1,933	9	0.67%
Wal-Mart/Sam's Club ^b	2,749	10	0.86%	-	N/A	-
Fairbanks North Star School District	-	N/A	-	1,769	10	0.62%
Total	87,589		27.53%	75,028		26.17%

SOURCE:

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

NOTES:

^a For the purpose of a relevant principal employers indicator, with the exception of the University of Alaska, component unit employees are included in State of Alaska figures. The number of component unit employees is immaterial and inclusion does not change the ranking of the State of Alaska as an employer.

^b Ranges were given on these average monthly employment numbers for 2007. The highest average monthly employment range number was used.



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Operating Information - Full-time Equivalent Government Employees by Function
Last Seven Fiscal Years

FUNCTION	2008	2007	2006
General Government	2,137	2,139	2,101
Education	414	423	409
Health and Human Services	2,816	2,599	2,511
Law and Justice	1,587	1,550	1,498
Public Protection	3,297	3,634	3,588
Natural Resources	1,994	1,978	1,932
Development	745	748	794
Transportation	2,987	2,979	2,940
Totals	<u>15,977</u>	<u>16,050</u>	<u>15,773</u>

NOTE:

Full-time equivalent employees are calculated using the total number of hours worked, divided by the number of hours worked during the year by a full-time employee.

SCHEDULE E-1

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
2,071	2,009	2,181	2,115
395	421	346	444
2,432	2,477	2,579	2,460
1,451	1,400	1,413	1,378
3,552	3,560	3,552	3,268
1,897	1,928	1,956	1,895
773	770	796	797
2,826	2,833	2,741	2,658
<u>15,397</u>	<u>15,398</u>	<u>15,564</u>	<u>15,015</u>

STATE OF ALASKA
Operating Information - Operating Indicators by Function
Last Ten Fiscal Years

SCHEDULE E-2

FUNCTION	2008	2007	2006	2005
Alaska Permanent Fund Dividend				
Number of Dividends Paid ^a	-	595,237	591,965	594,028
Education				
Student Enrollment in State Supported				
Schools (pre-elementary through grade 12)	131,029	132,608	133,288	132,970
University				
Student Enrollment in the State University				
System (average head count over both semesters)	32,324	32,515	32,740	32,786
Health and Human Services				
Medicaid Beneficiaries	117,472	121,864	122,975	125,942
Welfare Caseload	3,109	6,335	3,658	4,660
Protective Services Reports Regarding Children ^b	11,599	11,400	10,192	9,576
Law and Justice				
Criminal Caseload - Misdemeanors	23,973	23,609	23,060	22,569
Criminal Caseload - Felonies and Appeals	8,466	8,469	11,462	10,166
Civil Caseload	9,418	5,083	6,008	5,201
Public Protection				
Adult Offenders in Correctional Facilities ^f	5,384	5,236	5,073	4,809
Juvenile Offenders in Detention or Treatment Facilities	228	237	250	234
National Guard Assigned Strength in Alaska ^d	4,242	3,872	3,785	3,704
Number of Homicides Investigated by State Troopers	13	12	10	23
Natural Resources				
Wholesale Value of Alaska Commercial Fish				
Harvests (stated in thousands of dollars) ^a	-	2,326,176	2,055,625	1,957,948
Recreation Acres State Owned or Maintained	11,535,850	11,663,339	11,444,009	11,183,929
State Timber Sold Annually (million board feet)	61.0	82.9	25.0	27.5
State Acreage Leased for Oil and Gas Development ^e	5,435,904	4,980,450	4,267,925	3,972,538
Placer Mines Permitted	260	178	345	316
Development				
Number of State Business Licenses	62,187	65,331	66,615	67,229
Transportation				
Annual Fatalities per 100 Million Miles of Vehicle Travel in AK ^a	-	1.61	1.49	1.47
State Ferry Route Miles ^a	-	2,829	2,829	2,829
Intergovernmental Revenue Sharing				
Number of Communities that Receive a Portion of Shared				
Taxes and Fees	142	146	145	140
Loans				
Number of Loans in Portfolio	2,168	2,277	2,263	2,183
Unemployment Compensation				
Initial Claims Paid ^a	-	89,442	93,609	100,692
Airports ^c				
Landings:				
Jets	84,366	80,652	81,040	77,074
Other Aircraft	68,253	46,940	46,022	47,564
Passengers:				
In	3,043,533	2,889,786	2,868,053	2,852,820
Out	3,002,133	2,873,803	2,860,859	2,849,651
Through	360,572	364,850	284,947	394,324
Freight (in tons):				
In	366,907	369,743	338,401	297,752
Out	417,979	393,279	382,645	352,339

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.

SCHEDULE E-2

2004	2003	2002	2001	2000	1999
598,378	595,567	589,378	586,187	583,040	572,790
133,930	134,364	134,358	133,356	134,391	135,778
34,111	33,752	31,043	30,557	30,076	30,871
119,321	116,841	110,569	105,698	96,862	80,699
5,017	5,507	6,025	6,123	7,596	8,890
10,017	11,695	12,154	13,796	12,834	12,215
22,700	22,238	22,041	19,997	19,077	18,832
9,913	9,146	8,556	8,168	8,218	7,805
5,355	5,518	5,068	5,311	5,370	5,392
4,724	4,748	4,644	4,403	4,294	4,301
247	305	285	274	295	293
4,009	3,955	3,941	3,689	3,648	3,718
15	12	12	14	21	27
1,700,278	1,555,726	1,445,470	1,450,141	1,633,553	1,922,450
11,361,029	11,388,366	11,338,380	11,320,100	11,126,530	11,338,380
11.7	18.7	15.5	8.9	20.8	14.6
4,101,542	4,849,396	6,225,000	4,190,209	3,479,479	3,456,084
320	310	287	301	360	336
70,537	74,599	73,047	73,617	73,540	73,936
2.02	1.98	1.82	1.89	2.30	1.74
2,866	2,866	2,775	2,775	2,775	2,775
139	138	141	142	141	146
2,149	2,228	2,286	2,316	2,286	2,323
103,240	113,604	114,916	97,523	107,232	116,951
72,486	72,663	70,161	71,075	69,901	66,831
49,082	48,933	51,561	51,104	49,471	47,984
2,696,409	2,614,179	2,624,631	2,653,474	2,588,078	2,522,005
2,686,048	2,608,440	2,634,245	2,658,282	2,600,238	2,538,998
421,472	446,000	513,076	675,390	694,662	734,715
255,958	257,715	236,834	242,323	247,658	227,259
267,749	277,857	259,036	262,935	266,363	253,329

STATE OF ALASKA
Operating Information - Capital Asset Statistics by Function
Last Seven Fiscal Years

SCHEDULE E-3

FUNCTION	2008	2007	2006
Primary Government:			
General Government			
Buildings (square feet)	803,175	764,192	738,676
Education			
Buildings (square feet)	2,331,178	2,354,648	2,728,657
Schools	119	105	117
Schools Under Construction	39	35	17
Health and Human Services			
Buildings (square feet)	1,058,616	928,505	882,511
Pioneer Homes	6	6	6
Law and Justice			
Buildings (square feet)	596,631	553,687	526,659
Court Buildings	13	13	13
Public Protection			
Buildings (square feet)	1,239,332	1,298,482	1,261,043
Correctional Institutions	11	11	11
Aircraft	16	16	16
Motor Vessels	21	21	19
National Guard Armories ^a	21	21	21
Natural Resources			
Buildings (square feet)	749,618	706,814	678,899
Parks Acreage	3,356,810	3,353,805	3,326,019
Forest Acreage	2,097,608	2,232,400	2,066,000
Other State Land Acreage	88,505,417	86,166,329	84,430,236
Aircraft	3	3	3
Motor Vessels	9	9	9
Development			
Buildings (square feet)	279,924	267,229	279,168
Transportation			
Buildings (square feet)	1,122,960	1,064,449	1,033,511
Light Duty Vehicles	3,671	3,609	3,366
Heavy Duty Utility Vehicles	1,760	1,668	1,861
Ferries	11	11	11
Building Projects Under Construction	119	105	112
Rural Airports	256	256	256
Rural Airport Projects Under Construction	383	339	358
Centerline Road Miles ^b	-	5,606	5,603
Highway Projects Under Construction	808	782	767
Business-type Activities:			
Airports (Anchorage and Fairbanks International)			
Terminals (square feet)	1,280,864	1,280,864	1,280,864
International Airport (acreage)	8,153	8,153	8,153
International Airport Projects Under Construction	105	121	117
Runways (miles)	8	8	6

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.

SCHEDULE E-3

2005	2004	2003	2002
731,101	691,070	930,674	722,847
2,832,934	2,923,628	2,962,440	2,862,070
129	145	144	142
10	8	12	16
858,468	852,057	1,100,412	840,707
6	6	6	6
512,094	481,805	602,962	470,832
12	13	12	13
1,253,724	1,224,620	1,515,444	1,116,699
11	11	11	11
16	14	14	12
18	16	16	19
20	10	10	10
669,406	663,345	834,591	647,531
3,325,939	3,325,939	3,353,276	3,303,290
2,066,000	2,243,100	2,243,100	2,243,100
82,967,314	82,797,376	83,779,277	83,825,572
3	3	3	3
9	8	11	11
272,816	264,948	339,321	272,408
997,525	974,654	1,169,505	908,041
3,323	3,433	3,403	3,351
1,824	1,828	1,795	1,789
11	10	11	10
94	101	108	123
258	260	259	259
415	397	361	343
5,613	5,612	5,562	5,557
766	760	768	779
1,178,602	773,681	783,900	765,449
8,153	8,153	8,153	8,153
162	187	213	211
6	6	6	6



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Index of Funds



STATE OF ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2008

INDEX OF FUNDS

Fund Description	Authority	Separately Reported?	Fund or Group	Statement Number
Accelerated Alaska Transportation Projects	Ch 114, SLA 2002	Yes	CPF	3.51, 3.52
Adak Airport Operations	PL 101-510	No	GF	3.01, 3.02
Agricultural Revolving Loan	AS 03.10.040	Yes	OAEF	4.31 - 4.33
Alaska Aerospace Development Corporation	AS 14.40.841	Yes	DPCU	6.01, 6.02
Alaska Capital Income	AS 37.05.545	No	GF	3.01, 3.02
Alaska Children's Trust	AS 37.14.200	No	GF	3.01, 3.02
Alaska Clean Water	AS 46.03.032-036 AS 37.15.565	Yes	OAEF	4.31 - 4.33
Alaska Debt Retirement	AS 37.15.011	No	GF	3.01, 3.02
Alaska Drinking Water	AS 46.03.036-038 AS 37.15.565	Yes	OAEF	4.31 - 4.33
Alaska Energy Authority	AS 44.83.020	Yes	DPCU	6.01, 6.02
Alaska Fish and Game Revenue Bond Redemption	AS 37.15.770	Yes	DSF	3.41, 3.42
Alaska Gasline Inducement Act Reimbursement	AS 43.90.400	No	GF	3.01, 3.02
Alaska Historical Commission Receipts Account	AS 41.35.380	No	GF	3.01, 3.02
Alaska Housing Capital Corporation	AS 18.56.086	Yes	SRF	3.31 - 3.33
Alaska Housing Finance Corporation	AS 18.56.020	Yes	DPCU	1.41, 1.42
Alaska Industrial Development and Export Authority	AS 44.88.020 AS 44.88.600 Ch 42, SLA 1987	Yes	DPCU	1.41, 1.42
Alaska Marine Highway System	AS 19.65.060	No	GF	3.01, 3.02
Alaska Marine Highway System Vessel Replacement	AS 37.05.550	No	GF	3.01, 3.02
Alaska Mental Health Trust Authority	AS 47.30.011	Yes	DPCU	6.01, 6.02
Alaska Municipal Bond Bank Authority	AS 44.85.020	Yes	DPCU	6.01, 6.02
Alaska National Guard and Alaska Naval Militia Retirement System	AS 26.05.222	Yes	PTF	5.01, 5.02
Alaska Natural Gas Development Authority	AS 41.41.010	Yes	DPCU	6.01, 6.02
Alaska Permanent Fund	Constitution, Art. IX, sec. 15	Yes	PF	1.11 - 1.14
Alaska Public Building	AS 37.05.570	Yes	ISF	4.41 - 4.43
Alaska Railroad Corporation	AS 42.40.010	Yes	DPCU	6.01, 6.02
Alaska Sport Fishing Construction Account	AS 16.05.130(f)	Yes	CPF	3.51, 3.52
Alaska Student Loan Corporation	AS 14.42.100	Yes	DPCU	6.01, 6.02
Alaska Technical and Vocational Education Program	AS 23.15.830	No	GF	3.01, 3.02
Alaska Transportation Infrastructure Bank	Section 350 of the NHSD Act of 1995 Federal Law	No	GF	3.01, 3.02
Alaska Veterans' Memorial Endowment	AS 37.14.700(a)	No	GF	3.01, 3.02
Alaska World War II Veterans' Revolving Loan	AS 26.15.090	Yes	CAEF	4.11 - 4.13
Alcohol and Other Drug Abuse Treatment and Prevention	AS 43.60.050	No	GF	3.01, 3.02
Alcoholism and Drug Abuse Revolving Loan	AS 44.29.210	Yes	OAEF	4.31 - 4.33
Alternative Energy Revolving Loan	AS 45.88.010	Yes	EAEF	4.21 - 4.23

STATE OF ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2008

INDEX OF FUNDS

Fund Description	Authority	Separately Reported?	Fund or Group	Statement Number
Alyeska Settlement Trust	Consent decree between U.S., Alaska, and Alyeska Pipeline Service Company	Yes	SRF	3.31 - 3.33
Anatomical Gift Awareness	AS 13.50.160(a)	No	GF	3.01, 3.02
Art in Public Places	AS 44.27.060	No	GF	3.01, 3.02
Assistive Technology Loan Guarantee	AS 23.15.125	No	GF	3.01, 3.02
Budget Reserve - Statutory	AS 37.05.540	No	GF	3.01, 3.02
Building Safety Account	AS 44.31.025	No	GF	3.01, 3.02
Child Care Facility Revolving Loan	AS 44.33.240	Yes	CAEF	4.11 - 4.13
Clean Air Protection	AS 46.14.260	Yes	SRF	3.31 - 3.33
	Federal Clean Air Act			
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
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
Correctional Industries	AS 33.32.020	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
Fisheries Disaster	PL 108-7, SEC 2, Division N, Title V - Fisheries Disaster, Sec. 501 (a)	No	GF	3.01, 3.02
Fisheries Enhancement Revolving Loan	AS 16.10.505	Yes	CAEF	4.11 - 4.13
Fishermen's	AS 23.35.060(a)	Yes	SRF	3.31 - 3.33
Fuel Emergency	AS 26.23.400	No	GF	3.01, 3.02
Fund for the Improvement of School Performance	AS 14.03.125	No	GF	3.01, 3.02

STATE OF ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2008

INDEX OF FUNDS

Fund Description	Authority	Separately Reported?	Fund or Group	Statement Number
General Fund	Operating fund of the State	Yes	GF	3.01, 3.02
General Obligation Bond Redemption	Various SLA's	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	EF	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(a)	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(a)	Yes	GF	3.01, 3.02
Mine Reclamation Trust	AS 37.14.800(a)	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(a)	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
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	No	GF	3.01, 3.02
Public Employees' Retirement System	AS 39.35.020	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	No	GF	3.01, 3.02
	20 USC 107-107(f)			
Real Estate Surety	AS 08.88.450	No	GF	3.01, 3.02
Reclamation Bonding Pool	AS 27.19.040	Yes	SRF	3.31 - 3.33
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 OF ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2008

INDEX OF FUNDS

Fund Description	Authority	Separately Reported?	Fund or Group	Statement Number
Senior Care	Ch 3, SLA 2004	No	GF	3.01, 3.02
Small Business Revolving Loan	AS 45.95.060	Yes	CAEF	4.11 - 4.13
State Insurance Catastrophe Reserve Account	AS 37.05.289	No	GF	3.01, 3.02
State Land Disposal Income	AS 38.04.022(a)	No	GF	3.01, 3.02
State Land Reforestation	AS 41.17.300	No	GF	3.01, 3.02
Storage Tank Assistance	AS 46.03.410	No	GF	3.01, 3.02
Supplemental Benefits System	AS 39.30.150	Yes	PTF	5.01, 5.02
Surplus Property Revolving	AS 37.05.500(a)(2) AS 44.68.130	No	GF	3.01, 3.02
TAPS Rebate	Federal PL 101-380	No	GF	3.01, 3.02
Teachers' Retirement System	AS 14.25.010	Yes	PTF	5.01, 5.02
Tobacco Use Education and Cessation	AS 37.05.580(a)	No	GF	3.01, 3.02
Training and Building	AS 23.20.130(d)	No	GF	3.01, 3.02
Transportation Projects (GO Bonds)	Ch 114, SLA 2002	Yes	CPF	3.51, 3.52
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		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



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Legend of Acroynms



STATE OF ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2008

LEGEND OF ACRONYMS

Acronym	Description
AF	Agency Fund
AHFC	Alaska Housing Finance Corporation
AIDEA	Alaska Industrial Development and Export Authority
ANGDA	Alaska Natural Gas Development Authority
AS	Alaska Statute
CAEF	Commercial Assistance Enterprise Fund
CFR	Code of Federal Regulations
Ch	Chapter
CPF	Capital Project Fund
CSED	Child Support Enforcement Division
DPCU	Discretely Presented Component Unit
DSF	Debt Service Fund
DSMAF	Deposits, Suspense, and Miscellaneous Agency Funds
EAEF	Energy Assistance Enterprise Fund
EF	Enterprise Fund
EVOS	Exxon Valdez Oil Spill
FHWA	Federal Highway Administration
FICA	Federal Insurance Contributions Act
FSSLA	First Special Session Laws of Alaska
GAAP	Generally Accepted Accounting Principles
GASBS	Governmental Accounting Standards Board Statement
GF	General Fund
H.R.	House Resolution
ISF	Internal Service Fund
KABTA	Knik Arm Bridge and Toll Authority
NR	Not Reported in CAFR
NTSC	Northern Tobacco Securitization Corporation
OAEF	Other Agencies Enterprise Fund
PF	Permanent Funds
PL	Public Law
PPA	Prior Period Adjustment
PSF	Public School Fund
PTF	Pension and Other Employee Benefit Trust Fund
SBS	Supplemental Benefits System
SLA	Session Laws of Alaska
SSSLA	Second Special Session Laws of Alaska
SRF	Special Revenue Fund
U of A	University of Alaska
USC	United States Code
USSTURAA	United States Surface Transportation and Uniform Relocation Assistance Act