

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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SUMMARY OF: State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2005

PURPOSE AND SCOPE OF THE REPORT

This report summarizes our review of the State of Alaska's basic financial statements and the State's compliance with federal laws and regulations in the administration of almost \$2.6 billion of federal financial assistance programs. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. It also complies with the federal Single Audit Act Amendments of 1996 and the related Circular A-133 issued by the U.S. Office of Management and Budget.

The report contains an opinion on the basic financial statement of the State of Alaska for fiscal year 2005, recommendations on financial and compliance matters, auditor's reports on internal controls and compliance, and the Schedule of Expenditures of Federal Awards.

REPORT CONCLUSIONS

The basic financial statements for the State of Alaska are fairly presented in accordance with accounting principles generally accepted in the United States of America without qualification. Additionally, the State's FY 05 Comprehensive Annual Financial Report includes a Certificate of Achievement for Excellence in Financial Reporting which is presented by the Government Finance Officers Association.

The draw from the Constitutional Budget Reserve Fund (CBRF) authorized by Chapter 159, SLA 2004 Sec 61(e), for FY 04 was under \$35 million. At the end of FY 05 over \$85 million was swept from a variety of General Fund sub-funds and accounts, and transferred to the CBRF.

The State has substantially complied with the applicable laws and regulations in the administration of its major federal financial assistance programs. However, the State has material weaknesses in its administrative controls for the Medical Assistance program (Medicaid) which may not prevent fraud, waste and abuse.

FINDINGS AND RECOMMENDATIONS

This report contains 32 recommendations, of which five are unresolved issues from last year. Also, three of the recommendations are made to component units: two recommendations for Alaska Housing Finance Corporation and one recommendation for the University of Alaska whose audits were performed by other auditors. Some of the recommendations made in this report require significant changes in procedures or a shifting of priorities and, therefore, may take more than one year to implement. The Summary Schedule of Prior Audit Findings in Section III identifies the current status of most prior audit recommendations not yet resolved.

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September 28, 2006

Honorable Members of the
Alaska State Legislature

The Honorable Frank Murkowski
Governor
State of Alaska

The Honorable Daniel R. Levinson
Inspector General
Office of the Inspector General
U.S. Department of Health and Human Services

We are pleased to transmit the Single Audit of the State of Alaska for the fiscal year ended June 30, 2005. The audit was conducted in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards* issued by the Comptroller General of the United States, and complies with the federal Single Audit Act Amendments of 1996 and the related Circular A-133 issued by the U.S. Office of Management and Budget.

The report includes an opinion on the basic financial statements of the State of Alaska for fiscal year 2005, recommendations on financial and compliance matters, and required auditor's reports on internal controls and compliance, and the Schedule of Expenditures of Federal Awards.

The findings and recommendations included in this report are organized by department and include prior financial/compliance findings not fully corrected by the departments. Our fiscal year 2004 Single Audit contained 26 recommendations; this report presents 32 recommendations, five of which were presented last year. Included in this year's recommendations are three recommendations, two made to Alaska Housing Finance Corporation and one made to the University of Alaska, whose audits were performed by other auditors. With your active support and encouragement, we hope to continue seeing improvement in the implementation rate by the state agencies.

We would again like to acknowledge the professional assistance and cooperation of the Department of Administration's Division of Finance. The division has a strong professional commitment to excellence in the financial accounting and reporting for the State of Alaska. Its continued efforts towards resolving statewide accounting and reporting concerns are commendable.

We would also like to acknowledge the cooperation of all other state agencies involved during the conduct of this audit.

The dedicated staff of the Division of Legislative Audit remains committed to improving the financial accountability of the State of Alaska. Your active involvement is critical to improving that accountability. We are available to assist you in that effort.

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

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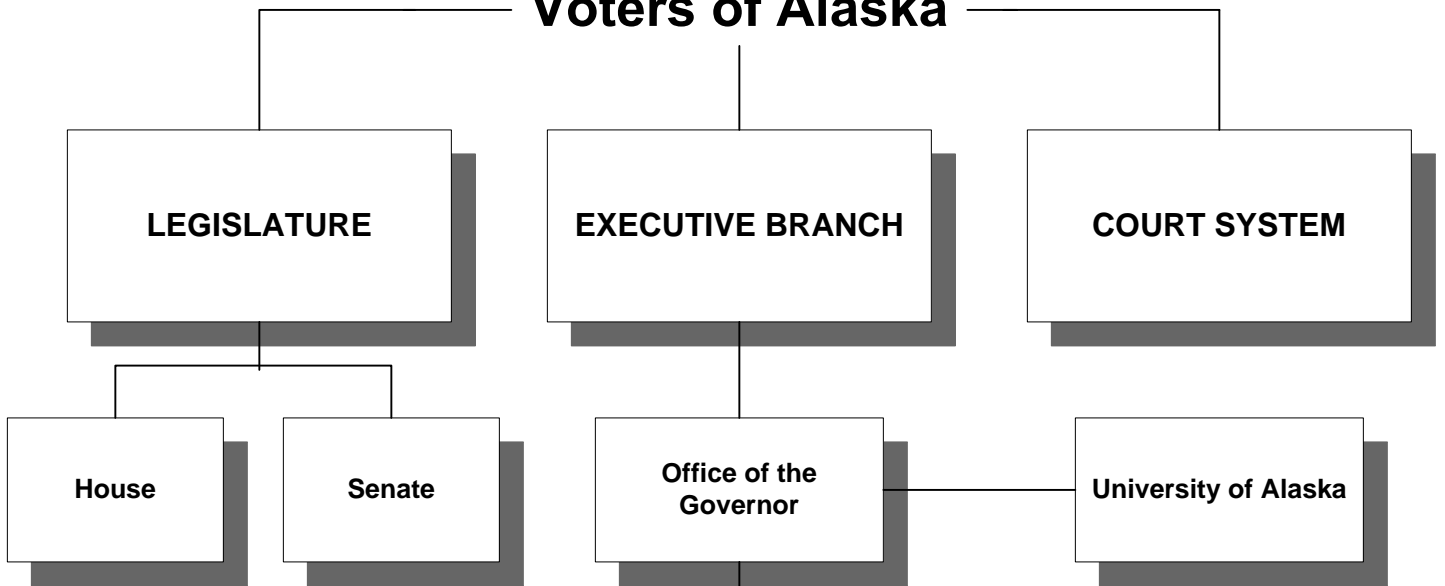
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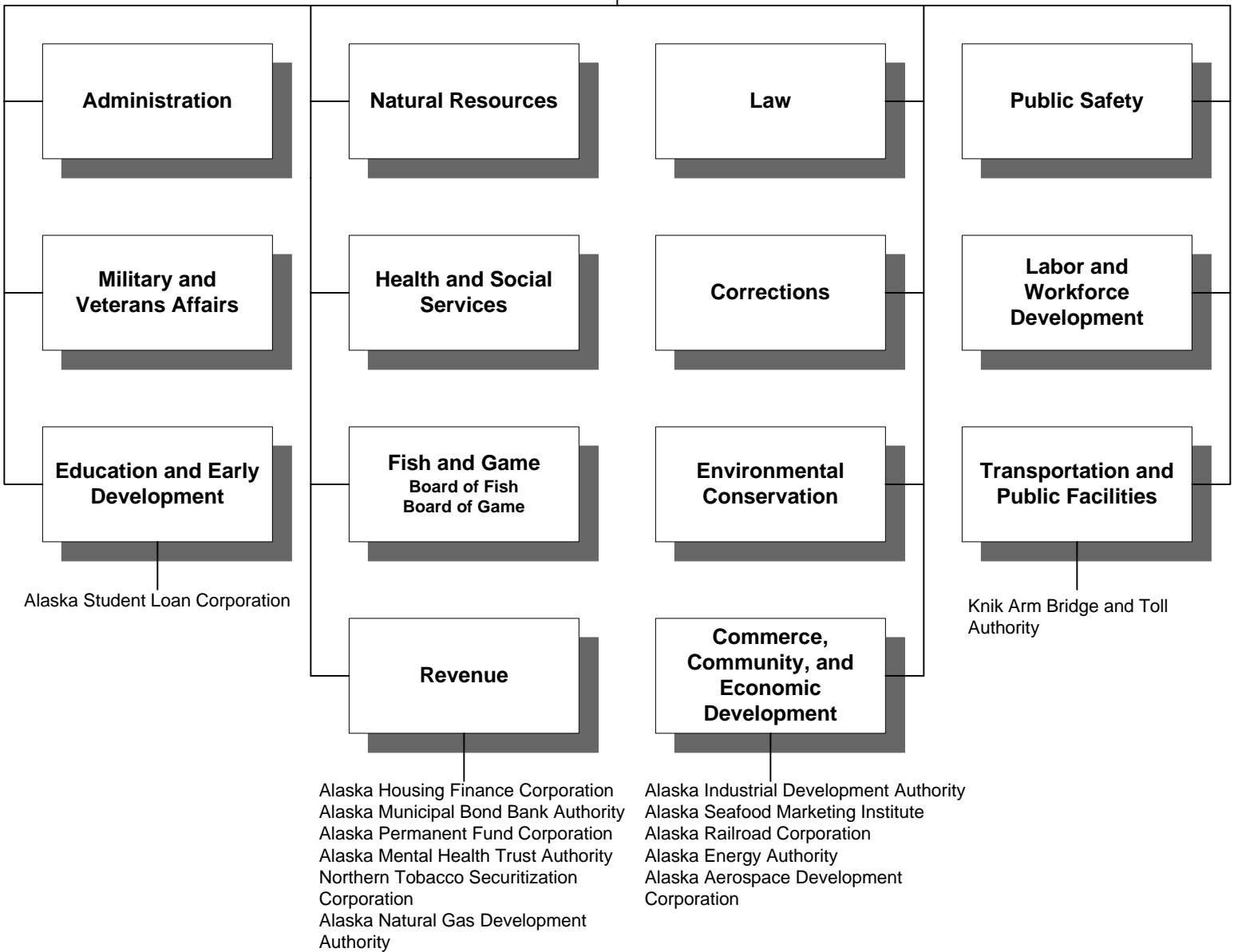
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Voters of Alaska



Departments



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Independent Auditor's Report

Members of the Legislative Budget
and Audit Committee:

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, 2004, 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 the Component Units, except for the Alaska Mental Health Trust Authority. Those financial statements reflect total assets, net assets and revenues of the government-wide financial statements and total assets, fund balances and revenues or additions to the fund financial statements as follows:

<u>Government-wide Financial Statements</u>	<u>Percent of Assets</u>	<u>Percent of Net Assets/ Fund Balance</u>	<u>Percent of Revenues</u>
Primary Government – Governmental Activities	78%	77%	35%
Component Units	95%	91%	96%
<u>Fund Financial Statements</u>			
Governmental Funds – Alaska Permanent Fund	100%	100%	100%
Fiduciary Funds – Pension and Other Employee Trust Funds	100%	100%	100%
Component Units	95%	91%	96%

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 report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 proved a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the basic 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, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the State of Alaska has retroactively reported major general infrastructure assets, as allowed by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, as amended and interpreted, as of June 30, 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2005, on our consideration of the State of Alaska’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management’s discussion and analysis, budgetary comparison schedule, and the corresponding notes as listed in the foregoing table of contents are not a required part of the basic financial statements but are supplementary information required by 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.



Pat Davidson, CPA
Legislative Auditor

November 30, 2005

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, 2005. 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 05 by \$40.1 billion (net assets). Of this amount, \$5.1 billion is invested in capital assets, \$29.4 billion is restricted for various purposes (of which the Alaska Permanent Fund represents \$28.5 billion), and unrestricted net assets are \$5.5 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 \$4 billion. This increase is primarily attributable to higher taxes and royalties from petroleum production and interest and investment income of the Alaska Permanent Fund. See page vi for a discussion of the Alaska Permanent Fund.

Fund level

- As of the close of the current fiscal year, the state's governmental funds reported combined ending fund balances of \$34.7 billion, with \$355 million unreserved fund balance and a fund balance reserved for specific purposes of \$34.4 billion. The Alaska Permanent Fund principal is \$28.5 billion of the reserved fund balance, the Constitutional Budget Reserve Fund (CBRF, a subfund of the General Fund) is \$5.2 billion, with the balance reserved for encumbrances, debt, and other purposes.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was a deficit of \$1.3 billion.

Long-term debt

- The state's total long-term debt decreased by \$39 million (2 percent) during the current fiscal year. The key factors in this decrease are the principal payment on general obligation bonded debt, plus deferred revenues and advance activity.

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.
- 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 96.5 percent of total government-wide cash and investments and 84.9 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 5.7 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 \$40.1 billion at the close of the most recent fiscal year (see table below). By far the largest portion of

the state's net assets (74.8 percent) reflects its investments held in the Alaska Permanent Fund. This increase for the Alaska Permanent Fund is mainly attributable to the financial markets, in particular a significant gain in international markets and real estate, and an increase in securities lending collateral. However, the majority of these assets are not available for future spending since the principal of the fund (\$28.5 billion) may not be spent.

The remainder of the state's net assets (25.2 percent) represents amounts invested in capital assets net of related debt (\$5.1 billion), resources that are subject to external restrictions of how they may be used (\$1.0 billion) and unrestricted net assets for funds other than the Alaska Permanent Fund (\$4.1 billion).

Net Assets
(Stated in millions)

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	FY 05	FY 04	FY 05	FY 04	FY 05	FY 04
Current and Other Noncurrent Assets	\$ 41,392	\$ 33,596	\$ 957	\$ 932	\$ 42,349	\$ 34,528
Capital Assets	5,041	4,264	775	702	5,816	4,966
Total Assets	<u>46,433</u>	<u>37,860</u>	<u>1,732</u>	<u>1,634</u>	<u>48,165</u>	<u>39,494</u>
Long-term Liabilities	1,295	1,324	417	427	1,712	1,751
Other Liabilities	6,362	1,618	22	18	6,384	1,636
Total Liabilities	<u>7,657</u>	<u>2,942</u>	<u>439</u>	<u>445</u>	<u>8,096</u>	<u>3,387</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	4,655	3,922	484	451	5,139	4,373
Restricted	28,936	26,929	467	430	29,403	27,359
Unrestricted	5,185	4,067	342	308	5,527	4,375
Total Net Assets	<u>\$ 38,776</u>	<u>\$ 34,918</u>	<u>\$ 1,293</u>	<u>\$ 1,189</u>	<u>\$ 40,069</u>	<u>\$ 36,107</u>

The net assets of governmental activities increased \$3,162 million and business-type activities increased \$104 million, before prior period adjustments and restatements. The increase for governmental activities is primarily due to higher petroleum revenues and the increase in Alaska Permanent Fund net assets. The increase in business-type activities is primarily due to the increase in net assets of the International Airports, Alaska Clean Water, and Alaska Drinking Water funds (enterprise funds) resulting from capital contributions and a reduction in benefits paid by 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 05.

	Changes in Net Assets					
	(Stated in millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 05	FY 04	FY 05	FY 04	FY 05	FY 04
Revenues						
Program Revenues						
Charges for Services	\$ 2,220	\$ 1,678	\$ 258	\$ 247	\$ 2,478	\$ 1,925
Operating Grants	1,401	1,422	17	13	1,418	1,435
Capital Grants	642	625	84	80	726	705
General Revenues						
Taxes	1,794	1,275	-	-	1,794	1,275
Interest and Investment earnings	2,841	3,562	5	1	2,846	3,563
Payments In from Component Units	121	59	-	-	121	59
Other Revenues	41	82	1	-	42	82
Total Revenues	9,060	8,703	365	341	9,425	9,044
Expenses						
General Government	255	228	-	-	255	228
Alaska Permanent Fund Dividend	552	660	-	-	552	660
Education and University	1,388	1,318	-	-	1,388	1,318
Health and Human Services	1,832	1,661	-	-	1,832	1,661
Law and Justice	148	131	-	-	148	131
Public Protection	518	421	-	-	518	421
Natural Resources	243	225	-	-	243	225
Development	130	128	-	-	130	128
Transportation	762	393	-	-	762	393
Intergovernmental	43	52	-	-	43	52
Debt Service	-	33	-	-	-	33
Interest Expense	32	-	-	-	32	-
Loans	-	-	9	5	9	5
Unemployment Compensation	-	-	148	185	148	185
Airports	-	-	99	82	99	82
Total Expenses	5,903	5,250	256	272	6,159	5,522
Excess (Deficiency) of Revenues Over Expenditures	3,157	3,453	109	69	3,266	3,522
Transfers	5	4	(5)	(4)	-	-
Special Items:						
ITBE/ASTF Liquidation	-	5	-	-	-	5
Change in Net Assets	3,162	3,462	104	65	3,266	3,527
Net Assets - Beginning of Year	34,918	31,648	1,189	1,128	36,107	32,776
Prior Period Adjustment	(925)	(192)	-	(4)	(925)	(196)
Restatement for Historical Infrastructure	1,621	-	-	-	1,621	-
Net Assets - End of Year	\$ 38,776	\$ 34,918	\$ 1,293	\$ 1,189	\$ 40,069	\$ 36,107

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 \$34.7 billion, an increase of \$3,084 million in comparison with the prior year. This increase is a combination of the Alaska Permanent Fund investments and the increase within the General Fund from petroleum revenues. The unreserved fund balance, which is normally available for spending at the government's discretion was a balance of \$355 million, consisting of a deficit of \$1.3 billion in the General Fund, \$1,440 million in the Alaska Permanent Fund (earnings reserve account), \$127 million in capital projects funds, and \$86 million for other governmental funds. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) for the Alaska Permanent Fund (\$28.5 billion), 2) for the Constitutional Budget Reserve Fund (\$5.2 billion), 3) to liquidate contracts and purchase orders of the prior period (\$307 million), or 4) for a variety of other restricted purposes (\$363 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 a deficit of \$1.3 billion, while total fund balance reached \$4.1 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, which is a deficit, represents 23 percent of total General Fund expenditures, while total fund balance represents 74 percent of that same amount.

The fund balance of the state's General Fund increased by \$630 million during the current fiscal year. The key factor in this increase is higher oil prices resulting in increased taxes and royalties. Most of this surplus was designated with the establishment of the Public Education Fund during FY 05. Ultimately, \$35 million in borrowing from the Constitutional Budget Reserve Fund was necessary to address the negative unreserved, undesignated fund balance in the wake of the court ruling on the Fairshare program described below.

General Fund revenues for FY 05 were \$5.6 billion, an increase of \$968 million compared to revenues of \$4.7 billion for FY 04. Revenues by source for FY 05 are compared to FY 04 in the following schedule (in millions):

<u>Revenue Source</u>	<u>FY 05</u>	<u>Percent</u>	<u>FY 04</u>	<u>Percent</u>
Taxes	\$ 1,734.5	30.8%	\$ 1,242.6	26.6%
Rents and Royalties	1,435.9	25.4%	1,068.6	22.8%
Interest and Investment Income	147.4	26.0%	73.8	1.6%
Federal	1,924.9	34.1%	1,918.6	41.0%
Miscellaneous	404.9	7.1%	376.0	8.0%
Total Revenue	<u>\$ 5,647.6</u>	<u>123.4%</u>	<u>\$ 4,679.6</u>	<u>100.0%</u>

The primary components of this revenue increase are petroleum-related taxes and royalties (\$814 million).

Alaska Permanent Fund

The 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 Net Assets:** The fund reserved net assets, or principal, includes the contributions and appropriations, which are the main body of the trust. At June 30, 2005, this amounted to \$24.6 billion. The sources of contributions and appropriations of the fund were as follows: \$8.6 billion in dedicated mineral revenues; \$9.0 billion of fund

realized earnings added 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 assets of the fund (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 \$3.9 billion.

- **Unreserved Net Assets:** The fund unreserved net assets, which are available for legislative appropriation, consist of the realized earnings of the fund. From inception through June 30, 2005, realized earnings have amounted to \$28.7 billion. Of this amount \$13.7 billion has been paid out for dividends, \$9.0 billion has been added to principal for inflation proofing, \$4.3 billion has been added to principal by special appropriation, \$0.3 billion has been paid out to the General Fund, and \$1.4 billion remains in the fund in the realized earnings account.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was a \$796 million increase in appropriations (or 7 percent) and can be briefly summarized as follows:

- \$119 million health and human services
- \$136 million allocated to public protection
- \$381 million allocated to transportation
- The balance is allocated across several expenditure functions.

Of this increase in appropriated expenditures, \$208 million was to be funded out of an increase in federal grants in aid, another \$235 million from interagency receipts, with the balance coming from other financing sources.

Budgets for these program areas are difficult to predict. It is not unusual for additional budget authority to be granted when new funding sources become available.

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, 2005, amounts to \$5.1 billion. The table below displays total capital assets, net of accumulated depreciation. Depreciation charges for FY 05 totaled \$247 million for governmental activities and \$30 million for business-type activities.

Capital Assets
(net of depreciation, in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 05	FY 04	FY 05	FY 04	FY 05	FY 04
Land	\$ 680	\$ 670	\$ 30	\$ 30	\$ 710	\$ 700
Buildings	675	669	434	187	1,109	856
Equipment	376	341	14	16	390	357
Infrastructure	1,888	397	226	218	2,114	615
Construction in Progress	1,422	2,187	71	251	1,493	2,438
Total Capital Assets	\$ 5,041	\$ 4,264	\$ 775	\$ 702	\$ 5,816	\$ 4,966

In FY 05, the state put into service a new fast ferry, the Chenega. The cost of this ferry was approximately \$37 million accounting for the increase in equipment. The large increase in infrastructure and the decrease in construction in progress result from prior period adjustments and the addition of historical infrastructure implementing the final piece of GASB Statement No. 34. Additional information on the state's capital assets can be found in Note 5 in the notes to the basic financial statements.

Long-term debt. At the end of the current fiscal year, the state had total bonded debt outstanding of \$1,088 million. Of this amount, \$463 million was general obligation bonds, and \$213 million comprises revenue bonds issued by the Northern Tobacco Securitization Corporation (NTSC). 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 remaining \$412 million are International Airports revenue bonds secured solely by specified revenue sources. The general obligation and NTSC 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 05	FY 04	FY 05	FY 04	FY 05	FY 04
Revenue Bonds Payable	\$ 213	\$ 218	\$ 412	\$ 422	\$ 625	\$ 640
General Obligation Debt	463	493	-	-	463	493
Notes Payable	-	3	-	-	-	3
Capital Leases Payable	148	194	-	-	148	194
Deferred Revenues and Advances	160	194	5	5	165	199
Certificates of Participation	62	30	-	-	62	30
Compensated Absences	120	117	-	-	120	117
Claims and Judgments	72	74	-	-	72	74
Other Noncurrent Liabilities	1	1	-	-	1	1
Net Pension Obligation	56	-	-	-	56	-
Total	\$ 1,295	\$ 1,324	\$ 417	\$ 427	\$ 1,712	\$ 1,751

The state's total debt decreased by \$39 million (2 percent) during the current fiscal year. This decrease is mainly attributable to the payment of debt. The first principal payments on the General Obligation Bonds were made reducing the outstanding balance. Deferred revenues and advances also dropped as a result of state activities which completed the earnings process. Capital leases and certificates of participation were adjusted to move several obligations to the certificates of participation classification.

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

Significant Facts

- On September 12, 2005, the Ninth Circuit Court of Appeals upheld the federal government's position to deny reimbursement of state claims for the Fairshare program (No. 04-74204). Prior to that court ruling, the state had accrued \$139,730 thousand in federal grants-in-aid receivables through the end of this fiscal year. Anticipated revenues were deferred in the fund financial statements because they were not available to meet current year liabilities. The associated expenditures were not included in the amount transferred from the Constitutional Budget Reserve Fund (CBRF) to the General Fund under appropriation language authorizing borrowing from the CBRF. In light of the recent ruling, this receivable has been written off and the expenditures are recognized as a use of current resources, resulting in current year borrowing from the CBRF.
- In FY 05, the State of Alaska recognized a net pension obligation (NPO) of \$56.5 million, which is the difference between the actuarially determined rate and the contributions actually paid. Although the state paid their required contribution for participating in Public Employee Retirement System (PERS), the contribution rates are based on a capped rate, an annual maximum increase of 5 percent per year. This caused the required rate to be less than the actuarial determined rate, resulting in a NPO for the year.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the State of Alaska at fiscal year end was 6.9 percent, which is lower than the rate a year ago. The United States unemployment rate at fiscal year end was 5.2 percent. The state's average unemployment rate for FY 05 was 6.9 percent, which compares favorably to the average unemployment rate for FY 04 of 7.6 percent. The five year average (2001 to 2005) was 7.0 percent.
- The state's major source of unrestricted revenue for the General Fund is petroleum related, which makes up 51 percent of total revenue, with federal revenue making up another 34 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 more than made up for this reduction, resulting in an increase of \$814.4 million 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 05 crude oil and natural gas liquids production for the Alaska North Slope and Cook Inlet averaged 936 thousand barrels per day, which is a 7.3 percent decrease from FY 04 production of 1.010 million barrels. FY 05 production, compared to peak production of 2.049 million barrels per day in FY 88, has dropped by 54.3 percent.

The State of Alaska FY 05 budgeted expenditures do include certain items that are unique to Alaska, such as the Alaska Permanent Fund Dividend that is paid to each qualifying Alaskan (\$920/resident, total \$552 million in FY 05), 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, 2005
(Stated in Thousands)

STATEMENT 1.01

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and Investments	\$ 35,313,364	\$ 469,599	\$ 35,782,963	\$ 1,790,989
Accounts Receivable - Net	806,050	18,053	824,103	82,520
Interest and Dividends Receivable	126,091	29,339	155,430	38,088
Internal Balances	33,034	(33,034)	0	
Due from Primary Government			0	8,905
Due from Component Units	7,186		7,186	1,486
Due from Other Governments	365,211	10,212	375,423	10,587
Loans, Notes, and Bonds Receivable	15,052	296,016	311,068	4,086,299
Inventories	14,628		14,628	24,743
Repossessed Property		5,230	5,230	
Net Investment in Direct Financing Leases			0	304,994
Investments in Projects, Partnerships, or Corporations		7,986	7,986	54,863
Restricted Assets	5,674	150,508	156,182	1,959,196
Securities Lending Collateral	4,681,305	3,210	4,684,515	67,277
Other Assets	24,486	396	24,882	119,338
Capital Assets:				
Equipment, Net of Depreciation	375,603	15,095	390,698	250,629
Buildings, Net of Depreciation	675,474	433,616	1,109,090	605,097
Infrastructure, Net of Depreciation	1,888,164	224,518	2,112,682	475,879
Land	679,718	29,738	709,456	63,488
Construction in Progress	1,422,295	71,818	1,494,113	253,069
Total Assets	46,433,335	1,732,300	48,165,635	10,197,447
LIABILITIES				
Accounts Payable and Accrued Liabilities	1,662,558	8,849	1,671,407	86,146
Obligations Under Securities Lending	4,681,305	3,210	4,684,515	67,277
Due to Primary Government			0	143,834
Due to Component Units	109		109	1,000
Due to Other Governments	7,310	5,049	12,359	22
Interest Payable	10,405	5,068	15,473	41,406
Other Current Liabilities	7	15	22	175,263
Long-term Liabilities:				
Portion Due or Payable Within One Year:				
Claims, Judgments, and Compensated Absences	149,877	54	149,931	630
Unearned and Deferred Revenue	134,725	4,423	139,148	14,314
Notes, Bonds, and Leases Payable	55,066	12,529	67,595	195,161
Other Long-term Debt			0	5,400
Other Noncurrent Liabilities	933		933	20,545
Portion Due or Payable After One Year:				
Claims, Judgments, and Compensated Absences	42,211		42,211	
Unearned and Deferred Revenue	25,569		25,569	329,805
Notes, Bonds, and Leases Payable	830,463	399,528	1,229,991	4,297,557
Other Long-term Debt			0	5,606
Other Noncurrent Liabilities	56,666	243	56,909	69,639
Total Liabilities	7,657,204	438,968	8,096,172	5,453,605
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	4,654,684	483,883	5,138,567	1,076,370
Restricted for:				
Permanent Funds				
Nonexpendable	28,830,850		28,830,850	341,992
Expendable	9,564		9,564	70,405
Education	11,319		11,319	394,956
Conservation, Environment, and Natural Resources	27,023		27,023	
Unemployment Compensation		188,271	188,271	
Debt Service	12,134	14,545	26,679	641,597
Other Purposes	45,009	264,788	309,797	77,490
Unrestricted	5,185,548	341,845	5,527,393	2,141,032
Total Net Assets	\$ 38,776,131	\$ 1,293,332	\$ 40,069,463	\$ 4,743,842

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, 2005
(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	\$ 254,680	\$ 20,448	\$ 17,786	\$ 8,578
Alaska Permanent Fund Dividend	552,232			
Education	1,143,197	2,477	182,887	1,105
University	244,927		29	
Health and Human Services	1,832,252	30,754	935,134	69,568
Law and Justice	147,606	10,959	16,596	157
Public Protection	517,875	134,817	70,012	31,424
Natural Resources	242,610	1,967,523	72,389	28,835
Development	129,518	4,744	74,726	30,678
Transportation	762,514	48,506	5,988	471,965
Intergovernmental Revenue Sharing	43,039		15,169	1
Debt Service	32,153		10,188	
Total Governmental Activities	5,902,603	2,220,228	1,400,904	642,311
Business-type Activities:				
Loans	9,304	10,006	6,509	20,883
Unemployment Compensation	147,687	148,354	10,206	
Airports	99,350	99,375	770	55,926
Development	155			7,440
Total Business-type Activities	256,496	257,735	17,485	84,249
Total Primary Government	\$ 6,159,099	\$ 2,477,963	\$ 1,418,389	\$ 726,560
Component Units:				
University of Alaska	\$ 616,371	\$ 120,753	\$ 198,714	\$ 2,599
Alaska Housing Finance Corporation	336,438	207,569	51,354	10,368
Alaska Industrial Development and Export Authority	52,186	43,009	883	5,658
Nonmajor Component Units	384,608	202,595	76,386	29,313
Total Component Units	\$ 1,389,603	\$ 573,926	\$ 327,337	\$ 47,938

General Revenues:

Taxes:

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

Interest and Investment Income
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

Prior Period Adjustment

Restatement for Historical Infrastructure

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
\$ (207,868)	\$	\$ (207,868)	\$
(552,232)		(552,232)	
(956,728)		(956,728)	
(244,898)		(244,898)	
(796,796)		(796,796)	
(119,894)		(119,894)	
(281,622)		(281,622)	
1,826,137		1,826,137	
(19,370)		(19,370)	
(236,055)		(236,055)	
(27,869)		(27,869)	
(21,965)		(21,965)	
<u>(1,639,160)</u>		<u>(1,639,160)</u>	
	28,094	28,094	
	10,873	10,873	
	56,721	56,721	
	7,285	7,285	
	<u>102,973</u>	<u>102,973</u>	
<u>(1,639,160)</u>	<u>102,973</u>	<u>(1,536,187)</u>	
			(294,305)
			(67,147)
			(2,636)
			<u>(76,314)</u>
			<u>(440,402)</u>
965,431		965,431	
186,354		186,354	
588,694		588,694	
42,912		42,912	
10,743		10,743	
2,840,596	5,154	2,845,750	145,270
21,759		21,759	
121,312		121,312	6,044
		0	238,103
19,294	1,356	20,650	3,632
4,968	(4,968)	0	
<u>4,802,063</u>	<u>1,542</u>	<u>4,803,605</u>	<u>393,049</u>
3,162,903	104,515	3,267,418	(47,353)
34,917,675	1,189,105	36,106,780	4,789,430
(924,965)	(288)	(925,253)	1,765
1,620,518		1,620,518	
<u>\$ 38,776,131</u>	<u>\$ 1,293,332</u>	<u>\$ 40,069,463</u>	<u>\$ 4,743,842</u>

STATE OF ALASKA
 Balance Sheet
 Governmental Funds
 June 30, 2005
 (Stated in Thousands)

STATEMENT 1.11

	General Fund	Alaska Permanent Fund	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 3,484,303	\$ 31,054,106	\$ 722,828	\$ 35,261,237
Accounts Receivable - Net	240,468	527,667	3,915	772,050
Interest and Dividends Receivable	4,376	120,333	1,382	126,091
Due from Other Funds	613,556		687	614,243
Due from Component Units	7,142		44	7,186
Due from Other Governments	357,321		5,829	363,150
Loans, Notes, and Bonds Receivable	14,995		57	15,052
Inventories	11,240			11,240
Securities Lending Collateral	90,678	4,569,049	21,354	4,681,081
Other Assets	18,720		28	18,748
Total Assets	<u>\$ 4,842,799</u>	<u>\$ 36,271,155</u>	<u>\$ 756,124</u>	<u>\$ 41,870,078</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 456,241	\$ 1,181,556	\$ 12,226	\$ 1,650,023
Obligations Under Securities Lending	90,678	4,569,049	21,354	4,681,081
Due to Other Funds	22,553	558,882	15,233	596,668
Due to Component Units	104		5	109
Due to Other Governments	7,310			7,310
Unearned and Deferred Revenue	195,240		537	195,777
Other Liabilities	938		322	1,260
Total Liabilities	<u>773,064</u>	<u>6,309,487</u>	<u>49,677</u>	<u>7,132,228</u>
Fund Balances:				
Reserved:				
Encumbrances	157,567		149,730	307,297
Nonliquid Assets	5,190,938			5,190,938
Debt Service			35,211	35,211
Other Purposes	18,841	28,521,819	309,031	28,849,691
Unreserved:				
General Fund	(1,297,611)			(1,297,611)
Special Revenue Funds			75,991	75,991
Capital Projects Funds			126,963	126,963
Permanent Funds		1,439,849	9,521	1,449,370
Total Fund Balances	<u>4,069,735</u>	<u>29,961,668</u>	<u>706,447</u>	<u>34,737,850</u>
Total Liabilities and Fund Balances	<u>\$ 4,842,799</u>	<u>\$ 36,271,155</u>	<u>\$ 756,124</u>	<u>\$ 41,870,078</u>

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, 2005
(Stated in Thousands)

STATEMENT 1.13

	General Fund	Alaska Permanent Fund	Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 1,734,515	\$	\$ 29,950	\$ 1,764,465
Licenses and Permits	95,946		26,942	122,888
Charges for Services	152,603		389	152,992
Fines and Forfeitures	10,926		104	11,030
Rents and Royalties	1,435,932	480,498	41,185	1,957,615
Premiums and Contributions	10,605		6,548	17,153
Interest and Investment Income	147,376	2,694,768	32,140	2,874,284
Federal Grants in Aid	1,924,927		26,994	1,951,921
Payments In from Component Units	121,312			121,312
Other Revenues	13,485		17,472	30,957
Total Revenues	<u>5,647,627</u>	<u>3,175,266</u>	<u>181,724</u>	<u>9,004,617</u>
EXPENDITURES				
Current:				
General Government	211,793	47,802	2,001	261,596
Alaska Permanent Fund Dividend	552,232			552,232
Education	1,027,453		108,563	1,136,016
University	237,021		7,896	244,917
Health and Human Services	1,743,390		5,361	1,748,751
Law and Justice	139,727	1,477	686	141,890
Public Protection	524,932		923	525,855
Natural Resources	174,306	4,977	56,863	236,146
Development	120,134	300	7,823	128,257
Transportation	741,726		62,820	804,546
Intergovernmental Revenue Sharing	43,081			43,081
Debt Service:				
Principal	10,295		29,275	39,570
Interest and Other Charges	3,567		35,422	38,989
Total Expenditures	<u>5,529,657</u>	<u>54,556</u>	<u>317,633</u>	<u>5,901,846</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>117,970</u>	<u>3,120,710</u>	<u>(135,909)</u>	<u>3,102,771</u>
OTHER FINANCING SOURCES (USES)				
Refunding Bonds Issued	25,725			25,725
Refunding Bond Issue Premium	1,251			1,251
Payment to Refunded Bond Escrow Agent	(26,858)			(26,858)
Capital Leases	10,751			10,751
Transfers In from Other Funds	573,103		31,438	604,541
Transfers (Out to) Other Funds	(54,138)	(558,882)	(2,911)	(615,931)
Total Other Financing Sources and Uses	<u>529,834</u>	<u>(558,882)</u>	<u>28,527</u>	<u>(521)</u>
Net Change in Fund Balances	647,804	2,561,828	(107,382)	3,102,250
Fund Balances - Beginning of Year	3,439,863	27,399,840	813,829	31,653,532
Prior Period Adjustment	(17,932)			(17,932)
Fund Balances - End of Year	<u>\$ 4,069,735</u>	<u>\$ 29,961,668</u>	<u>\$ 706,447</u>	<u>\$ 34,737,850</u>

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

STATE OF ALASKA
Statement of Net Assets
Proprietary Funds
June 30, 2005
(Stated in Thousands)

STATEMENT 1.21

	Enterprise Funds			Internal Service Funds
	International Airports	Nonmajor Enterprise Funds	Total	
ASSETS				
Current Assets:				
Cash and Investments	\$ 120,746	\$ 348,853	\$ 469,599	\$ 57,801
Accounts Receivable - Net	12,364	4,661	17,025	65
Interest and Dividends Receivable		4,765	4,765	
Due from Other Funds		431	431	19,745
Due from Other Governments	8,450	1,762	10,212	12
Loans, Notes, and Bonds Receivable	13,000	18,889	31,889	
Inventories			0	3,388
Securities Lending Collateral	2,417	793	3,210	224
Other Current Assets			0	923
Total Current Assets	156,977	380,154	537,131	82,158
Noncurrent Assets:				
Accounts Receivable - Net		1,028	1,028	
Interest and Dividends Receivable		24,574	24,574	
Loans, Notes, and Bonds Receivable		264,127	264,127	
Repossessed Property		5,230	5,230	
Investment in Projects, Partnerships, or Corporations		7,986	7,986	
Restricted Assets	150,508		150,508	
Other Noncurrent Assets		396	396	
Capital Assets:				
Equipment, Net of Depreciation	15,095		15,095	85,191
Buildings, Net of Depreciation	433,616		433,616	33,792
Infrastructure, Net of Depreciation	224,518		224,518	
Land	29,738		29,738	
Construction in Progress	62,193	9,625	71,818	
Total Noncurrent Assets	915,668	312,966	1,228,634	118,983
Total Assets	1,072,645	693,120	1,765,765	201,141
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	1,900	6,949	8,849	12,535
Obligations Under Securities Lending	2,417	793	3,210	224
Due to Other Funds	30,809	2,656	33,465	20
Due to Other Governments		5,049	5,049	
Interest Payable	5,068		5,068	
Claims, Judgments, and Compensated Absences		54	54	2,915
Unearned and Deferred Revenue	4,423		4,423	
Notes, Bonds, and Leases Payable	12,529		12,529	650
Other Current Liabilities		15	15	
Total Current Liabilities	57,146	15,516	72,662	16,344
Noncurrent Liabilities:				
Notes, Bonds, and Leases Payable	399,528		399,528	508
Other Noncurrent Liabilities	205	38	243	1,150
Total Noncurrent Liabilities	399,733	38	399,771	1,658
Total Liabilities	456,879	15,554	472,433	18,002
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	474,258	9,625	483,883	117,825
Restricted for:				
Unemployment Compensation		188,271	188,271	
Debt Service	14,545		14,545	
Other Purposes	9,893	254,895	264,788	
Unrestricted	117,070	224,775	341,845	65,314
Total Net Assets	\$ 615,766	\$ 677,566	\$ 1,293,332	\$ 183,139

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

STATE OF ALASKA
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2005
(Stated in Thousands)

STATEMENT 1.22

	Enterprise Funds			Internal Service Funds
	International Airports	Nonmajor Enterprise Funds	Total	
OPERATING REVENUES				
Premiums and Contributions	\$	\$ 148,354	\$ 148,354	\$ 59,338
Charges for Goods and Services	98,175	911	99,086	75,104
Interest and Investment Income		8,971	8,971	
Allowance for Uncollectible Interest		565	565	
Fines and Forfeitures		128	128	
Federal Grants in Aid		7,954	7,954	
Other Operating Revenues	1,200		1,200	1,377
Total Operating Revenues	99,375	166,883	266,258	135,819
OPERATING EXPENSES				
Benefits		143,700	143,700	50,535
Operating	61,131	4,370	65,501	66,726
Depreciation	30,273	90	30,363	15,442
Provision for Loan Losses and Forgiveness		(2,067)	(2,067)	
Other Operating Expenses		4,103	4,103	
Total Operating Expenses	91,404	150,196	241,600	132,703
Operating Income (Loss)	7,971	16,687	24,658	3,116
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Income	5,163	13,018	18,181	742
Interest and Investment Expense	(17,811)	(179)	(17,990)	(175)
Gain (Loss) on Disposal of Capital Assets		(31)	(31)	(7)
Other Nonoperating Revenues (Expenses)	10,742	(176)	10,566	235
Total Nonoperating Revenues (Expenses)	(1,906)	12,632	10,726	795
Income Before Capital Contributions and Transfers	6,065	29,319	35,384	3,911
Capital Contributions	55,819	18,280	74,099	2,077
Transfers In from Other Funds		755	755	21,946
Transfers (Out to) Other Funds		(5,723)	(5,723)	(1,223)
Change in Net Assets	61,884	42,631	104,515	26,711
Total Net Assets - Beginning of Year	553,882	635,223	1,189,105	156,213
Prior Period Adjustment		(288)	(288)	215
Total Net Assets - End of Year	\$ 615,766	\$ 677,566	\$ 1,293,332	\$ 183,139

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, 2005
(Stated in Thousands)

STATEMENT 1.23

	Enterprise Funds			Internal Service Funds
	International Airports	Nonmajor Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Other Governments	\$	\$ 1,543	\$ 1,543	\$ 197
Receipts from Customers	96,243	1,281	97,524	64,732
Receipt of Principal from Loan Recipients		32,128	32,128	
Receipt of Interest and Fees from Loan Recipients		9,859	9,859	
Receipts from Insured		149,963	149,963	59,347
Payments to Employees	(31,920)	(794)	(32,714)	(21,268)
Payments to Suppliers	(29,112)	(1,338)	(30,450)	(43,496)
Payments to Other Governments		295	295	
Payments to Loan Recipients		(41,213)	(41,213)	
Claims Paid	(13,118)	(141,280)	(154,398)	(50,859)
Interfund Services Used		(3,240)	(3,240)	
Other Receipts		399	399	1,377
Other Payments		(6,527)	(6,527)	(1,615)
Net Cash Provided (Used) by Operating Activities	22,093	1,076	23,169	8,415
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Subsidies and Transfers (Out to) Other Funds		(6,016)	(6,016)	(1,223)
Operating Subsidies and Transfers In from Other Funds		755	755	21,946
Federal Grants		18,280	18,280	
Proceeds from Issuance of Short-term Debt		2,602	2,602	
Payments on Short-term Debt		(2,602)	(2,602)	
Interest and Fees Paid on Borrowing		(3)	(3)	
Net Cash Provided (Used) by Noncapital Financing Activities	0	13,016	13,016	20,723
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Sale of Capital Assets			0	843
Acquisition and Construction of Capital Assets	(94,712)		(94,712)	(9,433)
Principal Paid on Capital Debt	(10,437)		(10,437)	(4,339)
Interest and Fees Paid on Capital Debt	(22,909)		(22,909)	(219)
Federal Grants	54,374		54,374	
Other Receipts (Payments)	3,275		3,275	
Net Cash Provided (Used) by Capital and Related Financing Activities	(70,409)	0	(70,409)	(13,148)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sales/Maturities of Investments	31,746		31,746	
Income from Securities Lending Activities	1,229	189	1,418	
Expenses from Securities Lending Activities	(209)	(175)	(384)	
Purchase of Investments	(41,240)		(41,240)	
Interest and Dividends on Investments	7,409	12,842	20,251	742
Change in Restricted Cash and Investments	46,750		46,750	
Net Cash Provided (Used) by Investing Activities	45,685	12,856	58,541	742
Net Increase (Decrease) in Cash	(2,631)	26,948	24,317	16,732
Cash and Cash Equivalents - Beginning of Year	18,704	321,905	340,609	41,069
Cash and Cash Equivalents - End of Year	\$ 16,073	\$ 348,853	\$ 364,926	\$ 57,801

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, 2005
(Stated in Thousands)

STATEMENT 1.23

	Enterprise Funds			Internal Service Funds
	International Airports	Nonmajor Enterprise Funds	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 7,971	\$ 16,687	\$ 24,658	\$ 3,116
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	30,273	90	30,363	15,443
Other Reconciling Items		(221)	(221)	
Net Changes in Assets and Liabilities:				
Accounts Receivable - Net	(1,915)	1,680	(235)	616
Due from Other Funds		(272)	(272)	(10,778)
Due from Component Units			0	5
Due from Other Governments		(363)	(363)	(7)
Loans, Notes and Bonds Receivable - Net		(11,521)	(11,521)	
Repossessed Property		(1,990)	(1,990)	
Investment in Projects, Partnerships, or Corporations		51	51	
Securities Lending Collateral	(2,417)	(793)	(3,210)	47
Interest and Dividends Receivable - Net		390	390	
Inventories			0	(7)
Other Assets		(7,437)	(7,437)	441
Due to Other Funds	(14,346)	1,394	(12,952)	(38)
Due to Other Governments		295	295	
Accounts Payable and Accrued Liabilities	98	2,866	2,964	(1,526)
Obligations Under Securities Lending	2,417	793	3,210	(47)
Other Liabilities	12	(573)	(561)	1,150
Net Cash Provided (Used) by Operating Activities	<u>\$ 22,093</u>	<u>\$ 1,076</u>	<u>\$ 23,169</u>	<u>\$ 8,415</u>
Reconciliation of Cash to the Statement of Net Assets:				
Total Cash and Investments per the Statement of Net Assets	\$ 120,746	\$ 348,853	\$ 469,599	\$ 57,801
Less: Investments not Meeting the Definition of Cash or Cash Equivalents	(104,673)		(104,673)	
Cash, End of Year	<u>\$ 16,073</u>	<u>\$ 348,853</u>	<u>\$ 364,926</u>	<u>\$ 57,801</u>
Noncash Investing, Capital, and Financing Activities:				
Contributed Capital Assets			0	2,077
Acquisitions of Capital Assets through Capital Lease			0	792
Transfers (Out to) Other Funds (Accrual)		(2,251)	(2,251)	

STATE OF ALASKA
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005
(Stated in Thousands)

STATEMENT 1.31

	Pension and Other Employee Benefit Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 70,510	\$ 119,600
Investments	15,285,481	179,150
Investment Loss Trust Fund Assets	1,619	
Contributions Receivable	23,052	
Securities Lending Collateral	990,750	
Due from Other Funds		2,299
Other Assets	2	
Total Assets	16,371,414	301,049
LIABILITIES		
Accounts Payable and Accrued Liabilities	58,980	2,944
Obligations Under Securities Lending	990,750	
Trust Deposits Payable		298,093
Due to Other Funds	3,119	12
Total Liabilities	1,052,849	301,049
NET ASSETS		
Held in Trust for:		
Pension Benefits	9,448,047	
Postemployment Healthcare Benefits	3,494,207	
Individuals, Organizations, and Other Governments	2,376,311	
Total Net Assets	\$ 15,318,565	\$ 0

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, 2005
(Stated in Thousands)

STATEMENT 1.32

	<u>Pension and Other Employee Benefit Trust Funds</u>
ADDITIONS	
Premiums and Contributions:	
Employer	\$ 607,944
Member	297,632
Other	4,111
Total Premiums and Contributions	<u>909,687</u>
Investment Income:	
Net Appreciation (Depreciation) in Fair Value of Investments	821,127
Interest	197,752
Dividends	209,569
Total Investment Income	<u>1,228,448</u>
Less Investment Expense	<u>48,467</u>
Net Investment Income	<u>1,179,981</u>
Other Additions	<u>13</u>
Total Additions	<u>2,089,681</u>
DEDUCTIONS	
Benefits Paid	1,334,896
Insurance Premiums	4,741
Refunds of Premiums and Contributions	20,963
Administrative Expenses	21,870
Total Deductions	<u>1,382,470</u>
Net Increase (Decrease) in Net Assets Held in Trust for:	
Pension Benefits	320,754
Postemployment Healthcare Benefits	274,874
Individuals, Organizations, and Other Governments	111,583
Net Assets - Beginning of the Year	<u>14,611,354</u>
Net Assets - End of the Year	<u>\$ 15,318,565</u>

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

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STATE OF ALASKA
Statement of Net Assets
Component Units
June 30, 2005
(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	\$ 62,363	\$ 535,499	\$ 373,146	\$ 819,981	\$ 1,790,989
Accounts Receivable - Net	46,190		10	36,320	82,520
Interest and Dividends Receivable	196	20,762	4,899	12,231	38,088
Due from Primary Government	8,251	460	90	104	8,905
Due from Component Units	75	255	1,000	156	1,486
Due from Other Governments	1,281			9,306	10,587
Loans, Notes, and Bonds Receivable	8,137	3,325,182	326,502	426,478	4,086,299
Inventories	8,134			16,609	24,743
Net Investment in Direct Financing Leases		32,843	272,151		304,994
Investments in Projects, Partnerships, or Corporations			54,863		54,863
Securities Lending Collateral			21	67,256	67,277
Restricted Assets	237,496	693,685	111,786	916,229	1,959,196
Other Assets	69,685	38,174	4,054	7,425	119,338
Capital Assets:					
Equipment, Net of Depreciation	137,596	743		112,290	250,629
Buildings, Net of Depreciation	498,963	74,639	2,080	29,415	605,097
Infrastructure, Net of Depreciation	18,353			457,526	475,879
Land	27,360	13,762	600	21,766	63,488
Construction in Progress	55,018	26,929		171,122	253,069
Total Assets	1,179,098	4,762,933	1,151,202	3,104,214	10,197,447
LIABILITIES					
Accounts Payable and Accrued Liabilities	35,452		847	49,847	86,146
Obligations Under Securities Lending			21	67,256	67,277
Due to Primary Government		3,007	469	140,358	143,834
Due to Component Units				1,000	1,000
Due to Other Governments				22	22
Interest Payable		14,147	5,218	22,041	41,406
Other Current Liabilities	35,123	138,375	870	895	175,263
Long-term Liabilities:					
Portion Due or Payable Within One Year:					
Claims, Judgments, and Compensated Absences				630	630
Unearned and Deferred Revenue				14,314	14,314
Notes, Bonds, and Leases Payable	4,864	90,977	10,645	88,675	195,161
Other Long-term Debt				5,400	5,400
Other Noncurrent Liabilities	1,281	19,264			20,545
Portion Due or Payable After One Year:					
Unearned and Deferred Revenue	6,021			323,784	329,805
Notes, Bonds, and Leases Payable	103,585	2,807,753	282,425	1,103,794	4,297,557
Other Long-term Debt				5,606	5,606
Other Noncurrent Liabilities	32,176	6,337	9,701	21,425	69,639
Total Liabilities	218,502	3,079,860	310,196	1,845,047	5,453,605
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	625,727	115,519	(13,252)	348,376	1,076,370
Restricted for:					
Permanent Funds Nonexpendable				341,992	341,992
Expendable				70,405	70,405
Education	259,342			135,614	394,956
Debt Service	3,105	589,070	558	48,864	641,597
Other Purposes		36,218	4,130	37,142	77,490
Unrestricted	72,422	942,266	849,570	276,774	2,141,032
Total Net Assets	\$ 960,596	\$ 1,683,073	\$ 841,006	\$ 1,259,167	\$ 4,743,842

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, 2005
(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	\$ 616,371	\$ 120,753	\$ 198,714	\$ 2,599
Alaska Housing Finance Corporation	336,438	207,569	51,354	10,368
Alaska Industrial Development and Export Authority	52,186	43,009	883	5,658
Nonmajor Component Units	384,608	202,595	76,386	29,313
Total Component Units	\$ 1,389,603	\$ 573,926	\$ 327,337	\$ 47,938

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

Prior Period Adjustment

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
\$ (294,305)	\$	\$	\$	\$ (294,305)
	(67,147)			(67,147)
		(2,636)		(2,636)
			(76,314)	(76,314)
<u>(294,305)</u>	<u>(67,147)</u>	<u>(2,636)</u>	<u>(76,314)</u>	<u>(440,402)</u>
38,671	41,509	18,096	46,994	145,270
3,384		2,660		6,044
237,048			1,055	238,103
1,380	2,252			3,632
<u>280,483</u>	<u>43,761</u>	<u>20,756</u>	<u>48,049</u>	<u>393,049</u>
(13,822)	(23,386)	18,120	(28,265)	(47,353)
974,418	1,706,459	822,886	1,285,667	4,789,430
			1,765	1,765
<u>\$ 960,596</u>	<u>\$ 1,683,073</u>	<u>\$ 841,006</u>	<u>\$ 1,259,167</u>	<u>\$ 4,743,842</u>

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**STATE OF ALASKA
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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005**

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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 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 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 87 percent of the total cash and investments and 75 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, 801 W. 10th Street, Suite 302, Juneau, AK 99801, 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 CAFR with the Nonmajor Enterprise Funds.

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 of Alaska. 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 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 Judgement (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 of Alaska 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 state statute (AS 39.35.010). The Commissioner of Administration is responsible for the administration of PERS. The governor appoints the majority of the PERS board. The board prescribes policies and regulations, hears appeals, and 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 Alaska State Pension Investment Board (ASPIB) is the fiduciary of PERS.

The **Teachers' Retirement System (TRS)** was established by state statute (AS 14.25.010). The Commissioner of Administration appoints the administrator of TRS. The administrator is responsible for the administration of TRS in accordance with state statutes. The governor appoints the majority of the TRS board. The board prescribes policies and regulations, hears appeals, and 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. ASPIB is the fiduciary of TRS.

The **Judicial Retirement System (JRS)** was established by state statute (AS 22.25.048). The Commissioner 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. ASPIB is the fiduciary of JRS.

The **Alaska National Guard and Alaska Naval Militia Retirement System (NGNMRS)** was established by state statute (AS 26.05.222). The Commissioner 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. ASPIB is the fiduciary of NGNMRS.

The **Supplemental Benefits System (SBS)** was established by state statute (AS 39.30.150). The Commissioner 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. ASPIB is the fiduciary of SBS.

The **Deferred Compensation Plan (DCP)** was established by state statute (AS 39.45.010). The Commissioner 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. ASPIB is the fiduciary of the DCP.

Copies of the audited financial statements for the retirement systems, and for SBS and DCP, may be obtained from the 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. St., 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 are included in the Combining Fund section of this CAFR with the Nonmajor Component Units since there are no separately issued financial statements for AMHTA at the publication date of this CAFR.

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 of Alaska 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 Postsecondary Education Commission, 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 because its financial activities, which are immaterial, are currently accounted for in the state's General Fund. The ASMI fiscal year 2005 budget was approximately \$17.8 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 funds 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. 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 (collected 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 of Alaska 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 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 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 of Alaska 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. In accordance with GASB Statement No. 31, 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 mid-point between the bid and asked price or at prices for securities of comparable maturity, quality, and type. The noninterest bearing deposits are reported at cost, which approximates fair value.

Domestic equity under the fiduciary responsibility of the Commissioner of Revenue is comprised of shares in the Russell 3000 Index Common Trust Fund (Trust), a passively managed commingled index fund. The underlying securities in this Trust are valued each business day by the Trustee Committee at fair value in accordance with generally accepted valuation principles.

Other 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 quarterly by the general partners and investment sponsors. The private equity oversight manager is held to a standard of reasonable care in verifying that the valuations reasonably reflect the underlying fair value of the investments.

Absolute return investments are valued monthly by the general partners. The fund administrators are held to a standard of reasonable care in verifying that the valuations reasonably reflect the underlying fair value of the investments.

The energy related investment in the Other Investments Pool is valued quarterly by the general partner. The agricultural investments are valued quarterly by investment managers. Valuations are based on market conditions and knowledge of industry trends. Agricultural holdings 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 based on market conditions and their knowledge of industry trends. Separate account real estate investments are appraised once every three years, in conjunction with the property's purchase anniversary date, 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 operate as demand deposit accounts, amounts invested in the pools are classified as cash and cash equivalents. At June 30, 2005, 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 other internal service funds and the General Fund), and are accounted for on the consumption method. However, the majority of materials and supplies for state agencies are accounted for as expenditures at the time of purchase. Inventory of the University of Alaska is carried at the lower of cost or market.

CAPITAL ASSETS

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

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

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

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

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

COMPENSATED ABSENCES

Regulations governing annual/personal leave (vacation pay) provide that state employees will receive time off, or pay, for hours accumulated. Consequently, a liability exists with respect to accumulated annual/personal leave at any given time. As of June 30, 2005, 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 \$120.5 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 11 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, 2005 (in thousands).

	General	Permanent	Special Revenue	Debt Service	Capital Projects
Reserved					
Encumbrances	\$ 157,567	\$ 43	\$ 28,933	\$ -	\$ 120,754
Nonliquid Assets	5,190,938	-	-	-	-
Bonds	-	-	-	35,211	-
Other	18,841	28,830,850	-	-	-
Total Reserved	<u>5,367,346</u>	<u>28,830,893</u>	<u>28,933</u>	<u>35,211</u>	<u>120,754</u>
Unreserved					
Designated					
Continuing Appropriations	326,024	539	12,263	-	117,565
Other	1,302,794	1,439,849	180	-	-
Undesignated	(2,926,429)	8,982	63,548	-	9,398
Total Unreserved	<u>(1,297,611)</u>	<u>1,449,370</u>	<u>75,991</u>	<u>-</u>	<u>126,963</u>
Total Fund Balance	<u>\$ 4,069,735</u>	<u>\$ 30,280,263</u>	<u>\$ 104,924</u>	<u>\$ 35,211</u>	<u>\$ 247,717</u>

The negative undesignated fund balance is attributable to a subfund of the general fund that is important for users of the financial statements to understand. The negative unreserved undesignated fund balance of \$2,926,429 thousand is the amount due to the Constitutional Budget Reserve Fund (CBRF) arising from Article IX, section 17(d) in the Alaska Constitution. This CBRF receivable is unlikely to be realized.

Designated for continuing appropriations was reduced for negative fund balance in three subfunds of the General Fund. The Alaska Capital Income Fund and the Vocational Rehabilitation Small Business Enterprise Revolving Fund were over-appropriated by \$30,049 thousand and \$367 thousand respectfully, and the Alaska Marine Highway System Fund over-expended fund resources by \$6,815 thousand.

RESTRICTED NET ASSETS

Restricted net assets for permanent funds are required to be identified as expendable or nonexpendable. All of the Alaska Permanent Fund restricted net assets (\$28,522 million), \$309 million of the Public School Trust Fund net assets, and \$342 million of the Alaska Mental Health Trust Authority (a discretely presented component unit) restricted net assets are nonexpendable. The remaining \$10 million (3 percent) of the Public School Trust Fund restricted net assets, and \$70 million (17 percent) of the Alaska Mental Health Trust Authority restricted net assets are expendable.

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 05, supplemental appropriations of \$564 million were required, of which \$315.5 million were appropriations from the General Fund.

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 05, the Office of Management and Budget estimated the limit to be approximately \$7.2 billion. The FY 05 budget passed by the legislature was \$3 billion (unrestricted General Fund revenues only), or \$4.2 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 has grown to over \$5 billion. 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)	<u>(85,513,723)</u>

Subtotal FY 05	44,161,882
Total appropriated from the CBRF	\$ 5,162,121,819

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 ended 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 and 2005, 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 and FY 04 were transferred to the CBRF during FY 96, FY 97, FY 98, FY 99, FY 00, FY 01, FY 02, FY 03, FY 04 and FY 05 respectively. The amount for FY 05 will be transferred to the CBRF during FY 06.

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 FY 03, chapter 159, SLA 2004, section 61(d) for FY 04 and chapter 3, FSSLA 2005, section 61(a) for FY 05.

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), and chapter 159, SLA 2004, section 61(c) and chapter 159, SLA 2004, section 61(f), appropriated amounts from the CBRF for treasury management of CBRF investments in FY 98, FY 99, FY 01, FY 02, FY 03, FY 04 and FY 05 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.

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

The beginning balance amounts for capital assets were restated to record historic infrastructure in accordance with GASB Statement No. 34. This restatement increases infrastructure by \$1,620,518 thousand.

Other changes displayed as prior period adjustments in the fund financial statements are listed below.

- \$17,932 thousand decrease to the General Fund. due to \$16,931 thousand federal revenues deferred, \$500 thousand for charges for services earned in the current year but recognized last year, \$390 thousand overstatement in revenues previously recognized from the Alaska Public Building fund and \$111 thousand reduction in unemployment insurance fraud penalties previously recorded as General Fund revenues.
- \$215 thousand increase for the Alaska Public Building Fund is the net of expenditures previously recognized as paid to the General Fund (\$390 thousand) and fiduciary funds (\$160 thousand), and a \$335 thousand reduction in the net value of assets that were depreciated in prior years.
- \$288 thousand decrease in enterprise funds is comprised of the following: \$405 thousand reduction in the Unemployment Compensation Fund due to transfer adjustments between the fund and federally reimbursable programs; \$121 thousand increase in the Small Business Revolving Loan Fund for interest previously accrued; and \$4 thousand decrease in the Alaska Drinking Water Fund related to prior year expense.

Additional prior period adjustments affecting the government-wide financial statements are listed below.

- \$196 thousand increase in long-term debt due to a capital lease not previously reported.
- \$923,983 thousand decrease in total capital assets. This includes \$935,842 thousand net decrease for construction in progress resulting from construction in progress not previously reported, reclassification activity, and infrastructure being reported as construction in progress, \$22,696 thousand increase to buildings, \$1,871 thousand increase to equipment, and \$12,708 thousand increase to accumulated depreciation for buildings and equipment.
- \$16,931 thousand increase for federal revenues deferred at the fund financial level, but recognized on the government-wide.

NOTE 4 – DEPOSIT AND INVESTMENT RISK

Deposits and investments may be exposed to various types of risks. These risks are interest rate risk, credit risk, custodial credit risk, concentration of credit risk, and foreign currency risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Credit risk is the risk that an issuer or other counter party 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 a government's 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 Science and Technology Foundation, Alaska Student Loan Corporation, Alaska State Pension Investment 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 as well as the Public School, Alaska Children's, Investment Loss, and Supplemental Benefits System (SBS) 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.

With the exception of Tobacco Revenue Fixed Income, the Domestic Fixed Income Indexed Account and Domestic Equity Indexed Account, investments are managed in a pooled environment. Actual investing is performed by investment officers in the Department of Revenue, Treasury Division (Treasury) or by contracted external investment managers. External management companies manage the Securities Lending Collateral, Tobacco Revenue Fixed Income, International Equity Pool, Domestic Fixed Income Indexed Account and the Domestic Equity investments. Treasury Division staff act as oversight manager for all externally managed investments. The Short-term, Intermediate-term and the Broad Market Fixed Income Pools are internally managed.

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 www.revenue.state.ak.us/treasury. Deposits and investments at June 30, 2005, 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	\$ -	\$ -	\$ -	\$ 2	\$ 6,394	\$ 6,396
Overnight Sweep Account	2,618	-	-	-	-	2,618
Money Market	-	-	-	-	145,851	145,851
Commercial Paper	154,690	-	-	22,580	-	177,270
U.S. Treasury Bills	113,918	-	-	-	-	113,918
U.S. Treasury Notes	98,938	902,177	60,929	-	-	1,062,044
U.S. Treasury Bonds	-	-	66,662	-	-	66,662
U.S. Treasury Strips	-	18,883	13,594	-	-	32,477
U.S. Government Agency						
Discount Notes	25,163	127,553	2,294	-	-	155,010
U.S. Government Agency	-	245,093	48,484	-	-	293,577
Mortgage-backed	287,526	384,278	467,342	-	-	1,139,146
Other Asset-backed	806,353	96,559	32,868	-	-	935,780
Corporate Bonds	365,707	291,343	219,415	-	-	876,465
Yankees:						
Government	-	-	3,914	-	-	3,914
Corporate	14,000	755	4,728	-	-	19,483
Domestic Fixed Income - Indexed	-	-	-	-	26,028	26,028
Domestic Equity - Indexed	-	-	-	-	569,531	569,531
International Equity	-	-	-	-	164,561	164,561
Total Invested Assets	1,868,913	2,066,641	920,230	22,582	912,365	5,790,731
Pool related net assets (liabilities)	18,627	(115,703)	(14,723)	-	889	(110,910)
Net Invested Assets before earnings distribution to participants	1,887,540	1,950,938	905,507	22,582	913,254	5,679,821
Earnings payable to participants	(5,157)	162	213	-	-	(4,782)
Other pool ownership	(61,952)	27,122	34,830	-	-	-
Other fiduciary responsibility:						
Alaska State Pension Investment Board	(94,459)	-	-	-	-	(94,459)
Exxon Valdez Oil Spill Trustee Council	(8)	-	(68,445)	-	(110,696)	(179,149)
University of Alaska	(1)	-	-	-	(49,188)	(49,189)
Alaska Mental Health Trust Authority	-	(25,576)	-	-	-	(25,576)
Commissioner's fiduciary responsibility	\$ 1,725,963	\$ 1,952,646	\$ 872,105	\$ 22,582	\$ 753,370	\$ 5,326,666

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, 2005, the expected average life of

individual fixed rate securities ranged from one day to ten months and the expected average life of floating rate securities ranged from less than one year to three years.

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 - \pm 20 percent 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, 2005, was 2.31 years.

Broad Market Fixed Income Pool - \pm 20 percent of the Lehman Brothers Aggregate Bond Index. The effective duration for the Lehman Brothers Aggregate Bond Index at June 30, 2005, was 4.16 years.

At June 30, 2005, the effective duration by investment type was as follows:

	<u>Effective Duration (in years)</u>	
	<u>Intermediate-term Fixed Income Pool</u>	<u>Broad Market Fixed Income Pool</u>
U.S. Treasury Notes	2.26	3.91
U.S. Treasury Bonds	-	10.39
U.S. Treasury Strips	0.86	15.97
U.S. Government Agency	3.01	7.00
Mortgage-backed	2.01	2.41
Other Asset-backed	0.84	1.31
Corporate Bonds	2.60	5.39
Yankees:		
Government	-	6.50
Corporate	3.09	9.86
Portfolio Effective Duration	2.10	4.10

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.

Other Fixed Income

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

Treasury has no policy with regard to interest rate risk for the money market balance held in the International Equity Pool.

Credit Risk

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 A1 or equivalent. For

securities with long-term credit ratings, they may be purchased if the median rating of Standard & Poor's Corporation, Moody's and Fitch is A3 or equivalent. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of the rating agencies mentioned above if they are rated AAA. 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 BBB3 or equivalent and securities with a short-term credit rating of at least A1 or equivalent. For securities with long-term credit ratings, they may be purchased if the median rating of Standard & Poor's Corporation, Moody's and Fitch is BBB3 or equivalent. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of the rating agencies mentioned above if they are rated AAA.

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.

Treasury has no policy with regard to credit risk for the money market balance held in the International Equity Pool.

At June 30, 2005, the Pools consisted of investments with credit quality ratings issued by nationally recognized statistical rating organizations as follows (using Standard and Poor's Corporation rating scale):

<u>Investment Type</u>	<u>Rating¹</u>	<u>Short-term Fixed Income Pool</u>	<u>Intermediate- term Fixed Income Pool</u>	<u>Broad Market Fixed Income Pool</u>	<u>International Equity Pool</u>
Money Market	AAA	-	-	-	3%
Commercial Paper	A	8%	-	-	-
U.S. Government Agency Discount Notes	Not Rated	1%	7%	-	-
U.S. Government Agency Mortgage-backed	Not Rated		13%	6%	-
	AAA	15%	6%	11%	-
Mortgage-backed (Agency)	Not Rated	-	11%	41%	-
Other Asset-backed	AAA	39%	4%	3%	-
Other Asset-backed	A	3%	1%	-	-
Corporate Bonds	AAA	1%	1%	2%	-
Corporate Bonds	AA	11%	2%	2%	-
Corporate Bonds	A	9%	6%	7%	-
Corporate Bonds	BBB	-	6%	12%	-
Yankees - Corporate	A	1%	-	-	-
No Credit Exposure		12%	43%	16%	97%
		<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

¹Rating modifiers are not disclosed.

At June 30, 2005, the Tobacco Revenue Fixed Income consisted of commercial paper rated A and the securities lending collateral was invested in a registered 2(a)-7 money market fund that was not rated.

Custodial Credit Risk – Deposits

Treasury’s policy with regard to custodial credit risk is to collateralize state deposits to the extent possible. The bond indentures governing the investment of tobacco revenue related bond proceeds does not establish policy with regard to custodial credit risk. At June 30, 2005, the state had the following uncollateralized and uninsured deposits:

	Amount <u>(in thousands)</u>
Non-interest Bearing Deposits	\$ 11
International Equity Pool	110
Tobacco Revenue Fixed Income	<u>2</u>
	<u>\$ 123</u>

Concentration of Credit Risk

Treasury’s policy with regard to concentration of credit risk is to prohibit the purchase of more than 5 percent of a pool’s holdings in corporate bonds of any one company or affiliated group. At June 30, 2005, more than 5 percent of investments were held in Federal Home Loan Mortgage Corporation and Federal National Mortgage Association securities as follows:

	Fair Value <u>(in thousands)</u>	Percent of Total Investments
Federal Home Loan Mortgage Corporation	\$ 379,744	7%
Federal National Mortgage Association	\$ 650,040	11%

Foreign Currency Risk

The Commissioner of Revenue (for Exxon Valdez Oil Spill Investments, the Exxon Valdez Trustee Council) formally adopts asset allocation policies which places policy limitations on the amount of international securities each fund is allowed to hold. The following policies were in place during fiscal year 2005 and invested assets included the following holdings at June 30, 2005, for the funds invested in the International Equity Pool:

	Policy	Actual
Constitutional Budget Reserve Fund, Subaccount	16% ± 5%	18.03%
Power Cost Equalization Endowment Fund	17% ± 5%	19.08%
Retiree Health Insurance Fund, Long Term Care	18% ± 4%	17.39%
Exxon Valdez Oil Spill Investments	17% ± 5%	19.44%

At June 30, 2005, the International Equity Pool had exposure to foreign currency risk as follows:

	Currency	Fair Value (in thousands)
Deposits:		
Japanese Yen		\$ 109
Investments - International Equity		
Euro Currency		69,006
Japanese Yen		36,318
Norwegian Krone		1,946
Pound Sterling		38,427
Singapore Dollar		1,887
Swiss Franc		16,977
		164,561
Total		\$ 164,670

Securities Lending

Alaska Statute 37.10.071 authorizes the Commissioner of Revenue to lend assets, under an agreement and for a fee, against deposited collateral of equivalent fair value. The Commissioner of Revenue entered into an agreement with State Street Corporation (the Bank) to lend fixed income and equity securities. The Bank, acting as the Commissioner of Revenue's agent under the agreement, transfers securities to broker agents or other entities for collateral in the form of cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

At June 30, 2005, the fair value of securities on loan totaled \$138 million which is attributable on a pro rata basis to the funds whose assets are under the fiduciary responsibility of the Commissioner of Revenue. There is no limit to the amount that can be loaned and the Commissioner of Revenue is able to sell securities on loan. International equity security loans are collateralized at not less than 105 percent of their fair value. All other security loans are collateralized at not less than 102 percent of their fair value. Loaned securities and collateral is marked to market daily and collateral is received or delivered the following day to maintain collateral levels.

Cash collateral is invested in a registered 2(a)-7 money market fund which is valued at amortized cost. Maturities of investments in the money market fund generally do not match the maturities of the loaned securities because the lending agreements are terminable at will. Securities collateral may be pledged or sold upon borrower default. Since the Commissioner of Revenue does not have the ability to pledge or sell the securities collateral unless the borrower defaults, they are not recorded on the combined schedules. Securities under loan, cash collateral and cash collateral payable are recorded on the combined schedules. The Bank, participating funds and the borrower receive a fee from earnings on invested collateral. The Bank and participating funds share a fee paid by the borrower for loans not collateralized with cash.

There is limited credit risk associated with the lending transactions since the Commissioner of Revenue is 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 indemnifies the Commissioner of Revenue against loss due to borrower rebates in excess of earnings on cash collateral. Indemnifications are subject to limitation relating to war, civil unrest or revolution, or beyond the reasonable control of the Bank.

For the year ended June 30, 2005, 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.

B. DEPOSITS AND INVESTMENTS UNDER CONTROL OF THE ALASKA STATE PENSION INVESTMENT 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 State Pension Investment Board (ASPIB).

PENSION FUNDS

ASPIB has statutory responsibility (AS 37.10.210-390) for the pension (and other employee benefit) trust funds' investments. As the fiduciary, ASPIB has the statutory authority (AS 14.25.180, AS 22.25.048, AS 26.05.228, AS 39.35.080 and AS 37.10.071) to invest the assets under the Prudent Investor Rule. Alaska Statute 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.

Investments are managed in a pooled environment. Actual investing is performed by investment officers in the Department of Revenue, Treasury Division (Treasury) or by contracted external investment managers. ASPIB has developed investment guidelines, policies and procedures for Treasury staff and external investment managers to adhere to when managing investments. Specifically, the Securities Lending Collateral, External Domestic Fixed Income Pool, 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 and, with the exception of real estate investment trust holdings, the Real Estate Pool are managed by external management companies. Treasury manages the Alaska Retirement Fixed Income 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 pool that the Commissioner of Revenue has fiduciary responsibility for.

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

Deposits and investments at June 30, 2005 are as follows:

	Fair Value (in thousands)					Total
	Fixed Income Pools				Other	
	Short-term	Domestic	International	High Yield		
Deposits	\$	\$	\$	\$	\$	\$
Overnight Sweep Account	132	1,398		54,809		56,339
Money Market Fund					976,367	976,367
Short-term Investment Fund			3,275		33,054	36,329
Commercial Paper	7,316	13,784				21,100
U. S. Treasury Bills	5,729					5,729
U. S. Treasury Notes	4,975	150,728				155,703
U. S. Treasury Bonds		183,894				183,894
U. S. Treasury Strips		37,425				37,425
U.S. Government Agency						
Discount Notes	1,265	10,802				12,067
U.S. Government Agency		186,352				186,352
Municipal Bonds		1,449				1,449
Foreign Government Bonds	29	3,999	314,101			318,129
Mortgage-backed	14,512	1,361,454				1,375,966
Other Asset-backed	40,506	168,622		399		209,527
Corporate Bonds	18,354	637,354	146,235	139,003		940,946
Convertible Bonds				2,121		2,121
Yankees:						
Government		14,149				14,149
Corporate	704	10,319		4,281		15,304
Domestic Equity Pool:						
Limited Partnership					262,868	262,868
Equity					4,545,259	4,545,259
International Equity Pool:						
Convertible Bonds					461	461
Equity					1,928,767	1,928,767
Emerging Markets Equity Pool					206,276	206,276
Private Equity Pool:						
Limited Partnerships					557,295	557,295
Absolute Return Pool:						
Limited Partnerships					309,030	309,030
Other Investments Pool:						
Limited Partnerships					22,153	22,153
Agricultural Holdings					24,454	24,454
Real Estate Pool:						
Real Estate					699,494	699,494
Commingled Funds					254,221	254,221
Limited Partnerships					154,035	154,035
Real estate investment trusts					112,622	112,622
Mortgages					58	58
Net Other Assets (Liabilities)	954	24,619	(2,416)	2,556	11,675	37,388
Ownership by Other Pools	(93,108)	37,326			55,782	-
Deposits and Investments	<u>\$ 1,368</u>	<u>\$ 2,843,674</u>	<u>\$ 470,910</u>	<u>\$ 203,169</u>	<u>\$ 10,158,360</u>	<u>\$ 13,677,481</u>
 <u>Participant's Ownership in Pooled Investments</u>						
Public Employees' Trust Fund						\$ 9,246,339
Teachers' Trust Fund						4,335,149
Judicial Trust Fund						79,819
Alaska National Guard and Alaska Naval Militia Retirement Fund						16,174
Total						<u>\$ 13,677,481</u>

Interest Rate Risk

Through ASPIB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the domestic fixed income portfolio to ± 20 percent of the Lehman Brothers Aggregate Bond Index. The effective duration for the Lehman Brothers Aggregate Bond Index at June 30, 2005, was 4.16 years.

Through ASPIB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the international fixed income portfolio to ± 25 percent of the Citigroup Non-U.S. World Government Bond Index. The effective duration for the Citigroup Non-U.S. World Government Bond Index at June 30, 2005, was 6.09 years.

Through ASPIB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the high yield portfolio to ± 20 percent of the Merrill Lynch U.S. High Yield Master II Index. The effective duration for the Merrill Lynch U.S. High Yield Master II Index at June 30, 2005, was 4.58 years. The High Yield Pool was funded April 15, 2005. Investment managers were in the transition period at year end working towards fully investing allocated funds. Funds not invested at year end have no duration causing the pool's duration to be lower than the policy limit.

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 for purposes of the effective duration calculation.

At June 30, 2005, the effective duration of the fixed income pools, by investment type, was as follows:

	Effective Duration (in years)		
	Domestic	International	High Yield
U.S. Treasury Notes	3.27	-	-
U.S. Treasury Bonds	10.10	-	-
U.S. Treasury Strips	17.29	-	-
U.S. Government Agency	5.69	-	-
Municipal Bonds	13.95	-	-
Foreign Government Bonds	-	5.59	-
Mortgage-backed	2.50	-	-
Other Asset-backed	1.19	-	5.28
Corporate Bonds	5.27	4.17	3.59
Convertible Bonds	-	-	4.54
Yankees			
Government	6.98	-	-
Corporate	7.68	-	4.43
Portfolio Effective Duration	3.99	5.00	2.64

Credit Risk

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

Domestic Fixed Income:

 Commercial paper must carry a rating of at least A1 or equivalent;

 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 Corporation, Moody's and Fitch. Asset-backed and non-agency mortgage securities

may be purchased if only rated by one of these agencies if they are rated AAA. Corporate bonds may be purchased if rated by two of these agencies.

International Fixed Income:

Corporate debt and asset-backed securities must be investment grade.

Domestic and International Equity:

Corporate debt obligations must carry a rating of at least A or equivalent.

High Yield

No more than 10 percent of the portfolio's assets may be invested in securities rated A3 or higher.

No more than 25 percent of the portfolio's assets may be invested in securities rated below B3.

No more than 5 percent of the portfolio's assets may be invested in unrated securities.

The lower of any Standard & Poor's Corporation, 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, ASPIB does not consider this investment subject to the credit risk limitations above.

At June 30, 2005, 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 Pool		High Yield	International Equity
		Domestic	International		
Overnight Sweep Account	Not Rated	-	-	27%	-
Short-term Investment Account	Not Rated	-	1%	-	1%
Commercial Paper	A	1%	-	-	-
U. S. Government Agency Discount Notes	Not Rated	-	-	-	-
U. S. Government Agency Foreign Government	Not Rated	6%	-	-	-
Foreign Government	AAA	-	53%	-	-
Foreign Government	AA	-	9%	-	-
Foreign Government	A	-	5%	-	-
Mortgage-backed	AAA	13%	-	-	-
Mortgage-backed (Agency)	Not Rated	34%	-	-	-
Other Asset-backed	AAA	6%	-	-	-
Other Asset-backed	A	-	-	-	-
Corporate Bonds	AAA	3%	24%	-	-
Corporate Bonds	AA	3%	7%	-	-
Corporate Bonds	A	7%	-	-	-
Corporate Bonds	BBB	10%	-	1%	-
Corporate Bonds	BB	-	-	17%	-
Corporate Bonds	B	-	-	43%	-
Corporate Bonds	CCC	-	-	8%	-
Convertible Bonds	B	-	-	1%	-
Yankees:					
Government	BBB	1%	-	-	-
Corporate	A	-	-	-	-
Corporate	BB	-	-	1%	-
Corporate	B	-	-	1%	-
No credit exposure		16%	1%	1%	99%
		<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

¹Rating modifiers are not disclosed.

Securities lending collateral was invested in a registered 2(a)-7 money market fund that was not rated.

Custodial Credit Risk – Deposits

ASPIB does not have a policy in relation to custodial credit risk for deposits. At June 30, 2005, Invested Assets had the following uncollateralized and uninsured deposits:

	Amount (in thousands)
International Fixed Income Pool	\$ 9,715
International Equity Pool	4,389
	<u>\$ 14,104</u>

Foreign Currency Risk

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

Pension Fund	International Fixed Income Pool	International Equity and Emerging Markets Pool	Private Equity Pool
Public Employees' Retirement System	4%	18%	10%
Teachers' Retirement System	4%	18%	10%
Judicial Retirement System	5%	21%	-
Alaska National Guard and Naval Militia Retirement System	-	15%	-

At June 30, 2005, the Pension Funds had exposure to foreign currency risk with the following deposits:

Currency	Amount (in thousands)	
	International Fixed Income Pool	International Equity Pool
Australian Dollar	\$ 101	\$ 36
Canadian Dollar	-	30
Danish Krone	-	186
Euro Currency	-	656
Hong Kong Dollar	-	252
Japanese Yen	9,614	1,736
New Zealand Dollar	-	3
Norwegian Krone	-	367
Pound Sterling	-	341
Singapore Dollar	-	4
South Korean Won	-	1
Swiss Franc	-	6
	<u>\$ 9,715</u>	<u>\$ 3,618</u>

At June 30, 2005, the Pension Funds had exposure to foreign currency risk with the following investments:

Currency	Amount (in thousands)				
	International Fixed Income Pool		International Equity Pool		Private Equity Pool
	Foreign Government	Corporate	Convertible Bonds	Equity	Limited Partnerships
Australian Dollar	\$ -	\$ -	\$ -	\$ 32,339	\$ -
Canadian Dollar	-	-	-	30,153	-
Danish Krone	-	-	-	4,205	-
Euro Currency	-	5,954	-	724,220	57,509
Hong Kong Dollar	-	-	-	19,745	-
Japanese Yen	41,229	140,281	-	392,494	-
New Zealand Dollar	-	-	-	7,276	-
Norwegian Krone	-	-	-	18,567	-
Polish Zloty	25,038	-	-	-	-
Pound Sterling	-	-	-	383,566	1,237
Singapore Dollar	-	-	-	27,147	-
South African Rand	-	-	-	6,908	-
South Korean Won	-	-	-	14,370	-
Swedish Krona	247,834	-	-	16,961	-
Swiss Franc	-	-	461	159,480	-
	<u>\$ 314,101</u>	<u>\$ 146,235</u>	<u>\$ 461</u>	<u>\$ 1,837,431</u>	<u>\$ 58,746</u>

At June 30, 2005, the Pension Funds also had exposure to foreign currency risk in the Emerging Markets Equity Pool. This pool represents an investment in commingled investment funds; therefore no disclosure of specific currencies is made.

Concentration of Credit Risk

ASPIB's policy with regard to concentration of credit risk for the Domestic Fixed Income, International Fixed Income and High Yield Pools is to prohibit the purchase of more than 5 percent of the portfolio's assets in corporate bonds of any one company or affiliated group.

At June 30, 2005, the Pension Funds invested assets included \$877 million in Federal National Mortgage Association securities which represented 6 percent of total Pension Funds 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:

	<u>2005</u>	<u>2004</u>
Realized Gain on Foreign Currency	\$ 181,611,622	\$ 130,669,354
Unrealized Gain (Loss) on Foreign Currency	(39,974)	28,763
Realized Gain (Loss) on Foreign Exchange Contracts	(325,579)	122,042

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 maturity periods for these contracts range from eight to one hundred and twenty-four days. The Pension Funds had net unrealized gains (losses) with respect to such contracts, calculated using forward rates at June 30, as follows:

	<u>2005</u>	<u>2004</u>
Net Contract Sales	\$ 9,712,575	\$ 7,442,749
Less: Fair Value	<u>9,292,405</u>	<u>7,935,218</u>
Net unrealized gains (losses)	<u>\$ 420,170</u>	<u>\$ (492,469)</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 ASPIB to lend assets, under an agreement and for a fee, against deposited collateral of equivalent fair value. ASPIB has entered into an agreement with State Street Corporation (the Bank) to lend equity and domestic fixed income securities. The Bank, acting as ASPIB's agent under the agreement, transfers securities to broker agents or other entities for collateral in the form of cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

At June 30, 2005, the fair value of securities on loan allocable to the Pension Funds totaled \$951 million. There is no limit to the amount that can be loaned and ASPIB is able to sell securities on loan. International equity security loans are collateralized at not less than 105 percent of their fair value. All other security loans are collateralized at not less than 102 percent of their fair value. Loaned securities and collateral is marked to market daily and collateral is received or delivered the following day to maintain collateral levels.

Cash collateral is invested in a registered 2(a)-7 money market fund which is valued at amortized cost. Maturities of investments in the money market fund generally did not match the maturities of the loaned securities because the lending agreements are terminable at will. Securities collateral may be pledged or sold upon borrower default. Since ASPIB does not have the ability to pledge or sell securities collateral unless the borrower defaults, they are not recorded on the financial schedules. Securities on loan, cash collateral and cash collateral payable are recorded on the financial schedules at fair value. The Bank, Pension Funds and the borrower receive a fee from earnings on invested collateral. The Bank and Pension Funds share a fee paid by the borrower for loans not collateralized with cash.

There is limited credit risk associated with the lending transactions since ASPIB is 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 indemnifies ASPIB against loss due to borrower rebates in excess of earnings on cash collateral. Indemnifications are subject to limitation relating to war, civil unrest or revolution, or beyond the reasonable control of the Bank.

For the year ended June 30, 2005, 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, 2004, Deferred Compensation Plan investments totaled \$447 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.

Interest Rate Risk

Collective Investment and Money Market Funds

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

ASPIB 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, 2004, were as follows:

	<u>Fair Value</u> (in thousands)	<u>Weighted</u> <u>Average Maturity</u>
Government/Credit Bond Fund	\$ 26,795	7.57 years
Intermediate Bond Fund	9,982	3.82 years
Bond Fund	143	6.6 years
Money Market Fund	565	33 days

Interest Income Fund

ASPIB 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 ASPIB'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 4.45 years at December 31, 2004. The duration of the Lehman Brother's Aggregate Bond Index was 4.34 years at December 31, 2004.

For structured payout synthetic investment contracts, duration cannot exceed seven years in the aggregate. The aggregate duration of the structured payout synthetic investment contracts was 2 years at December 31, 2004.

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.

ASPIB 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 twenty-seven days at December 31, 2004.

Credit Risk

ASPIB 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.

ASPIB'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, 2004, 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 and Poor's rating scale):

<u>Synthetic investment contracts</u>	<u>Rating</u>	<u>Fair Value</u> (in thousands)
Short-Term Investment Fund	Not Rated	\$ 5,334
U.S. Agency Securities	Not Rated	3,174
Mortgage-backed Securities	Not Rated	14,709
Foreign Government Bonds denominated in U.S. dollars	AA	1,103
Corporate Bonds	AAA	3,204
Corporate Bonds	AA	8,269
Corporate Bonds	A	29,557
Corporate Bonds	BBB	7,784
Foreign Corporate Bonds denominated in U.S. dollars	BBB	555
Asset Backed Securities	AAA	31,663
Investments with no credit exposure		17,805
Total		<u>\$ 123,157</u>
Reserve – Short-term Investment Fund	Not Rated	<u>\$ 5,564</u>

Concentration of Credit Risk

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

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

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

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

<u>Investment Type</u>	<u>Issuer</u>	<u>All Issuers</u>
U.S. Treasury and Agencies	100%	100%
Mortgage-backed securities and collateralized Mortgage Obligations secured by Mortgage-backed securities limited to sequential class or PAC1 and II Collateralized Mortgage Obligations	50%	50%
Asset-backed Securities	5%	50%
Domestic and Foreign Corporate Debt Securities	5%	50%
Supranational Agency and Foreign Government entity securities	5%	50%
Money Market Instruments – 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 5 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, 2004, the Deferred Compensation Plan had no exposure to a single issuer in excess of 5 percent of total invested assets.

Foreign Currency Risk

ASPIB 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.

ASPIB'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, 2005, Supplemental Benefits System (SBS) investments totaled \$1.9 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.

Interest Rate Risk

Collective Investment and Money Market Funds

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

ASPIB 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 5.33 years at January 31, 2005. The weighted average maturity of the money market portfolio was thirty-two days at January 31, 2005.

Short-term Fixed Income Pool

SBS's cash and cash equivalents are invested in the State's internally managed Short-term Fixed Income Pool which is under the fiduciary responsibility of the Commissioner of Revenue. At January 31, 2005, the expected average life of individual fixed rate securities ranged from one day to five months and the expected average life of floating rate securities ranged from fourteen days to three years.

Stable Value Fund

ASPIB 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 ASPIB'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 4.39 years at January 31, 2005. The duration of the Lehman Brothers' Aggregate Bond Index was 4.22 years at January 31, 2005.

For structured payout synthetic investment contracts, duration cannot exceed seven years in the aggregate. The aggregate duration of the structured payout synthetic investment contracts was 2.08 years at January 31, 2005.

Duration is a measure of interest rate risk. In the case of 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 SBS's structured payout synthetic investment contracts is the weighted average maturity of the contract payments.

ASPIB 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 twenty-seven days at January 31, 2005.

Pooled Investment Funds

ASPIB 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 ASPIB'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, 2005, the duration of the government and corporate debt securities was 5.23 years and the duration of the Lehman Brothers Government Credit Index was 5.18 years.

For mortgage-backed securities, duration is limited to ± 0.25 years of the Lehman GNMA Index. At January 31, 2005, the duration of the mortgage-backed securities was 1.99 years and the duration of the Lehman GNMA Index was 2.00 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.

ASPIB 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

ASPIB 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.

ASPIB'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.

ASPIB'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 A1 or equivalent.

At January 31, 2005, SBS investments consisted of securities with credit quality ratings issued by a nationally recognized statistical rating organization as follows (using the Standard and Poor's rating scale):

Investment Type	Rating	Fair Value (in thousands)			
		Short-term Fixed Income Pool	Underlying Synthetic Investment Contracts	Wholly owned Pool	Collective Investment Funds
Investments with credit exposure:					
Overnight Sweep Account	Not Rated	\$ 8	\$	\$	\$
Money Market Fund	Not Rated				2,552
Short-term Investment Fund	Not Rated		6,160	21,734	
Commercial Paper	AA	25			
Commercial Paper	A	172		52,655	
U.S. Government Agency Discount Notes	Not Rated	87		3,990	
U.S. Government Agency	AA			493	
U.S. Government Agency	Not Rated	19	967	90,238	
Mortgage-backed	AAA	209			
Mortgage-backed	Not Rated	25	7,004		
Other Asset-backed	AAA	571	12,617		
Other Asset-backed	AA	32			
Other Asset-backed	A	32			
Corporate Bonds	AAA	32	941	5,642	
Corporate Bonds	AA	139	2,800	14,209	
Corporate Bonds	A	180	12,895	95,993	
Corporate Bonds	BBB		4,704	88,899	
Yankees:					
Corporate	AAA		199	4,970	
Corporate	AA		203	332	
Corporate	A	3		1,026	
Corporate	BBB		68	3,441	
Government	AAA			2,867	
Government	AA			5,235	
Government	A			3,269	
Government	BBB			4,163	
Deposits and Investments with no credit exposure:					
Deposits				2,729	
U.S. Treasury Bills		65			
U.S. Treasury Notes			3,137	129,867	
U.S. Treasury Bonds			1,535	48,807	
Mortgage-backed			4,941	197,677	
Collective Investment Funds					485,815
Domestic Equity				522,769	
International Equity				33,173	
Total invested assets		1,599	58,171	1,334,178	488,367
Pool related net liabilities		(25)		(5,014)	
Total		\$ 1,574	\$ 58,171	\$ 1,329,164	\$ 488,367

Concentration of Credit Risk

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

ASPIB’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.

<u>Investment Type</u>	<u>Issuer</u>	<u>All Issuers</u>
U.S. Treasury and Agencies	100%	100%
Mortgage-backed securities and collateralized Mortgage Obligations secured by Mortgage- backed securities limited to sequential class or PAC1 and II Collateralized Mortgage Obligations	50%	50%
Asset-backed Securities	5%	50%
Domestic and Foreign Corporate Debt Securities	5%	50%
Supranational Agency and Foreign Government entity securities	5%	50%
Money Market Instruments – 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 5 percent of the total value underlying synthetic investment contracts. This limitation does not apply to the investment funds maintained by the custodian.

ASPIB’s policy with regard to concentration of credit risk for wholly owned pooled investments is as follows:

Equity holdings will be limited to 5 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 is limited to 2 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 5 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, 2005, SBS had no exposure to a single issuer in excess of 5 percent of total invested assets.

Foreign Currency Risk

ASPIB 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.

ASPIB’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.

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

At January 31, 2005, SBS had exposure to foreign currency risk in the pooled investment funds as follows (stated in thousands):

<u>Currency</u>	<u>Deposits</u>	<u>Equity (Fair Value)</u>
Australian Dollar	\$ 1	\$ 2,006
Euro Currency	332	11,113
Hong Kong Dollar		538
Japanese Yen	142	7,673
Pound Sterling	2	6,612
Swiss Franc	5	1,438
Danish Krone		205
Mexican Peso		380
Malaysian Ringgit		41
Norwegian Krone		663
New Zealand Dollar		159
Swedish Krona		1,996
Singapore Dollar		349
	<u>482</u>	<u>33,173</u>
U.S. Dollar	2,247	
	<u>\$ 2,729</u>	<u>\$ 33,173</u>

Custodial Credit Risk

ASPIB does not have a policy for custodial credit risk. At January 31, 2005, SBS's deposits were uncollateralized and uninsured.

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. 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

The Alaska Permanent Fund's (the "Fund") investments, excluding certain real estate investments, are reported at fair market value in the financial statements. Unrealized gains and losses are reported as components of net income. Fair market values are obtained from independent sources for marketable debt and equity securities and real estate investment trusts. Fair market values of alternative investments are determined by independent managers of such investments, who are under contract with the Corporation to provide such services.

Real estate commingled funds, private equity real estate investments, and direct mortgages 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 market value by recording a realized 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 5 percent real rate of return on the investment portfolio. To achieve this target, the Trustees allocate the Fund investments among various asset classes. In order to allow for market fluctuations and to minimize transactions costs, the Trustees also adopted acceptable ranges around the targets. At June 30, 2005, the Corporation's asset allocation policy (with acceptable ranges) is as follows:

Domestic equities	37% (± 6%)
International equities	18% (± 3%)
Domestic fixed income	28% (± 6%)
Non-dollar fixed income	4% (± 3%)
Real estate	10% (± 3%)
Private equity	2% (± 2%)
Absolute return	1% (± 1%)

Per Alaska Statute 37.13.120, the Corporation must limit certain invested Fund assets in: (i) equity securities to 55 percent of total Fund investments, (ii) real estate investments to 15 percent, and (iii) up to 10 percent of total Fund investments in additional investments that meet the prudent investor rule, including those currently authorized by law. The statute further specifies limits on and acceptable investments in various other assets, such as certificates of deposit and residential mortgages.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributable to holding investments from a single issuer. Pursuant to Alaska Statute 37.13.120, the Corporation may not invest Fund assets in equity securities that would result in ownership of more than 5 percent of the voting shares of any corporation. The Fund further manages its concentration of credit risk by following its asset allocation resolution, and by diversifying investments among many managers with varying investment styles and mandates. The Corporation's policy for mitigating this risk of loss for fixed income and equity investments is to ensure compliance with Trustee resolution 02-09, and resolution 05-05, respectively, as well as investment manager contracts. Those resolutions and contracts specify concentration limits for issuers and types of investments.

Credit risk

The Corporation requires that all fixed income corporate bonds and non-domestic bonds have at least one Nationally Recognized Statistical Rating Organization's (NRSRO) rating in a relevant jurisdiction, provided that no NRSRO rating may be below investment grade. Should the rating on an existing fixed income security fall below investment grade, the security must be sold within six months.

The Corporation does not have an allocation to cash. Managers are limited to the amount of cash they may hold, and most cash reflects pending transactions. The Corporation manages the aggregate cash position of all domestic equity and REIT managers and the internal fixed income portfolio 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 at least two NRSROs comparable to Moody's or Standard & Poor's equivalents of P1 or A1 for short term investments.

Custodial credit risk

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

Foreign currency risk

Foreign currency risk arises when a loss may result from changes in foreign currency exchange rates. Foreign currency risk is managed by the international investment managers through their decisions to enter into foreign currency forward contracts. As stated in Trustee resolution, Corporation policy, and manager contracts, managers are allowed to purchase foreign currency futures contracts in order to facilitate securities transactions or for defensive hedging of foreign currencies into the U.S. dollar. Also, policy prohibits managers from selling securities short or holding a net short position in any currency.

Interest rate risk

The Corporation 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 market value weighted duration of all bonds in the portfolio. In general, the major anticipated 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.

The Corporation's policy specifies an effective duration range for the long term domestic fixed income portfolios of 80 to 120 percent of the respective portfolio benchmark index's duration, and for non-domestic fixed income securities a portfolio duration range of 50 to 150 percent of the respective portfolio benchmark index's duration. The Corporation 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. As an example, for a bond with a duration of 5.0, a one percentage point parallel decline in interest rates would result in a price increase on that bond of 5 percent.

For short-term debt investments, the Corporation's policy states that the weighted average day count of the short-term UCF cannot exceed 150 days, with a final maximum maturity of 14 months for any single investment.

Forward exchange contracts

The Corporation, on behalf of the Fund, is party to a variety of forward currency contracts in its trading activities, and in the management of its foreign exchange rate exposure. These contracts are intended to guard against foreign currency fluctuations and the contract amounts do not appear on the balance sheet. Realized gains and losses are included in net income 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 net income and are calculated based on the difference between the contract rate and the forward market rate determined as of the balance sheet date.

Short-Term Investments

All short-term investments bear interest at competitive rates and are summarized as follows at June 30, 2005 (in thousands).

U.S. agencies	\$ 216,772
Treasury bills	591,048
Domestic certificates of deposit	3,060
Commercial paper	<u>312,753</u>
Total short-term investments	1,123,633
Cash	<u>174,938</u>
Total cash and short-term investments	<u><u>\$ 1,298,571</u></u>

At June 30, 2005, all commercial paper and certificates of deposit were rated A-1 by Standard & Poor's, P-1 by Moody's, or an equivalent rating. U.S. agencies and treasury bills are either explicitly or implicitly guaranteed by the U.S. government and are not rated. Short-term investments held at fiscal year end 2005 in the UCF had a weighted average maturity of 27 days. At June 30, 2005, uninvested, uninsured cash of \$48,303,000 was held at the custodian or subcustodian banks. 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, 2005 are summarized as follows (in thousands):

	Cost	Market	Unrealized gains/(losses)
Treasury notes/bonds	\$ 2,323,651	\$ 2,364,077	\$ 40,426
Mortgage-backed securities	2,706,094	2,715,279	9,185
Other federal agencies	431,774	440,468	8,694
Corporate bonds	2,176,551	2,237,612	61,061
Non-domestic bonds	1,230,579	1,249,192	18,613
Total marketable debt securities	<u>\$ 8,868,649</u>	<u>\$ 9,006,628</u>	<u>\$ 137,979</u>

Marketable Debt Credit Ratings

In order to manage credit risk for marketable debt securities, the Corporation monitors daily market values of all securities and routinely reviews its investment holdings' credit ratings. Issues falling below investment grade are required to be sold within six months of the downgrade date. If credit ratings differ between NRSROs, the rating with the highest degree of risk (the lowest rating) is used. At June 30, 2005, the Fund's credit ratings for its marketable debt securities issued by NRSROs are as follows (in thousands):

Quality rating	Domestic	Non-domestic	Total market value
AAA	\$ 594,423	\$ 865,011	\$ 1,459,434
AA	336,360	15,904	352,264
A	716,268	281,601	997,869
BBB	656,766	86,676	743,442
BB	61,871	-	61,871
Total market value of rated debt securities	2,365,688	1,249,192	3,614,880
U.S. government explicitly backed by the U.S. government	2,424,882	-	2,424,882
U.S. government implicitly backed by the U.S. government	2,966,866	-	2,966,866
Total market value debt securities	<u>\$ 7,757,436</u>	<u>\$ 1,249,192</u>	<u>\$ 9,006,628</u>

Marketable Debt Duration

In order to manage its interest rate risk on marketable debt securities, the Corporation monitors daily market values 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 range in relation to such benchmarks. At June 30, 2005, the effective duration by investment type, based on market value, is as follows:

	Percent of bond holdings	Duration
Domestic bonds		
Treasury	28.45%	3.71
Government sponsored	8.61%	5.00
Mortgage (agency and corporate)	37.75%	2.53
Corporate bonds	17.11%	6.31
Canadian/Yankee, Supra/Sovereign	8.08%	5.47
Total domestic bonds	100.00%	3.96
Non-domestic bonds		
Government and agency	90.70%	5.95
Corporate and other non-government	9.30%	5.40
Total non-domestic bonds	100.00%	5.90

Concentration of Credit Risk

At June 30, 2005, more than 5 percent of the Fund's total investments were held in securities of the issuer listed below (in thousands):

Issuer of securities	Market value of holdings	Percent of total Fund
Federal National Mortgage Association		
Mortgage-backed securities	\$ 1,876,089	6.3%
Senior debt	215,275	0.7%
Equity	32,271	0.1%
Total	\$ 2,123,635	7.1%

Preferred and Common Stock

All investments in preferred and common stock, except for one, are held by custodian banks in the name of the Fund. The assets of the Emerging Markets Growth Fund (EMGF), managed by Capital International, Inc., are held by the custodian bank of the fund manager on behalf of the commingled fund's investors. The market value of the Fund's shares in the EMGF was \$468,106,000 as of June 30, 2005. The value of the Fund's investment in the commingled fund represented approximately 3.4 percent of the total EMGF value at June 30, 2005.

Preferred and common stocks at June 30, 2005 are summarized as follows (in thousands):

	Cost	Market	Unrealized gains
Domestic	\$ 9,743,814	\$ 11,929,688	\$ 2,185,874
Non-domestic	4,605,882	5,700,671	1,094,789
Total preferred and common stock	\$ 14,349,696	\$ 17,630,359	\$ 3,280,663

Foreign Currency Exposure

At June 30, 2005, the Fund's non-domestic equity and debt securities had exposure to foreign currency risk as follows (shown in U.S. dollar equivalent, in thousands):

Foreign currency	Equity market value	Debt market value	Total foreign currency exposure
Australian Dollar	\$ 194,596	\$ 73,627	\$ 268,223
Brazilian Real	23,049	-	23,049
British Pound Sterling	1,167,883	87,480	1,255,363
Canadian Dollar	80,312	-	80,312
Czech Koruna	1,357	-	1,357
Danish Krone	21,671	57,823	79,494
Egyptian Pound	3,944	-	3,944
Euro Currency	1,926,629	702,210	2,628,839
Hong Kong Dollar	84,357	-	84,357
Hungarian Forint	6,661	3,318	9,979
Indian Rupee	6,964	-	6,964
Indonesian Rupiah	7,519	-	7,519
Israeli Shekel	4,139	-	4,139
Japanese Yen	1,042,219	254,210	1,296,429
Malaysian Ringgit	16,929	-	16,929
Mexican Nuevo Peso	5,420	32,134	37,554
New Taiwan Dollar	30,310	-	30,310
New Zealand Dollar	4,521	13	4,534
Norwegian Krone	25,745	41,376	67,121
Philippines Peso	821	-	821
Polish Zloty	4,856	19,425	24,281
Renminbi Yuan	900	-	900
Singapore Dollar	41,566	-	41,566
South African Rand	45,816	-	45,816
South Korean Won	52,852	9,302	62,154
Swedish Krona	85,111	3,838	88,949
Swiss Franc	357,006	-	357,006
Thai Baht	13,311	-	13,311
Turkish Lira	8,486	-	8,486
Total foreign currency exposure	\$ 5,264,950	\$ 1,284,756	\$ 6,549,706

Amounts in the schedule above include receivable, payable, and cash balances in the related currency of each investment type.

Real Estate

The Corporation is authorized by statute to invest Fund assets in real estate improved by completed and substantially rented buildings located in the United States. Real estate investments may take the form of private equity 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 Corporation 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 private equity real estate investments.

The Corporation routinely analyzes private equity real estate holdings for permanent impairment, in accordance with Corporate resolution 04-07 and Governmental Accounting Standards Board Statement No. 42 (Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries). During the fiscal year ending June 30, 2005, no real estate assets were at a market value deemed necessary for permanent impairment analysis.

The carrying value of real estate at June 30, 2005 was \$2,694,595,000. Private equity real estate investments, commingled funds, 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 market value.

In the ordinary course of business, the Corporation 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, 2005 are summarized as follows (in thousands):

	Cost/equity value	Market value	Unrealized gains/(losses)	Financial statement carrying value
Real estate investment trusts	\$ 772,613	\$ 1,210,469	\$ 437,856	\$ 1,210,469
Alaska residential mortgages	72	72	-	72
Property note receivable	3,340	3,340	-	3,340
Private equity real estate -				
Retail	399,239	603,388	204,149	399,239
Office	559,760	628,174	68,414	559,760
Industrial	208,038	222,852	14,814	208,038
Multifamily	313,677	351,073	37,396	313,677
Total real estate	<u>\$ 2,256,739</u>	<u>\$ 3,019,368</u>	<u>\$ 762,629</u>	<u>\$ 2,694,595</u>

Subsequent to FY 05, additional real estate was purchased for the Fund. A portion of an existing office building investment joint venture in New Jersey was purchased for an additional \$7,437,000, which made the Fund the sole owner of the property. An office building in San Francisco, California was also purchased for \$134,120,000. The Fund owns 98 percent of the office building. Amounts in the schedule above include \$9,872,000 in earnest money deposited on the San Francisco building prior to fiscal year end, as well as \$494,000 deposited on a retail building in Hawaii.

Alternative Investments

The Trustees increased the diversification of the Fund's investments by authorization of investments in two new asset classes. The first, private equity, is comprised of various investments such as in unlisted, illiquid common and preferred stock, or subordinated and senior debt of privately held companies. The second, absolute return strategies, are investments in non-market correlated strategies through specialized investment funds. Resolutions were drafted, managers were selected and contracts signed in FY 04, and the first investments in these assets took place in early FY 05.

The Trustees authorized a three-year pilot program for an absolute return strategy by allocating up to 1 percent of Fund assets. The Board chose a separately managed portfolio comprised of a single-investor limited partnership ("fund of one") that invests in a diversified portfolio comprised of limited partnership interests, with the general partner providing essential investment management services. Fair value for limited partnership interests are valued by the general partner and reviewed by the investment manager. Some of the absolute return investments do not have readily ascertainable market values and may be subject to withdrawal restrictions and/or additional expenses.

The Trustees authorized investments in private equity up to 2 percent of the total Fund value. 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 Corporation has hired an external manager 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 general partners and external manager. Investments in this category are valued utilizing the most current information provided by the general partner.

Alternative investments at June 30, 2005 are summarized as follows (in thousands):

	Cost	Market	Unrealized gains/(losses)
Absolute return strategy	\$ 244,133	\$ 259,531	\$ 15,398
Private equity	7,756	6,469	(1,287)
Total alternative investments	<u>\$ 251,889</u>	<u>\$ 266,000</u>	<u>\$ 14,111</u>

As of June 30, 2005, the Corporation had various private equity investment commitments of approximately \$300 million.

Alaska Certificates of Deposit

The Corporation is authorized by statute and Trustee resolution 04-03, 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, as required by law, primarily in the form of letters of credit from the Federal Home Loan Bank or U.S. government securities, secures these investments.

Securities Lending

Under Alaska Statute 37.13.120(f), the Corporation is authorized to enter into securities lending transactions on behalf of the Fund. The Corporation, through an agreement with the Bank of New York (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 market value of the loaned securities for domestic securities and 105 percent of the market value for non-domestic loaned securities. The Corporation is able to sell any securities out on loan. Upon borrower default, the Bank may hold cash collateral or sell non-cash collateral. The Corporation 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 default on 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, 2005, such investments were in overnight repurchase agreements secured at 102 percent by U.S. government guaranteed securities, and had a weighted-average maturity of one day. The average term of the loans was also one day. At June 30, 2005, the value of securities on loan and related collateral is as follows (in thousands):

Market value of securities on loan	<u>\$ 4,508,284</u>
Collateral	
Cash collateral	4,569,049
Non-cash collateral	<u>44,477</u>
Total collateral	<u>\$ 4,613,526</u>

The Fund receives 80 percent of earnings derived from securities lending transactions. During the years ended June 30, 2005, there were no losses incurred as a result of securities lending transactions. The Fund received \$10,413,000 from securities lending for the year ended June 30, 2005.

Investment Income by Source

Investment income during the years ended June 30, 2005 is summarized as follows (in thousands):

Interest		
Domestic marketable debt securities	\$	304,332
Non-domestic marketable debt securities		49,935
Alaska certificates of deposit		3,692
Short-term domestic and other		31,866
		<u>389,825</u>
Total interest	\$	<u>389,825</u>
Dividends		
Domestic preferred and common stock	\$	190,443
Non-domestic preferred and common stock		142,929
		<u>333,372</u>
Total dividends	\$	<u>333,372</u>
Real estate and other income		
Private equity real estate interest	\$	268
Real estate investment trust dividends		51,696
Private equity real estate net rental income		81,712
Absolute return cash flow		(2,753)
Loaned securities and other income		15,515
		<u>146,438</u>
Total real estate and other income	\$	<u>146,438</u>

Foreign Exchange Contracts and Off-Balance Sheet Risk

Asset managers for the Corporation entered 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 fiscal year end ranged from one to five months.

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 Corporation considers the risk of default to be remote. The Fund's market risk as of June 30, 2005 is limited to the difference between contractual rates and forward market rates determined at the end of the fiscal year.

On behalf of the Fund, asset managers of the Corporation had net sale contracts receivable totaling \$3,969,000 as of June 30, 2005. FX forward contracts resulted in net unrealized gains of \$13,352,000 for the year ended June 30, 2005, including prior year reversals. FX forward contracts resulted in realized losses of \$1,402,000 for the year ended June 30, 2005.

NOTE 5 – CAPITAL ASSETS

PRIMARY GOVERNMENT

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

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

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, 2005, are as follows (in millions).

Governmental Activities	Beginning Balance (restated)	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 671	\$ 9	\$ -	\$ 680
Construction in progress	1,251	520	(349)	1,422
Total capital assets not being depreciated	1,922	529	(349)	2,102
Capital assets being depreciated:				
Buildings	1,062	34	(29)	1,067
Equipment	645	70	(14)	701
Infrastructure	4,002	65	-	4,067
Total capital assets being depreciated	5,709	169	(43)	5,835
Less accumulated depreciation for:				
Buildings	(383)	(22)	13	(392)
Equipment	(303)	(31)	9	(325)
Infrastructure	(1,985)	(194)	-	(2,179)
Total accumulated depreciation	(2,671)	(247)	22	(2,896)
Total capital assets being depreciated, net	3,038	(78)	(21)	2,939
Capital assets, net	\$ 4,960	\$ 451	\$ (370)	\$ 5,041

For the General Fund and internal service funds, see Note 3 for additional information on restated beginning balances resulting from the addition of the historical infrastructure and prior period adjustments.

Business-type Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 30	\$ -	\$ -	\$ 30
Construction in progress	251	7	(187)	71
Total capital assets not being depreciated	<u>281</u>	<u>7</u>	<u>(187)</u>	<u>101</u>
Capital assets being depreciated:				
Buildings	305	259	-	564
Equipment	47	2	(1)	48
Infrastructure	422	21	-	443
Total capital assets being depreciated	<u>774</u>	<u>282</u>	<u>(1)</u>	<u>1,055</u>
Less accumulated depreciation for:				
Buildings	(117)	(13)	-	(130)
Equipment	(32)	(3)	1	(34)
Infrastructure	(203)	(14)	-	(217)
Total accumulated depreciation	<u>(352)</u>	<u>(30)</u>	<u>1</u>	<u>(381)</u>
Total capital assets being depreciated, net	<u>422</u>	<u>252</u>	<u>-</u>	<u>674</u>
Capital assets, net	<u>\$ 703</u>	<u>\$ 259</u>	<u>\$ (187)</u>	<u>\$ 775</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), 90.9 million acres have been patented or “tentatively approved.”

The state disposes of various land parcels through several programs. However, the state generally retains the subsurface rights of the land upon disposal.

Depreciation expense was charged to the functions of the primary government as follows (in millions):

Governmental Activities	<u>Amount</u>
General Government	\$ 2
Education	8
Health and Human Services	6
Law and Justice	2
Natural Resources	1
Public Protection	6
Transportation	207
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>15</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 247</u>
Business-type Activities	
Enterprise	<u>\$ 30</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, 2005 (in millions):

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 62	\$ 1	\$ -	\$ 63
Library, media, and museum collections	50	2	-	52
Construction in progress	241	151	(139)	253
Infrastructure	-	-	-	-
Total capital assets not being depreciated	<u>353</u>	<u>154</u>	<u>(139)</u>	<u>368</u>
Capital assets being depreciated:				
Buildings	1,048	32	(1)	1,079
Equipment	349	74	(11)	412
Infrastructure	702	40	-	742
Total capital assets being depreciated	<u>2,099</u>	<u>146</u>	<u>(12)</u>	<u>2,233</u>
Less accumulated depreciation for:				
Buildings	(431)	(44)	1	(474)
Equipment	(189)	(32)	8	(213)
Infrastructure	(242)	(24)	-	(266)
Total accumulated depreciation	<u>(862)</u>	<u>(100)</u>	<u>9</u>	<u>(953)</u>
Total capital assets being depreciated, net	<u>1,237</u>	<u>46</u>	<u>(3)</u>	<u>1,280</u>
Capital assets, net	<u>\$ 1,590</u>	<u>\$ 200</u>	<u>\$ (142)</u>	<u>\$ 1,648</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.

NOTE 6 – 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, 2005 (in thousands):

Governmental Activities	Beginning Balance (restated)	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue bonds payable	\$ 218,316	\$ -	\$ 5,522	\$ 212,794	\$ -
General obligation debt	492,586	-	29,469	463,117	29,201
Notes payable	3,387	-	3,387	-	-
Capital leases payable	152,503	10,751	15,261	147,993	15,010
Unearned & deferred revenue	193,979	18,061	51,746	160,294	134,725
Certificates of participation	72,330	25,725	36,430	61,625	10,855
Compensated absences	117,052	104,853	101,443	120,462	120,462
Claims and judgments	73,624	22,958	24,956	71,626	29,415
Other noncurrent liabilities	844	409	-	1,253	933
Net pension obligation	-	56,346	-	56,346	-
Total	<u>\$ 1,324,621</u>	<u>\$ 239,103</u>	<u>\$ 268,214</u>	<u>\$ 1,295,510</u>	<u>\$ 340,601</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. 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.

For governmental fund activity, there was a reclassification of activity between capital leases and certificates of participation for \$42,185 thousand. In addition there was a prior period adjustment for \$196 thousand related to capital leases, which is discussed further in note 3.

Business-type Activities	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue bonds payable	\$ 422,141	\$ -	\$ 10,084	\$ 412,057	\$ 12,529
Unearned & deferred revenue	4,412	11	-	4,423	4,423
Compensated absences	39	15	-	54	54
Other noncurrent liabilities	334	-	109	225	-
Net pension obligation	-	18	-	18	-
Total	<u>\$ 426,926</u>	<u>\$ 44</u>	<u>\$ 10,193</u>	<u>\$ 416,777</u>	<u>\$ 17,006</u>

B. GENERAL OBLIGATION BONDS, NORTHERN TOBACCO SECURITIZATION REVENUE BONDS, AND INTERNATIONAL AIRPORTS REVENUE BONDS

GENERAL OBLIGATION BONDS

The full faith, credit, and resources of the state are pledged to secure payment of general obligation bonds. As of June 30, 2005, 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>
2006	\$ 24.1	\$ 21.5	\$ 45.6
2007	24.8	20.3	45.1
2008	25.4	19.0	44.4
2009	26.2	17.7	43.9
2010	27.1	16.3	43.4
2011-2015	139.9	58.7	198.6
2016-2020	106.1	27.4	133.5
2021-2025	64.8	6.1	70.9
Total debt service requirements	438.4	<u>\$ 187.0</u>	<u>\$ 625.4</u>
Unamortized bond premium	24.7		
Total principal outstanding	<u>\$ 463.1</u>		

The legislature authorized the issuance of general obligation bonds within chapter 114, SLA 2002 and chapter 2, SSSLA 2002 for a total of \$463,524,941. As of the end of FY 05, \$461,935,000 had been issued, leaving a remaining authorization of \$1,589,941.

NORTHERN TOBACCO SECURITIZATION CORPORATION BONDS

The Northern Tobacco Securitization Corporation (NTSC) bonds were issued to purchase Tobacco Settlement Revenues (TSRs) from the State of Alaska. These revenue bonds are secured by and payable solely from the TSRs and investment earnings pledged under the Bond Indenture. Neither Alaska Housing Finance Corporation nor the State of Alaska is liable for any debt issued by NTSC. This debt is reported in the Governmental Activities column of the Government-wide Statement of Net Assets. Debt service requirements for NTSC are (in millions):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ -	\$ 12.2	\$ 12.2
2007	-	12.3	12.3
2008	6.2	12.3	\$ 18.5
2009	6.5	11.9	18.4
2010	6.9	11.6	18.5
2011-2015	36.9	52.0	88.9
2016-2020	45.7	40.8	86.5
2021-2025	48.6	28.2	76.8
2026-2030	57.6	11.8	69.4
2031-2035	6.3	0.4	6.7
Total debt service requirements	214.7	<u>\$ 193.5</u>	<u>\$ 408.2</u>
Unamortized bond discounts	(1.9)		
Total principal outstanding	<u>\$ 212.8</u>		

INTERNATIONAL AIRPORTS REVENUE BONDS

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. Debt service requirements are (in millions):

Year Ending June 30	Principal	Interest	Total
2006	\$ 12.5	\$ 21.0	\$ 33.5
2007	12.8	20.1	32.9
2008	13.7	19.6	33.3
2009	13.9	19.1	33.0
2010	14.5	18.5	33.0
2011-2015	83.6	80.7	164.3
2016-2020	96.7	57.1	153.8
2021-2025	122.2	28.5	150.7
2026-2030	46.8	4.1	50.9
Total debt service requirements	416.7	268.7	685.4
Unamortized bond issuance costs and discounts	(4.6)		
Total principal outstanding	\$ 412.1		

C. CAPITAL AND OPERATING LEASES

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

Governmental Activities Year Ending June 30	Operating Leases	Capital Leases		
		Principal	Interest	Total
2006	\$ 29.6	\$ 15.1	\$ 6.1	\$ 21.2
2007	25.4	13.2	6.3	19.5
2008	22.8	13.2	5.7	18.9
2009	19.5	13.2	5.0	18.2
2010	14.2	12.7	4.4	17.1
2011-2015	30.0	41.8	15.3	57.1
2016-2020	1.6	34.8	5.7	40.5
2021-2025	0.6	4.0	0.3	4.3
2026-2030	0.4	-	-	-
2031-2035	0.4	-	-	-
2036-2040	0.3	-	-	-
2041-2045	0.3	-	-	-
2046-2050	0.2	-	-	-
Total	\$ 145.3	\$ 148.0	\$ 48.8	\$ 196.8

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, 2005 (expressed in millions):

<u>Governmental Activities</u> Year Ending June 30	<u>Certificates of Participation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 10.9	\$ 2.7	\$ 13.6
2007	8.3	2.2	10.5
2008	7.0	1.8	8.8
2009	4.3	1.5	5.8
2010	4.4	1.3	5.7
2011-2015	19.1	3.9	23.0
2016-2020	7.6	0.7	8.3
Total	<u>\$ 61.6</u>	<u>\$ 14.1</u>	<u>\$ 75.7</u>

On February 2, 2005 the State issued \$25.7 million in certificates of participation to refund \$26.1 million of outstanding certificates of participation. The net proceeds of \$26.7 million (which included a premium of \$1.3 million, less \$.3 million in issuance costs), were used to pay the redemption price of the refunded certificates on March 4, 2005, June 15, 2005, and July 1, 2005. The refunding met the requirements of an in-substance debt defeasance and the certificates of participation were removed from the State's government-wide financial reports. As a result of the refunding, the State reduced its total debt service requirements by \$1.2 million, with a net present value savings of \$.9 million.

E. DISCRETELY PRESENTED COMPONENT UNITS

Debt service requirements are (in millions):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 200.6	\$ 207.7	\$ 408.3
2007	151.2	200.2	351.4
2008	136.5	194.0	330.5
2009	134.9	188.2	323.1
2010	132.9	182.4	315.3
2011-2015	789.8	804.0	1,593.8
2016-2020	671.0	656.8	1,327.8
2021-2025	616.1	477.2	1,093.3
2026-2030	573.2	358.0	931.2
2031-2035	434.2	223.7	657.9
2036-2040	429.3	100.4	529.7
2041-2045	167.2	32.3	199.5
2046-2050	47.2	6.4	53.6
2051-2055	-	-	-
2056-2060	-	-	-
Total debt service requirements	<u>\$ 4,484.1</u>	<u>\$ 3,631.3</u>	<u>\$ 8,115.4</u>
Unamortized discounts, unexpended bond proceeds, accrued interest, & deferred amount on refunding	26.5		
Total principal outstanding	<u>\$ 4,510.6</u>		

The preceding table does not include \$373,000 of Alaska Energy Authority arbitrage interest payable.

F. AHFC DERIVATIVES

SWAP OBJECTIVES

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

SWAP PAYMENTS AND ASSOCIATED DEBT

As of June 30, 2005, debt service requirements of the Corporation'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		
2006	\$ 3,640	\$ 8,048	\$ 7,741	\$ 19,429
2007	3,795	8,003	7,671	19,469
2008	4,640	7,934	7,595	20,169
2009	5,135	7,823	7,505	20,463
2010	5,465	7,729	7,406	20,600
2011-2015	52,775	36,345	34,816	123,936
2016-2020	79,320	29,603	28,268	137,191
2021-2025	96,950	20,562	19,851	137,363
2026-2030	81,955	11,598	11,484	105,037
2031-2035	52,240	4,450	4,496	61,186
2036-2037	16,275	335	339	16,949
Total	<u>\$ 402,190</u>	<u>\$ 142,430</u>	<u>\$ 137,172</u>	<u>\$ 681,792</u>

SIGNIFICANT TERMS

The terms, fair values and credit ratings of the Corporation's outstanding swaps as of June 30, 2005, are included in the following schedule (in thousands). 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 the Corporation 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	Notional	Fair	Effective	Fixed Rate	Variable	Termination	Counterparty
Bond	Amounts	Values	Dates	Paid	Rate	Date	Credit
Issue					Received		Rating ⁶
GP01A ¹	\$ 70,830	\$ (8,583)	8/2/2001	4.1427%	67% of LIBOR ⁴	12/1/2030	A/A2
GP01B	86,555	(10,564)	8/2/2001	4.1427%	67% of LIBOR	12/1/2030	A+/Aa3
E021A1 ²	50,000	(6,158)	5/16/2002	4.1030%	68% of LIBOR	6/1/2032	AAA/Aaa
E021A2	120,000	(12,506)	5/16/2002	4.3430%	68% of LIBOR	12/1/2036	AAA/Aaa
SC02B ³	14,555	(1,016)	12/5/2002	3.7700%	70% of LIBOR	7/1/2024	AAA/Aaa
SC02C	60,250	(3,699)	12/5/2002	4.3030%	BMA ⁵ +0.115%	7/1/2022	AAA/Aaa
Total	<u>\$ 402,190</u>	<u>\$ (42,526)</u>					

¹ Governmental Purpose Bonds

² Home Mortgage Revenue Bonds

³ State Capital Project Bonds

⁴ London Interbank Offered Rate

⁵ The Bond Market Association Municipal Swap Index

⁶ Standard & Poor's/Moody's

FAIR VALUE

Because interest rates have declined sharply and taxable/tax-exempt spreads have narrowed since the agreements became effective, all of the Corporation's LIBOR-based and BMA-based interest rate swaps had a negative fair value as of June 30, 2005. The negative fair values are countered by reductions in total interest payments required under the variable-rate bonds.

Given that coupons on the Corporation'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 the Corporation, 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, 2005, the Corporation was not exposed to credit risk on any of its outstanding swaps because they all had negative fair values. If interest rates rise and the fair values of the swaps become positive, the Corporation would be exposed to credit risk in the amount of the swap's 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. The Corporation currently has swap agreements with four separate counterparties. Approximately 61 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, one of the counterparties is rated A+/Aa3 while the other counterparty is rated A/A2, approximating 21 percent and 18 percent, respectively, of the total outstanding notional swap value.

Basis Risk

A majority of the Corporation's variable-rate demand obligation bond coupon payments are based on the BMA index. Therefore, the Corporation is exposed to basis risk on swaps where the variable payment received is based on a LIBOR index rather than a BMA index. As of June 30, 2005, the BMA rate was 2.28 percent, whereas LIBOR was 3.34 percent. Since the spread between LIBOR and BMA has narrowed since the agreements became effective, the expected cost savings from the swaps may not be as large as originally anticipated.

Rollover Risk

Rollover risk occurs when there is a mismatch in the amortization of the swap versus the amortization of the floating rate bonds. The Corporation 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 swaps covering the 2001 Governmental Purpose Bonds cover only a portion of the debt issuance, allowing any increase in the speed of mortgage prepayments to be directed at the unswapped portion of the debt. The swap agreements associated with the 2002 Home Mortgage Revenue Bonds were structured with several tranches, allowing the Corporation to cancel individual tranches of the swap to match special redemptions of the bonds. The result of these swap structures is a decrease in rollover risk usually caused by rapid mortgage prepayments.

Termination Risk

If any of the swaps are terminated, the associated floating rate bonds would no longer carry synthetic fixed interest rates and, thus, the Corporation 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, the Corporation would be liable to the counterparty for payments equal to the swaps' fair value. The Corporation or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the agreement. As of June 30, 2005, the Corporation is not exposed to any additional termination risk on its interest rate swaps.

NOTE 7 – DEFINED BENEFIT PENSION PLANS

A. STATE ADMINISTERED PLANS

DESCRIPTION OF PLANS

The Public Employees’ Retirement System (PERS)

PERS is a defined benefit, agent, multiple-employer public employee retirement system 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 provides for normal pension benefits, as well as death, disability, and postemployment healthcare benefits. PERS is considered a component unit of the state financial reporting entity. 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. 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, 2005, the number of participating employers was:

State of Alaska	3
Municipalities	77
School Districts	53
Other	<u>27</u>
Total employers	<u>160</u>

Current 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 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 health care benefits when due. The actuarially determined employer contribution rates are level percentages of payroll and are determined using the projected unit credit actuarial funding method. The FY 05 actuarially determined rate was 25.46 percent (27.33 percent for peace officers and firefighters). The employer rate for the State of Alaska for the year ended June 30, 2005, was 12.65 percent of compensation (13.42 percent for peace officers and firefighters). This difference is attributable to a maximum allowable increase or decrease in the contribution rate for an employer from one year to the next of no more than 5 percent (Title 2 Alaska Administrative Code 35.900).

The Schedule of Funding Progress for the State of Alaska 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
2001	\$3,486,365	\$3,462,943	\$ 23,422	100.7%	\$781,286	3.0%
2002	2,864,058	3,854,165	(990,107)	74.3%	818,543	(121.0%)
2003	2,834,640	3,971,044	(1,136,404)	71.4%	860,513	(132.1%)

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 sixty 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 sixty, and receive benefits at no premium cost if they are over age sixty 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. Retirees of three other state plans also participate in the RHF. The 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.

The Schedule of Funding Progress for the State of Alaska 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
2001	\$1,476,115	\$1,466,201	\$ 9,914	100.7%	\$781,286	1.3%
2002	1,740,149	2,341,721	(601,572)	74.3%	818,543	(73.5%)
2003	1,894,575	2,654,108	(759,533)	71.4%	860,513	(88.3%)

The state’s annual contributions for pension and postemployment healthcare benefits for the fiscal years ended June 30, 2005, 2004, and 2003 were \$109.3, \$65.1, and \$58.8 million respectively. The annual pension cost was \$112.1 million for FY05, \$45.7 million for FY 04 and \$41.9 million for FY 03. For FY 04 and FY 03, the state contributed 100 percent for each of those years resulting in a zero net pension obligation (NPO). For FY 05, the state contributed 50 percent of the actuarial determined rate, which resulted in a NPO of \$56.5 million, of which \$55.2 million is for governmental funds. This is the first time the state has incurred an NPO. The NPO disclosed above does not include the discretely presented component units that are separately audited.

The Teachers’ Retirement System (TRS)

TRS 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.

At June 30, 2005 the number of participating employers was:

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

TRS is considered a component unit of the state financial reporting entity. 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. 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 14 and may be amended only by the state legislature. TRS provides for normal pension benefits, as well as death, disability, and postemployment healthcare benefits.

Plan members contribute 8.65 percent of their base salary, as required by statute. The employee contributions are deducted before federal income tax is withheld. Eligible employees contribute an additional 1 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 level percentages of payroll and are determined using the projected unit credit actuarial funding method. The employer rate for the State of Alaska for the year ended June 30, 2005, was 16 percent of compensation.

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 sixty or older, regardless of initial hire dates. Employees first hired after June 30, 1990, may receive postemployment healthcare benefits prior to age sixty 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. Retirees of three other state plans also participate in the RHF. The 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.

The state's contributions to TRS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$7.5, \$5.5, and \$4.9 million respectively, equal to the required contributions for each year.

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

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

Members contribute 7 percent of their compensation to JRS. The contributions are deducted after federal income tax is withheld. Contributions are not required after members have made contributions for fifteen 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 level percentages of payroll and are determined using the projected unit credit actuarial funding method. The employer rate for the State of Alaska for the year ended June 30, 2005, was 33.53 percent of compensation.

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
2000	\$68,116	\$68,888	\$ (772)	98.9%	\$5,702	(13.5%)
2002	56,705	63,970	(7,265)	88.6%	5,942	(122.3%)
2004	61,074	69,393	(8,319)	88.0%	6,530	(127.4%)

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.

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
2000	\$4,545	\$4,596	\$(51)	98.9%	\$5,702	(0.9%)
2002	6,979	7,873	(894)	88.6%	5,942	(15.0%)
2004	9,382	10,660	(1,278)	88.0%	6,530	(19.6%)

The annual required contributions for pension and postemployment healthcare benefits for the fiscal years ended June 30, 2005, 2004, and 2003 were \$2,147,098, \$1,786,835, and \$1,746,251. The state contributed 100 percent for each of those years resulting in no net pension obligation (NPO).

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 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 projected unit credit actuarial funding method.

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

Actuarial Valuation Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio
2000	\$ 13,734	\$ 17,967	\$ (4,233)	76.4%
2002	12,114	20,545	(8,431)	59.0%
2004	13,391	19,749	(6,358)	67.8%

The annual required contributions for the fiscal years ended June 30, 2005, 2004, and 2003 were \$2,025,257, \$1,322,502, and \$1,322,502. The percentage contributed for June 30, 2005, 2004 and 2003 were 99 percent, 100 percent, and 100 percent. For FY05, the state made contributions of \$1,996,800, which results in a first time NPO of \$28,457.

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 5 percent for each year of service as governor, lieutenant governor, or a legislator, plus 2 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 7 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, 2005, 2004, and 2003 was \$1.6 million, 1.8 million, and \$1.4 million. The contributions received from employees totaled \$11,510 in FY 05. EPORS is a closed plan and no separate financial statement or actuarial valuation report is issued for EPORS.

ASSET VALUATION

See Note 4 for information on pension funds' deposits and investments risk categories. The table below discloses the fair value of each pension plan's cash and investments. All amounts are in thousands.

<u>Systems</u>	<u>Fair Value</u>
Public Employees' Retirement System	\$9,246,331
Teachers' Retirement System	4,335,149
Judicial Retirement System	79,819
Alaska National Guard and Alaska Naval Militia Retirement System	16,174

PLAN MEMBERSHIPS

The table below includes the plan membership counts. With the exception of EPORS, the counts are as of the actuarial valuation report date. The plan membership count for EPORS is based upon membership as of June 30, 2005.

	<u>PERS</u>	<u>TRS</u>	<u>JRS</u>	<u>NGNMRS</u>	<u>EPORS</u>
	6/30/03	6/30/03	6/30/04	6/30/04	6/30/05
Retirees & beneficiaries receiving benefits & Terminated members with future benefits	24,272	9,020	86	1,179	37
Current active employees:					
Vested	18,108	5,289	53	*	3
Nonvested	15,957	4,584	9	3,866	-
Total	<u>58,337</u>	<u>18,893</u>	<u>148</u>	<u>5,045</u>	<u>40</u>

* 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 "projected unit credit" method. The unfunded accrued benefit liability or funding surplus is amortized over a rolling 25 years (NGNMRS is 20 years).

The objective under this method is to fund each participant's benefits under the plan as they accrue. Thus, each participant's total pension projected to retirement with salary scale is broken down into units, each associated with a year of past or future service. The principle underlying the method is that each unit is funded in the year for which it is credited. Typically, when the method is introduced there will be an initial liability for benefits credited for service prior to that date. To the extent that this liability is not covered by assets of the plan there is an unfunded liability to be funded over a chosen period in accordance with an amortization schedule.

The following main assumptions were used in the actuarial valuation.

System	Investment Return Compounded Annually	Salary Scale Increase	Health Cost Inflation	Consumer Price Index Inflation	Valuation Date
PERS	8.25%	6.0% first 5 years - Police & Firefighters, 5.5% first 10 Years – all others	FY 04 – 05 – 12.0%; FY 06 – 11.5%; FY 07 – 11.0%; FY 08 – 10.5%; FY 09–10.0%; FY 10 – 9.5%, FY 11 – 9.0%, FY 12 – 8.5%, FY 13 – 8.0%, FY 14 – 7.5%, FY 15 – 7.0%, FY 16 – 6.0%, and FY 17 and later – 5.0%	3.5%	6/30/03
TRS	8.25%	5.5% first 5 years	FY 04 – 05 – 12.0%; FY 06 – 11.5%; FY 07 – 11.0%, FY 08 – 10.5%; FY 09 – 10.0%, FY 10 – 9.5%, FY 11 – 9.0%; FY 12 – 8.5% FY 13 – 8.0%; FY 14 – 7.5%, FY 15 – 7.0%, FY 16 – 6.0%, and FY 17 and later – 5.0%	3.5%	6/30/03
JRS	8.25%	4.0% per year	FY 05 – 12.0%; FY 06 – 11.5%; FY 07 – 11.0%, FY 08 10.5%, FY 09 – 10.0%, FY 10 – 9.5%, FY 11 – 9.0%; FY 12 – 8.5% FY 13 – 8.0%; FY 14 – 7.5%, FY 15 – 7.0%, FY 16 – 6.0%, and FY 17 and later – 5.0%	3.5%	6/30/04
NGNMRS	8.25%	–	–	–	6/30/04
EPORS	9.0%	6.0 % per year	9.0% per year	–	6/30/86

All assets are at market value.

For PERS and TRS 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.

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 \$552.4 thousand in FY 05.

NOTE 8 – DEFINED CONTRIBUTION PENSION PLANS

A. STATE ADMINISTERED PLANS

SUPPLEMENTAL BENEFITS SYSTEM

In addition to the pension plans (Note 7) and deferred compensation plan (Note 9), all state employees, as well as employees of political subdivisions, who have elected to participate in the program, are covered under the Alaska Supplemental Benefits System (SBS). SBS is comprised of the Supplemental Annuity Plan and the Supplemental Benefits Plan. The Supplemental Annuity Plan is a defined contribution plan that was created under Alaska statutes effective January 1, 1980, to provide benefits in lieu of those provided by the Federal Social Security System (Social Security). All state employees, who would have participated in Social Security if the state had not withdrawn, participate in SBS. Other employers whose employees participate in the state Public Employees' Retirement System and meet other requirements are eligible to have their employees participate in SBS as provided by Alaska Statute. As of January 31, 2005, there were fifteen other employers participating in SBS. There were approximately 33,000 participants in the Plan.

The Division of Retirement and Benefits is responsible for administration and record keeping. The Alaska State Pension Investment Board (ASPIB) is responsible for the specific investment of monies in SBS. Effective October 1, 2005 the ASPIB will be disbanded and their duties will be 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, 2005, were \$97.7 million. The state's covered payroll was approximately \$797.2 million.

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, 2005, were approximately \$4.6 million.

Employees are eligible to withdraw from the Supplemental Annuity Plan sixty 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 reimbursement plan.

Supplemental annuity contributions were deposited with investment managers under contract with SBS for the year ended January 31, 2005. The amounts credited to each participant account include the appreciation or depreciation in the unit values of the investment funds, in addition to participant contributions received during the year 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 \$731.3 thousand in FY 05.

NOTE 9 – DEFERRED COMPENSATION PLAN

The State of Alaska Deferred Compensation Plan (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 employees or elected officials of the State (and with the April 1, 2003 amendment all long term non-permanent employees) 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, 2004, the Plan had approximately 8,100 participants.

As a result of the passage of The Small Business Job Protection Act of 1996 (SBJPA), all amounts deferred, including amounts deferred before the effective date of the 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 Plan.

The Division of Retirement and Benefits is responsible for Plan administration and recordkeeping. The Alaska State Pension Investment Board (ASPIB) is responsible for the specific investment of monies in the plan. Effective October 1, 2005, the ASPIB will be disbanded and their duties will be 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.

Deferred Compensation net assets as of December 31, 2004, were \$454.3 million. Deferred Compensation is reported in the accompanying financial statements as a pension (and other employee benefit) trust fund.

NOTE 10 – INTERFUND TRANSACTIONS

The following schedules summarize individual interfund receivable and payable balances at June 30, 2005, 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	\$ -	\$ 687	\$ 431	\$ 19,131	\$ 2,304	\$ 22,553
Alaska Permanent Fund	558,882	-	-	-	-	558,882
Nonmajor						
Governmental Funds	15,233	-	-	-	-	15,233
International Airports	30,809	-	-	-	-	30,809
Nonmajor						
Enterprise Funds	2,656	-	-	-	-	2,656
Internal Service Funds	20	-	-	-	-	20
Fiduciary Funds	3,131	-	-	-	-	3,131
Other	2,825	-	-	614	(5)	3,434
Total	\$ 613,556	\$ 687	\$ 431	\$ 19,745	\$ 2,299	\$ 636,718

The amounts reported as “Other” are reconciling amounts resulting from reporting differences for certain funds included in the fund financial statements at June 30, 2005.

The \$559 million balance due from the Alaska Permanent Fund to the General Fund includes \$532 million for payment of 2005 Permanent Fund Dividends to qualified residents of the state and administrative and associated costs of the 2005 Permanent Dividend Program. The remaining balance of \$27 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 05 activity during the reappropriation period in July and August 2005 that caused the movement of cash balances between funds after June 30, 2005.

INTERFUND TRANSFERS

<u>Transfers From</u>	<u>Transfers to</u>				<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Nonmajor Enterprise Funds</u>	<u>Internal Service Funds</u>	
General Fund	\$ -	\$ 31,438	\$ 755	\$ 21,945	\$ 54,138
Alaska Permanent Fund	558,882	-	-	-	558,882
Nonmajor					
Governmental Funds	2,911	-	-	-	2,911
Nonmajor Enterprise Funds	5,723	-	-	-	5,723
Internal Service Funds	1,223	-	-	-	1,223
Other	4,364	-	-	1	4,365
Total	\$ 573,103	\$ 31,438	\$ 755	\$ 21,946	\$ 627,242

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 \$532 million transfer for payment of the Permanent Fund dividends and for administrative and associated costs of the dividend program. The remaining \$27 million transfer from the Alaska Permanent Fund is the 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*, appropriated to the Alaska Capital Income Fund, a subfund of the General Fund. The transfer from Other to the General Fund represents an appropriation from the Investment Loss Trust account within the Supplemental Benefit Fund, a fiduciary fund, which does not report the transfer out.

NOTE 11 – 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, 2005, is \$35.2 million. This amount was calculated using the base pay on file for each employee as of June 30, 2005. 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 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 80 percent limitation, enacted in 1985, applies to fiscal years after June 30, 1983. The higher percentages apply to earlier years.

Although the statute provides that the state may reimburse school districts 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 05 expended for school debt was \$72 million, 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 \$1,149 million. 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 include blanket public employee faithful performance and custom bonding, accidental death and disability (including medical expenses) for volunteers, computer fraud and foreign liability, etc. These insurance programs continually evolve, responding to new activities and special projects undertaken by each state agency. The state has not incurred a loss in excess of its insurance program.

In FY 05, 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).

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, 2004 and June 30, 2005. 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 percent discount interest rate for FY 04 and a 3 percent discount interest rate for FY 05.

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
2004	\$ 78,624,473	\$ 12,708,189	\$ (22,155,176)	\$ 69,177,486
2005	69,177,486	22,354,560	(24,956,131)	66,575,915

D. LITIGATION

The state is involved in a number of legal actions. The Department of Law estimates the probable maximum liability for the cases associated with the governmental fund types to be approximately \$5 million, with an additional possible liability of \$65.4 million. The probable loss amount has been reported as long-term debt obligations.

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

E. FEDERAL GRANTS

The state has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, it is believed that any required reimbursements will not be material.

F. DISASTER RELIEF FUND

The state may be liable to reimburse communities for expenditures related to disasters in excess of the amount allocated by the state.

G. FUTURE LOAN COMMITMENTS

As of June 30, 2005, the Alaska Clean Water Fund and the Alaska Drinking Water Fund committed to disbursing future loans for a net total of \$38,013,399 and \$27,837,051 respectively. The total amounts to be disbursed under these agreements is uncertain as not all of the loans are expected to be fully drawn; accordingly, they are not included in the financial statements for these funds.

At June 30, 2005, Alaska Energy Authority had open loan commitments of \$3,991,000.

At June 30, 2005, Alaska Industrial Development and Export Authority (AIDEA) had extended open loan commitments of \$32,587,000 and loan guarantees of \$2,172,000. 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 State Pension Investment Board (ASPIB) has entered into agreements with external investment managers to provide funding for future investments.

Investment Type/Term	PERS	TRS	JRS
Domestic Equity Limited Partnerships Withdrawn annually in December with 90-days notice.	\$ 104,826,035	\$ 48,993,175	\$ 1,033,695
Limited Partnership 94% paid through 2010. 6% withdrawn annually in December with 90 days notice. To be paid through 2007.	482,295,527 39,800,301	225,369,315 18,599,699	
Real Estate Investment To be paid through 2010.	235,140,626	109,881,612	2,285,633
	<u>\$ 862,062,489</u>	<u>\$ 402,843,801</u>	<u>\$ 3,319,328</u>

NOTE 12 – SUBSEQUENT EVENTS

A. ALASKA MUNICIPAL BOND BANK AUTHORITY

Subsequent to June 30, 2005, the Bond Bank issued two general obligation bond series to follow:

1. General Obligation Bonds, 2005 Series C, in the face amount of \$32,060,000 with interest rates ranging from 4 percent to 5 percent over maturities of October 1, 2006 through October 1, 2025.
2. General Obligation Bonds, 2005 Series One, in the face amount of \$18,450,000, sold in October 2005. Interest rates ranging from 3 percent to 5.25 percent over maturities of June 1, 2006 through June 2025.
3. In September 2005, \$250,000 in earnings from the Custodian Account will be transferred to the State of Alaska and deposited in the State's Debt Retirement Fund.
4. City of Nome and St. Paul have entered in negotiations, with NOAA, for the restructuring and possible forgiveness for their respective Coastal Energy loans. The related loan payables do not represent a general obligation of the Authority, as they are payable only from proceeds received from the City of Nome and St. Paul, respectively. Payment of principal and interest on the Bond Bank's Coastal Energy Bond is not secured by a pledge of any amounts held by or payable to the Bond Bank under the General Bond Resolution, including the Reserve Account, and is not in any way a debt or liability of the Bond Bank. Loan payments due in August 2005 have not been made.

B. ALASKA STUDENT LOAN CORPORATION

1. On July 1, 2005, the Alaska Student Loan Corporation called all outstanding Series 1995 A Bonds at par in the amount of \$15,900,000.
2. On July 28, 2005, the Alaska Student Loan Corporation issued \$58,250,000 of Education Loan Revenue Bonds, Senior 2005 Series A to finance education loans. The bonds were issued with fixed rates ranging from 4 percent to 5 percent.

C. ALASKA CLEAN WATER FUND

Plans are in place to issue Series A Revenue Bond Anticipation Notes for FY 06. 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.

D. ALASKA DRINKING WATER FUND

Plans are in place to issue Series B Revenue Bond Anticipation Notes for FY 06. 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.

E. CERTIFICATES OF PARTICIPATION

On October 12, 2005, the State of Alaska issued Certificates of Participation totaling \$24,000,000 for the purpose of financing the state virology laboratory facility in Fairbanks to be operated by the Department of Health and Social Services. Repayment of this debt is subject to annual appropriation by the legislature.

F. GOVERNMENTAL FUND REVENUE BONDS

Revenue bonds were authorized for sale not to exceed \$69,000,000 for the purpose of financing construction and renovation of state sport fishing facilities. The earliest potential sale of these revenue bonds is December 2005. The proceeds from the bonds will be deposited in the Fish and Game Special Revenue Fund. These revenue bonds do not constitute a general obligation of the state. The Fish and Game Fund will repay the debt from collections from sport fishing facility surcharge on sport fishing licenses.

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REQUIRED
SUPPLEMENTARY INFORMATION

STATE OF ALASKA
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2005
 (Stated in Thousands)

STATEMENT 2.01

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Unrestricted:				
Taxes	\$ 1,020,324	\$ 1,020,579	\$ 1,705,263	\$ (684,684)
Licenses and Permits	100,623	102,730	95,947	6,783
Charges for Services	569,889	575,562	568,108	7,454
Fines and Forfeitures	17,400	17,400	10,926	6,474
Rents and Royalties	909,655	909,845	1,408,688	(498,843)
Premiums and Contributions	230	240	10,605	(10,365)
Interest and Investment Income	95,435	95,435	155,297	(59,862)
Payments In from Component Units	80,461	80,461	80,461	0
Other Revenues	19,511	19,511	17,117	2,394
Restricted:				
Federal Grants in Aid	5,333,705	5,541,893	1,880,805	3,661,088
Interagency	501,745	736,949	475,669	261,280
Payments In from Component Units	193,762	193,762	40,851	152,911
Other Revenues	1,579	1,579	1,820	(241)
Total Revenues	8,844,319	9,295,946	6,451,557	2,844,389
EXPENDITURES				
Current:				
General Government	679,833	716,316	659,045	57,271
Alaska Permanent Fund Dividend	553,901	553,901	552,232	1,669
Education	1,144,687	1,162,751	1,126,569	36,182
University	238,710	238,787	237,021	1,766
Health and Human Services	2,181,288	2,299,908	2,018,309	281,599
Law and Justice	157,229	179,553	161,359	18,194
Public Protection	644,580	780,172	626,852	153,320
Natural Resources	416,806	461,635	304,879	156,756
Development	259,163	291,054	214,039	77,015
Transportation	3,872,550	4,253,793	1,301,878	2,951,915
Intergovernmental Revenue Sharing	41,637	48,788	47,721	1,067
Debt Service:				
Principal	10,365	10,365	10,295	70
Interest and Other Charges	3,718	3,718	3,567	151
Total Expenditures	10,204,467	11,000,741	7,263,766	3,736,975
Excess (Deficiency) of Revenues Over Expenditures	(1,360,148)	(1,704,795)	(812,209)	(892,586)
OTHER FINANCING SOURCES (USES)				
Refunding Bonds Issued	25,725	25,725	25,725	0
Refunding Bond Issue Premium	1,251	1,251	1,251	0
Payment to Refunded Bond Escrow Agent	(26,858)	(26,858)	(26,858)	0
Transfers In from Other Funds	594,828	1,164,020	1,163,553	467
Transfers (Out to) Other Funds	(84,203)	(647,899)	(647,899)	0
Total Other Financing Sources and Uses	510,743	516,239	515,772	467
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), Budgetary Basis	\$ (849,405)	\$ (1,188,556)	(296,437)	\$ (892,119)
Reconciliation of Budgetary/ GAAP Reporting:				
Adjust Expenditures for Encumbrances			956,156	
Basis Difference			58,758	
Perspective Difference			(70,673)	
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), GAAP Basis			647,804	
Fund Balances - Beginning of Year			3,439,863	
Prior Period Adjustment			(17,932)	
Fund Balances - End of Year			\$ 4,069,735	

**Note to Required Supplementary Information – Budgetary Reporting
For the Fiscal Year Ended June 30, 2005**

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 99801-0204, 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 Financial Reports.

The legislature's legal authorization ("appropriations") to incur obligations is enacted on a basis inconsistent with 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 certain financial activity related to reimbursable services agreements (RSA) and certain interfund transactions that were recorded both 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	\$ 55,664
Medical Assistance Program	(3,288)
Working Reserve	4,339
Tobacco Tax	2,859
Alcohol Tax	(811)
Tire Tax	(20)
Vehicle Rental Tax	15
Total General Fund Basis Difference	\$ 58,758

- Perspective differences result from the structure of financial information for budgetary purposes. The Group Health and Life Benefits Fund (Group Health and Life, and Retiree Health) and the Alaska Public Building Fund are established by statute as accounts within the general fund, but must be reported as internal service funds to conform to GAAP. The federal receipts/disbursements for PL 103-382, Title VIII are budgeted in the general fund but are accounted for as an agency fund.

Group Health and Life	\$ (73,506)
Alaska Public Building Fund	929
Federal Receipts for PL 103-382 (Impact Aid)	1,904
Total General Fund Perspective Difference	\$ (70,673)

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INTRODUCTION

The recommendations and questioned costs have been organized by department. The specific status of prior year recommendations is presented in the introduction of each department.

Generally, the status of prior year recommendations falls into one of three categories:

- Implemented by the department.
- Not fully implemented by the department and reiterated with its current status in this report.
- Not fully implemented by the department, yet the current year effects were not a significant audit issue, therefore it is not reiterated in this report.

Other audit reports issued separately that have report conclusions and recommendations which are relevant to the FY 05 statewide single audit objectives are:

1. *A Report on the Department of Administration, Application Controls Over the Alaska State Payroll System From Implementation (May 29, 1990) through June 30, 1991.* Audit Control Number 02-1389-92.
2. *A Report on the Department of Administration, Application Controls Over the Alaska Statewide Accounting System, August 10, 2001.* Audit Control Number 02-10002-01.
3. *A Report on the Department of Revenue, Division of Treasury Revenue Division of Treasury, Treasury Revenue Management System, June 19, 2002.* Audit Control Number 04-10004-02.
4. *A Report on the Department of Health and Social Services, Division of Medical Assistance, Internal Control Over Medicaid Payments, January 31, 2003.* Audit Control Number 06-30018-03.
5. *A Report on the Department of Environmental Conservation, Village Safe Water Program, Selected Projects, November 19, 2003.* Audit Control Number 18-30028-04.
6. *A Report on Department of Health and Social Services, Division of Family and Youth Services (DFYS), Division of Juvenile Justice (DJJ), and Office of the Commissioner, Selected Management Issues, April 11, 2005.* Audit Control Number 06-30020-05.

In addition to recommendations in the Component Units section, management letters of state corporations and the University of Alaska may have recommendations which are relevant to the FY 05 statewide single audit objectives. Copies of the management letters may be obtained directly from the state corporations and the University of Alaska.

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SUMMARY OF RECOMMENDATIONS
For FY 05

/-----Internal Control Weakness-----/

<i>State Department</i>	<i>Material to Basic Financial Statements</i>	<i>Material to Federal Program</i>	<i>Reportable Condition – Financial Statements</i>	<i>Reportable Condition – Federal</i>	<i>Federal Compliance</i>	<i>Other State Issues</i>
DOA					2	1
DEED			5		3	4,5
DHSS		16		9,11,15,17, 19,22,23	9,10,12,13, 14,17,18,19, 20,21,22,23, 24,25	6,7,8
DCCED			26			
DFG						27
DOTPF			28			29
Component Units					30,31,32	

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Findings and Recommendations

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OFFICE OF THE GOVERNOR

No recommendations were made to the Office of the Governor in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2004*.

No new recommendations have been made during the FY 05 statewide single audit.

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DEPARTMENT OF ADMINISTRATION

One recommendation was made to the Department of Administration (DOA) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2004*. Prior year Recommendation No. 1 has been resolved.

Two new recommendations have been made and are included as Recommendation Nos. 1 and 2.

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Recommendation No. 1

The Department of Administration, Division of Finance should strengthen its written policies and criteria for how negative fund balances in General Fund sub-funds effect the year-end Constitutional Budget Reserve Fund (CBRF) calculations.

The Division of Finance (DOF), in preparing the State's financial statements, must apply the appropriate accounting treatments for unusual transactions that sometimes occur in a fiscal year. The decisions made by DOF are well researched and documented. We believe that this documentation can be strengthened with written policies and criteria for dealing with negative balances in general fund sub-funds. Specifically, DOF should strengthen its written policy and criteria regarding the accounting treatment for negative fund balances in General Fund sub-funds and their effect on the year-end CBRF calculations for sweep and/or draws. This documentation would assist users of the financial statements by enhancing the predictability of the accounting treatment in these situations.

In FY 05, three sub-funds of the general fund established by the Legislature had negative unreserved, undesignated fund balances; two of the three negative balances were substantial. The Alaska Marine Highway System fund (AS 19.65.060) had a negative balance of over \$6.8 million, the Alaska Capital Income Fund (AS 37.05.565) had a negative balance of over \$30 million and the Vocation Rehabilitation Small Business Enterprise Revolving Fund (AS 23.15.130) had a negative balance of over \$360,000.

There are various reasons for these negative unreserved, undesignated fund balances. The negative balance in the Alaska Capital Income Fund is due to a timing difference. Over \$50 million was appropriated in FY 05. However the money to entirely fund these appropriations was not expected until subsequent years. The negative fund balance in the Alaska Marine Highway System Fund is due to insufficient assets to meet the fund's obligations.

The general fund has over 50 sub-funds. These sub-funds have been established primarily in statute and are referred to in law in a myriad of ways. For instance the Alaska Marine Highway System fund is a "*special account in the general fund*;"¹ the Alaska Debt Retirement Fund is "*a separate fund in the general fund*,"² and the Building Safety Account is "*created in the state treasury*."³ Some sub-funds are intended to track the specific revenue streams while other are intended to track certain types of expenditures. The Alaska Marine Highway System Fund is intended to track a specific revenue stream - the gross revenue of the Alaska marine highway system and other funds appropriated to it. In contrast the Alaska Debt Retirement Fund consists of all money appropriated to it and is intended to track debt retirement expenditures.

¹ Alaska Statute 19.65.060

² Alaska Statute 37.15.011

³ Alaska Statute 44.31.025

Section 61(e) Chapter 159, 2004 states ... *if the unrestricted state revenue available for appropriation in fiscal year 2005 is insufficient to cover the general fund appropriations that take effect in fiscal year 2005, the amount necessary to balance revenue and general fund appropriations is appropriated to the general fund from the budget reserve fund (art IX, sec. 17, Constitution of the State of Alaska).*

In past years, the Department of Law has issued advice regarding which sub-fund balances meet the definition of “available for appropriation”; however they have not issued advice on fund shortages in these same sub-funds. Since there has been a long litigious history associated with the CBRF (Article IX Section 17) we suggest the DOF request assistance from the Department of Law in documenting the criteria used in determining how negative unreserved, undesignated fund balances in general fund sub-funds should be treated in the year-end CBRF calculations.

Agency Response – Department of Administration

Calculating the amount to borrow from or repay the CBRF each year is a complex accounting exercise. It is not widely understood outside of the few individuals who actually perform or audit the work. For these reasons, it is the subject of intense discussions between accountants and auditors every year as the Comprehensive Annual Financial Report (CAFR) is finalized.

For the first time in FY05, we saw material negative balances in some sub-funds as outlined in your finding. Members of the Division of Finance and the Division of Legislative Audit met in December 2005 to determine the method for handling these over-obligated sub-funds in the CAFR, and the decisions made during that meeting were implemented. The discussion notes from that meeting served as our written policy on the subject.

Subsequently both auditors and accountants are questioning if that course of action was most appropriate. The essence of the question is “do we borrow from the CBRF for negative balances in sub-funds of the General Fund like we do for the operating general fund 11100?” We did not for FY05.

We concur that legal advice on this question is a sensible recommendation, and will submit a request to the Department of Law. The response from our attorneys will form the basis for our written policies on calculating CBRF year-end borrowing and repayments.

*Contact Person: Kim Garner, Director
Division of Finance
Telephone: 907-465-3435*

Recommendation No. 2

The State Medicaid director should work with the administrative manager for the Department of Administration (DOA), Division of Administrative Services to ensure Medicaid administrative costs incurred by DOA's Office of Public Advocacy (OPA) are claimed in accordance with federal guidelines.

The procedures used to claim \$304,530 in Medicaid administrative costs for DOA's guardian program do not comply with federal law.

Under an interagency agreement between DOA and the Department of Health and Social Services (DHSS), Office of Public Advocacy's guardians "*arrange, coordinate, and authorize provision of medical services for Medicaid eligible guardianship clients.*" DOA identifies the time spent by its guardians on these activities and bills DHSS in accordance with the agreement. DOA identifies the Medicaid-related time through a time study.

Salaries for conducting administrative activities for Medicaid services are an allowable administrative cost, as long as they are claimed in accordance with OMB Circular A-87. Attachment B, of OMB Circular A-87, requires supporting documentation in the form of activity reports/time sheets. Substitute systems are allowed under specific circumstance. Specifically, OMB Circular A-87 Attachment B states:

11. Compensation for personnel services

(h)(6) Substitute systems for allocating salaries and wages to Federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort.

(a) Substitute systems which use sampling methods ... must meet acceptable statistical sampling standards including:

(i) The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results except as provided in subsection (c);⁴

(ii) The entire time period involved must be covered by the sample; and

(iii) The results must be statistically valid and applied to the period being sampled.

DOA's quarterly time study does not comply with OMB Circular A-87. The time study is not random. Guardians are notified in advance of the dates involved for the time study. Time

⁴ Subsection (c) states that *less than full compliance with the statistical sampling standards noted in subsection (a) may be accepted by the cognizant agency if it concludes that the amounts to be allocated to Federal awards will be minimal, or if it concludes that the system proposed by the governmental unit will result in lower costs to federal awards than a system which complies with the standards.*

study procedures state that if an employee is on leave status for more than one day during the period studied, an alternative week should be documented. No training is provided and no quality control procedures are in place to ensure the accuracy of the study.

If a guardian is claiming time spent on Medicaid eligible activities, the time study worksheet includes a space to document a client's OPA identification number. We tested three of the 14 guardians that participated in the February 2005 time study. Together the three individuals claimed time spent working on Medicaid eligible activities for 73 clients. We found that 10% of the clients were not Medicaid eligible and 37% of the clients were conservatorship clients. According to the time study instructions, time spent working with conservatorship clients is not Medicaid eligible and should be considered a non-Medicaid activity.

Because time study procedures do not comply with federal law, the \$304,530 of FY 05 OPA Medicaid administrative costs is not in compliance with federal requirements. DHSS claimed the costs through its cost allocation plan. Some of the costs were claimed for federal reimbursement under Medicaid. The remainder was allocated inappropriately to DHSS' Women and Adolescent services and claimed under several non-Medicaid federal programs. Questioned cost totaled \$103,160 for Medicaid and \$17,812 for the Centers for Disease Control and Prevention: Investigations and Technical Assistance program.

We recommend the State Medicaid director work with DOA's administrative manager, responsible for OPA, to ensure Medicaid administrative costs incurred by OPA are claimed in accordance with federal guidelines. Improvements are needed over the design and implementation of the time study, including training and quality control procedures, to ensure the data is accurate and in compliance with federal law. Further, we recommend DHSS change the method of claiming OPA Medicaid administrative costs to ensure they are not allocated to non-Medicaid related federal programs.

CFDA: 93.778
Questioned Costs: \$103,160

Federal Agency: USDHHS
Noncompliance
Allowable Costs

CFDA: 93.283
Questioned Costs: \$17,812

Agency Response – Department of Administration

The Department of Administration (DOA) concurs with this recommendation. The Office of Public Advocacy (OPA) has been providing these Medicaid services since the beginning of fiscal year 1994. The OPA has been operating under a Medicaid Reimbursement Policy established between OPA and the Division of Medical Assistance (DMA) that does not adhere to federal guidelines.

The FY06 Medicaid funding followed the same guidelines as the FY05 guidelines and will not be allowable in FY06. The OPA will not be seeking reimbursement for expenditures made on behalf of Medicaid eligible guardianships. The office requested and received supplemental funding from the legislature for FY06 to cover the shortfall.

The OPA has contacted the State's federal cost negotiator who provided several options that would ensure compliance with OMB A-87. DOA has also had several meetings with Department of Health and Social Services (DHSS) staff. The DHSS demonstrated a time study program to DOA and the OPA anticipates incorporating the system into their timekeeping process for the Public Guardians. The OPA is developing a timesheet to be used with the process and will be developing procedures to ensure federal compliance. DHSS has agreed to work with OPA in developing these procedures and assist OPA staff with training to ensure compliance with the Medicaid program.

*Contact Person: Dave Blaisdell
Division of Administrative Services
Telephone: 907-465-5653*

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DEPARTMENT OF LAW

No recommendations were made to the Department of Law (DOL) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2004*.

No new recommendations have been made during the FY 05 statewide single audit.

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DEPARTMENT OF REVENUE

No recommendations were made to the Department of Revenue (DOR) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2004*.

Additionally, no new recommendations have been made during the FY 05 statewide single audit.

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DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT

Six recommendations were made to the Department of Education and Early Development (DEED) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2004*. Prior year Recommendation Nos. 2, 3, 4, 5, and 6 are considered resolved.

Prior year Recommendation No. 18 for the Department of Health and Social Services was also addressed to DEED. That recommendation has been resolved.

Three new recommendations have been made and are included as Recommendation Nos. 3 through 5.

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Recommendation No. 3

The director of School Finance should strengthen review procedures to ensure data, specifically the number of eligible children, is reported accurately on the Impact Aid funding application.

The number of eligible children reported on the 2005 Impact Aid application was overstated by 301. The overstated count resulted in excess payments totaling \$1,439,110. The overstated student count and resulting excess payment, by district:

District/Federal Property	Error Type ⁵	Erred Count	Basic Support	Construction	District Overpayment
Anchorage: - Elmendorf AFB - Ft. Richardson	Regular Regular	193 105	\$1,368,934	\$52,630	\$1,421,564
Mt. Edgecumbe Boarding School	CWD	3	\$17,198	\$348	\$17,546
Fairbanks: - Ft. Wainwright - Eielson AFB	None None	- -	\$0	\$0	\$0
Kodiak: - Kodiak Coast Guard Base	None	-	\$0	\$0	\$0
TOTAL		301	\$1,386,132	\$52,978	\$1,439,110

DEED staff overlooked or misread the student count data provided for application purposes. The data presented a combined count of both regular children and children with disabilities. It then stated the number of children with disabilities was included in the total count. DEED staff failed to notice the distinction which resulted in the overstated child count.

Title 34, Part 222, of the Code of Federal Regulations (CFR) provides federal regulatory guidance relating to Impact Aid programs. Title 34 CFR 222.32 through 222.35 details specific guidance regarding the federally-connected membership count. The application instructions require children with disabilities (CWD) and regular students to be reported separately; not combined.

We recommend the agency strengthen its procedures for reviewing Impact Aid applications. Specifically, staff should ensure data presented in the application is supported by district reported data.

CFDA: 84.041
Questioned Costs: \$1,439,110

Federal Agency: USDOE
Noncompliance

⁵ Error types defined: Regular = students residing on federal property; CWD = children with disabilities residing on federal property or eligible Indian lands.

Agency Response – Department of Education and Early Development

The department agrees with Recommendation No. 3 and has taken steps to strengthen review procedures to ensure all data on the application is properly and accurately reported. The department communicated with the USDOE Impact Aid office on this finding and at the request of USDOE the department submitted corrections to the Impact Aid application. USDOE deducted the over payment from the EED Impact Aid voucher number 109378 2006-1 dated April 10, 2006.

*Contact Person: Heidi Reichl
 Division of School Finance
 Telephone: 907-465- 8682*

Recommendation No. 4

The director of Teaching and Learning Support (TLS) and the director of School Finance should take measures to resolve revenue shortfalls.

The State Budget Act provides that if actual collections fall short of appropriated program receipts, an agency is required to reduce its budget by the estimated reduction in collections. For FY 05, one shortfall was identified for the Department of Education and Early Development (DEED). The shortfall is:

<u>Appropriation Number</u>	<u>Appropriation Title</u>	<u>Amount</u>
17710-04	Teaching and Learning Support	\$ 79,000

We recommend that DEED’s director of Teaching and Learning Support resolve this revenue shortfall by collecting outstanding earned revenues where possible and requesting a supplemental appropriation for the remaining amount.

Agency Response – Department of Education and Early Development

The department agrees with Recommendation No. 4 and is in the process of resolving these potential revenue shortfalls. A supplemental appropriation or ratification will be requested for any amounts determined to be uncollectible.

*Contact Person: Heidi Reichl
 Division of School Finance
 Telephone: 907-465- 8682*

Recommendation No. 5

The School Finance Director for DEED should correct its procedures to ensure all expenditures are reported in the proper chart of accounts (COA) year.

During FY 05, expenditures totaling \$1,532,832 were coded by DEED staff to the incorrect COA year. COA year is used by the State's accounting system to ensure expenditures are reported to the year in which goods and services are received.

Alaska Statute 37.05.150 requires the state's accounting system to be in accordance with accepted principles of governmental (fund) accounting. Generally accepted accounting principles require that governmental fund be accounted for and reported on a modified accrual basis. Under the modified accrual basis of accounting, expenditures should be recognized in the accounting period in which the fund liability is incurred, if measurable. Further, Governmental Accounting Standards Board, Statement 33, provides that a liability is incurred when the specific eligibility requirements are met.

This coding error occurred due to DEED's methodology for reimbursing general obligation bond funded school construction costs based on the COA year the reimbursement request is received rather than the date the state liability is incurred. This methodology is not sufficient for school construction projects that have specific eligibility requirements. In this instance, the State incurred a liability when the grantee incurred allowable costs for authorized construction projects as well as having met other requirements. Reporting expenditures to the wrong COA year leads to misstatements in the State's annual financial statements.

We recommend DEED improve procedures to ensure expenditures are reported in the correct COA year.

Agency Response – Department of Education and Early Development

The department agrees with Recommendation No. 5 and will correct our procedures to ensure all expenditures are recorded in the proper COA year.

*Contact Person: Heidi Reichl
Division of School Finance
Telephone: 907-465- 8682*

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DEPARTMENT OF HEALTH AND SOCIAL SERVICES

Fifteen recommendations were made to the Department of Health and Social Services (DHSS) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2004*. Prior year Recommendation Nos. 7, 10, 13, and 14 have been resolved. Prior year Recommendation Nos. 11, 16, 17, 19, and 20 have not been resolved and are reiterated in this report as Recommendation Nos. 9, 14, 16, 17, and 18 respectively. Additionally, prior year Recommendation Nos. 8, 9, 12, 15, 18, and 21 were not significant audit issues in the current year and are not reiterated in this report. The current status of these recommendations is reported in Section III—Summary of Prior Audit Findings.

Further, fifteen new recommendations have been made and are included as Recommendation Nos. 6, 7, 8, 10, 11, 12, 13, 15, 19, 20, 21, 22, 23, 24, and 25. Additionally, Recommendation No. 2 in Department of Administration is also addressed to DHSS.

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Recommendation No. 6

The DHSS assistant commissioner responsible for finance and management services should obtain legislative approval prior to transfer of excess statewide indirect revenue.

DHSS inappropriately transferred over \$136,000 in federal revenues, earned from statewide indirect cost⁶ recovery, between operating appropriations. Adjusting journal entries were processed to move these revenues between operating appropriations on the state accounting system as follows: \$100,000 was moved from Departmental Support Services to Division of Juvenile Justice (DJJ) and \$36,000 was moved from Administrative Services to State Health Services. Some of the costs in DJJ and State Health Services are supported by statewide indirect cost recovery. However, those costs are minimal compared to the amount of revenues transferred. No formal legislative approval was obtained for the transfers. Additionally, the transfers were necessary to avoid ratification of the affected appropriations.

Indirect cost recovery from federal agencies reimburses the State for expenses incurred by the State in the administration of federal programs. These funds are available to the legislature for appropriation in the year they are expected to be collected. Because of the unpredictable nature of indirect cost recovery, the legislature may choose not to appropriate the total amount collected even though these funds are available for appropriation.

Indirect cost recovery money is collected and deposited into the general fund. To the extent a portion of the money has been appropriated, it will be classified as restricted. Amounts of indirect cost recovery, collected in excess of the amount appropriated, should be classified as unrestricted funds.

There are a variety of constitutional and statutory cites that govern the appropriation of funds. One cite that is most directly relevant to increasing an appropriation item, based on additional federal receipts not specifically appropriated by the legislature, is AS 37.07.080(h), which states in part:

The increase of an appropriation item based on additional federal or other program receipts not specifically appropriated by the full legislature may be expended in accordance with the following procedures:

(1) the governor shall submit a revised program to the Legislative Budget and Audit Committee for review;

(2) 45 days shall elapse before commencement of expenditures under the revised program unless the Legislative Budget and Audit Committee earlier recommends that the state take part in the federally or otherwise funded activity;

⁶ Indirect costs are those costs incurred for joint purposes, benefiting more than one objective, but not specifically identified to a particular purpose or objective.

(3) should the Legislative Budget and Audit Committee recommend within the 45-day period that the state not initiate the additional activity, the governor shall again review the revised program and if the governor determines to authorize the expenditure, the governor shall provide the Legislative Budget and Audit Committee with a statement of the governor's reasons before commencement of expenditures under the revised program.

Transferring revenues earned between operating appropriations distorts the accounting records that are used to demonstrate budgetary compliance. Without accurate financial records, the agency would be unable to take the necessary actions to reduce expenditures when they have identified an appropriation that may not collect sufficient revenues to support the current year's spending. Furthermore, the appropriation of funds is the responsibility of the legislature and not the department. Therefore, we recommend the DHSS assistant commissioner cease the practice of transferring excess indirect cost revenues from one operating appropriation to another without legislative approval.

Agency Response – Department of Health and Social Services

The department partially concurs with the recommendation. DHSS disagrees that redirection of indirect cost recovery funds to the Division of Juvenile Justice (DJJ) violated AS 37.07.080(h). The department budgets federal receipt authorization for various direct and indirect federal receipts in various appropriations in the department. These budget requests go through the legislative budget process and ultimately result in an appropriation of federal receipt authorization. The indirect cost recovery receipts were within the appropriated federal receipts approved by the legislature. There is no need to use AS 37.07.080(h) for this purpose because sufficient federal authority for these kind of collections already exist, thus there was no violation.

The department will continue its practice to budget for estimated indirect cost recovery from federal agency reimbursements throughout department appropriations. However, to ensure revenues are managed appropriately, the department will change our practice and only post this type of revenue in those appropriations where it is specifically budgeted.

The department will cease the practice of transferring excess indirect cost revenues from one operating appropriation to another.

*Contact Person: Janet Clarke, Assistant Commissioner
Division of Finance & Management Services
Telephone: 907-465-1630*

Recommendation No. 7

The DHSS finance officer should take measures to resolve revenue shortfall issues.

The State Budget Act provides that if actual collections fall short of appropriated program receipts, an agency is required to reduce its budget by the estimated reduction in collections. For FY 05, two shortfalls have been identified for DHSS. These shortfalls are as follows:

<u>Appropriation</u>	<u>Appropriation Title</u>	<u>Amount</u>
AR 22930-05	Health Care Services	\$1,627,000
AR 22910-05	Behavioral Health	\$1,508,000

We recommend that DHSS' finance officer work with the directors of the pertinent operating divisions to resolve these revenue shortfalls by collecting earned revenues where possible and requesting supplemental appropriations for the remaining amounts.

Agency Response – Department of Health and Social Services

The department concurs with the recommendation. DHSS's position and actions are the following:

AR 22930-05 Health Care Services -- The revenue shortfall is indicated due to timing differences between the recording of expenditures and revenue collections. DHSS will request ratification during the 2007 Legislative Session if additional revenues are not collected.

AR 22910-05 Behavioral Health -- The revenue shortfall is indicated due to timing differences between the recording of expenditures and revenue collections. DHSS will request a ratification during the 2007 Legislative Session if additional revenues are not collected.

*Contact Person: Janet Clarke, Assistant Commissioner
Division of Finance & Management Services
Telephone: 907-465-1630*

Recommendation No. 8

DHSS' finance officer should ensure that sufficient supporting documentation exists for the transfer of revenues and expenditures between legal appropriations.

Adjusting journal entries (AJEs) lacked sufficient support to substantiate the transfer of expenditures and revenues. Five expenditure AJEs, and one revenue AJE, lacked sufficient support to determine if the amounts transferred were appropriate. Further, three of the five

expenditure AJEs lacked OMB approval for transfers between capital and operating appropriations. Specifically we identified:

- One expenditure transfer totaling \$221,079 from Child Protective Services capital appropriation (AR 23837-05) to Division of Children’s Services operating appropriation (AR 22920-05).
- Two expenditure transfers totaling \$363,298 from Medicaid Management Information System Reprocurement capital appropriation (AR 23777-05) to Health Care Services operating appropriation (AR 22930-05 and AR 22930-04), of which \$63,143 was also transferred from the FY 05 to the FY 04 appropriation.
- One expenditure transfer totaling \$202,375 from the FY 05 to the FY 04 operating appropriations for Health Care Services (AR 22930-05 to AR 22930-04).
- One expenditure transfer totaling \$300,000 from Departmental Support Services operating appropriation to Finance and Management Services (FMS) Unbudgeted RSA operating appropriation (AR 22980-05 to AR 22305-05).
- One revenue transfer of \$900,000 from FY 04 to FY 05 operating appropriations for Division of Health Care Services (AR 22930-04 to AR 22930-05).

Accurate recording of expenditures and revenue is necessary for financial reporting, as well as demonstrating budgetary compliance. Therefore, the reclassification of expenditures and revenue between appropriations must be thoroughly and accurately documented as well as legally justified. While AJEs are commonly used to correct financial coding errors, without adequate support, the actual impact of these AJEs on financial reporting or budgetary compliance cannot be determined.

Alaska Statute 37.07.080 restricts transfers between appropriations: *“transfers may not be made between appropriations, including transfers made through the use of a reimbursable services agreement or other agreement, except as provided in an act making the transfers between appropriations.”* Further, guidance on internal controls suggests that transactions be clearly and thoroughly documented to ensure financial information is reliable and accurate.

Additionally, OMB policy as of August 22, 2003 mandates: *“When a state agency has received a capital appropriation, all expenditures associated with that project should be charged against that capital appropriation. A transfer of expenditures in the amount of \$25,000 or more (cumulative) from a capital appropriation to an operating appropriation is not allowed except with OMB prior approval.”*

Failure to apply established guidance, perform necessary review during the certification process, and lack of proper supporting documentation has resulted in several instances of noncompliance with state statute, regulation, and OMB policy.

We recommend sufficient documentation be included to support the movement of expenditures and revenue between fiscal appropriations. The audit trail should specifically identify which amounts are being moved and provide justification for the transaction in order to ensure transfers are appropriate.

Agency Response – Department of Health and Social Services

The department concurs with the recommendation. In the future, DHSS will ensure that OMB approval is obtained prior to transferring expenditures between operating and capital appropriations. In addition, supporting documentation will be improved to support the adjusting journal entries processed.

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Recommendation No. 9

DHSS’ assistant commissioner, responsible for finance and management services, should continue to ensure personal service expenditures charged to federal programs comply with federal cost principles.

Prior Finding

Weaknesses exist in DHSS’ procedures used to charge personal service costs to federal programs. Of the 25 personal services expenditures tested, 14 failed to have supporting documentation that complied with federal requirements. In order for salaries and benefits to be an allowable cost, federal cost principals require certain documentation be maintained.

Office of Management and Budget (OMB) Circular A-87 requires that a certification, documenting sole participation, be signed at least semiannually for employees who work entirely on a program funded by a single federal award.⁷ In addition, OMB Circular A-87 requires appropriate time distribution records to support employees’ salaries that are charged to more than one federal grant or other cost objectives. These records must account for all time worked and may not be based on estimates.

⁷ Specifically, OMB Circular A-87, Attachment B, section 11 h. (3) states “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.”

We recommended DHSS' assistant commissioner, responsible for finance and management services, work with the administrative managers of the referenced divisions to ensure personal service expenditures charged to federal programs comply with federal cost principles.

Legislative Audit's Current Position

DHSS' staff improved their procedures for documenting personal services expenditures for compliance with federal requirements. The error rate dropped from over 50% in FY 04 to approximately 13% in FY 05. This illustrates some weaknesses still exist for individuals working on multiple activities, as well as those working solely on one federal program. Of the 32 personal services expenditures tested, four failed to have supporting documentation necessary to comply with federal requirements.

Out of the four errors identified, two related to Office of Children Services' employee certifications which could not be located. Two of the four errors were for Division of Behavioral Health's personal service expenditures charged to multiple cost centers where timesheets did not support the allocation of costs.

Although improvements were noted during testing of personal service expenditures, further improvements are still needed. We reiterate our recommendation that DHSS' assistant commissioner, responsible for finance and management services, work with the administrative managers of the referenced divisions to ensure personal service expenditures charged to federal programs comply with federal cost principles and makes sure adequate documentation is maintained.

CFDA: 93.658

Questioned Costs: \$24,042

CFDA: 93.959

Questioned Costs: \$ 3,664

CFDA: 10.557

Questioned Costs: \$ 25,129

Federal Agency: USDHHS

Federal Agency: USDA

Reportable Condition, Noncompliance

Allowable Costs

Agency Response – Department of Health and Social Services

The department partially concurs with the recommendation. The Office of Children's Services has established procedures to ensure compliance with federal OMB Circular A-87. Specifically, if the personal service costs related to a position are fully covered by the grant award, the DHSS Federal Program Employee Certification form is sent to the appropriate personnel. The date of the employee certification is noted on the monthly federal grant management report. One month prior to the month in which the next semi-annual Federal Program Employee Certification is due, a new certification form is emailed with the monthly reports. The certification is logged into the federal grant management report upon receipt from the applicable employee(s) and a hard copy is retained in the central office.

The Division of Behavior Health implemented a positive time keeping system during SFY 06. All employees were provided with training on how to complete their timesheets for their time and effort to multiple benefiting programs.

DHSS does not concur with the question costs cited in the management letter for CFDA# 93.658. The personal service costs are valid to the federal program.

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Legislative Audit's Additional Comments

We have reviewed DHSS' response and nothing contained in the response provided sufficient information to persuade us to revise or remove this recommendation. The questioned costs identified in the recommendation are for those personal services expenditures that were tested and did not have the supporting documentation required by OMB Circular A-87.

Recommendation No. 10

DHSS' finance officer should ensure the cost allocation plan (CAP) methodologies are properly updated and new methodologies are submitted for federal approval.

Two methodologies in the CAP—Health Care Policy Services #14 (HCS-14) and Office of Children's Services #10 (OCS-10)—were not updated as required during FY 05. In addition, one methodology used in FY 05 was not submitted for federal approval. DHSS allocates costs to federal programs based on methodologies prescribed by their federal CAP.

The HCS-14 cost methodology is required to be updated quarterly, based on current program expenditures. This methodology allocates costs between Medicaid, State Children's Health Insurance Program (SCHIP), and other state programs. In FY 05, approximately \$4.2 million in expenditures was allocated by the HCS-14 methodology. However, the expenditures used to support the allocation process had not been updated since the end of FY 04.

The only update to the OCS-10 cost methodology, in FY 05, occurred during the 1st quarter of FY 05. The OCS-10 cost center is required to be updated quarterly based on full-time equivalent positions. In FY 05, approximately \$3.7 million in expenditures was allocated through the OCS-10 cost center to various state and federal programs.

Another weakness found was DHSS' use of a methodology which had not been submitted for inclusion in the federal CAP. As a condition of OMB Circular A-87, state public assistance agencies are required to promptly submit amendments to the CAP for review and approval.

Beginning in FY 05, DHSS used a new methodology to allocate Denali Kid Care (DKC) administrative costs to SCHIP and Medicaid programs. This methodology uses a case count of SCHIP and Medicaid-eligible cases at the DKC office to allocate administrative expenditures between the two programs; however, this new methodology was not submitted to the federal agency for approval. In addition, the quarterly DKC case count was only updated once in the CAP during FY 05. Approximately \$1.5 million in expenditures was allocated through this new methodology in FY 05.

Staff turnover at DHSS contributed to the lack of data integrity for the CAP information during FY 05. As a result, expenditures were allocated to state and federal programs based on untimely data which does not comply with the federally-approved CAP requirements. As a condition of receiving federal awards, states are required to provide reasonable assurances that the State is managing these awards in compliance with applicable laws and regulations, including the reasonable update of cost allocation methodologies.

We recommend DHSS' finance officer ensure adequate effort is applied by staff to make certain the required quarterly updates occur and new CAP methodologies are submitted for federal approval.

CFDA 93.767

CFDA 93.778

CFDA 93.658

CFDA 93.670

CFDA 84.181

CFDA 10.557

Questioned Costs: Indeterminate

Federal Agency: USDHHS

Federal Agency: USDOE

Federal Agency: USDA

Noncompliance

Allowable Costs

Agency Response – Department of Health and Social Services

The department concurs with the recommendation. Quarterly, all DHSS divisions are submitting updated FTE counts that are used to allocate indirect costs. In addition, the department is currently working on updating its Public Assistance Cost allocation plan. The update includes the Denali Kid Care allocation methodology.

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Recommendation No. 11

The DHSS program manager for the Temporary Assistance for Needy Families (TANF) program should improve documentation controls for work participation data.

Discrepancies exist between the management information system (MIS) and client file documentation for TANF work participation data. The work participation data is used as a federal performance measure and included, quarterly, in a federal report.

Review of one federal report indicated that 11 out of 45 files had a discrepancy between the MIS and client file documentation for the work participation data. According to agency staff, these discrepancies could be caused by data entry errors or a lack of documentation in the client files. Due to these discrepancies, it is unclear if the federal report is accurate.

Work participation data is used as a performance measure to determine if the State is meeting the federally required work participation rates, which impacts the determination of credits or penalties to the federal TANF award available to the State.

We recommend the DHSS' program manager for TANF improve documentation controls to ensure work participation data is consistent between both the MIS and client files and the information included in the federal report is accurate and reliable.

CFDA: 93.558

Questioned Costs: None

Federal Agency: USDHHS
Reportable Condition
Reporting

Agency Response – Department of Health and Social Services

DHSS concurs with the recommendation. The Division of Public Assistance (DPA) regularly monitors and conducts site reviews of Work Services contactors and has identified the need for documentation controls for work participation data. DPA will develop procedures and internal controls necessary to meet federal mandates and expectations, using the guidance provided in the upcoming federal regulations. DPA documentation requirements will be incorporated into all Work Services contracts, monitoring guidelines, and the division's Work Services Handbook.

A Government Accountability Office (GAO) report issued in August of 2005 recommended that the federal Department of Health and Human Services (DHHS) exercise broader oversight of states to ensure that TANF work participation is measured consistently and accurately. In response to the GAO report, the Deficit Reduction Act of 2006, which reauthorized TANF, directed the Secretary of DHHS to promulgate regulations that, in part, establish uniform methods of reporting hours of participation in countable work activities and the type of documentation needed to verify the reported hours of work activities. These regulations must be issued by June 30, 2006, and states will be required to develop procedures and internal controls by September 30, 2006. States may be penalized up to five

percent of their TANF block grants for failure to meet these new federal requirements. DPA will comply with this DHHS requirement.

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Recommendation No. 12

The DHSS program manager for TANF should ensure expenditures are charged in accordance with federal cost principles.

A contract benefiting multiple programs was charged entirely to TANF resulting in questioned costs of \$59,774.

DHSS initiated a contract to plan a community based integrated system of care for families with children who have serious emotional disturbances, addiction, and substance abuse issues. An integrated system allows a family to attend a single assessment, determining eligibility for multiple federal and state services, such as the Division of Behavior Health's Mental Health and Substance Abuse Intervention programs. According to DHSS' staff, TANF funds were used for this contract because integrated services help families stay together, which is a purpose of the TANF program.

However, OMB Circular A-87 requires that costs benefiting multiple programs be allocated based on the relative benefits received. DHSS' methodology of charging the integrated system contract expenditures to TANF is not in accordance with OMB Circular A-87.

We recommend the DHSS program manager for TANF take steps to ensure the program complies with federal cost principles when charging expenditures that benefit multiple programs.

CFDA: 93.558

Questioned Costs: \$59,774

Federal Agency: USDHHS

Noncompliance

Allowable Costs

Agency Response – Department of Health and Social Services

DHSS concurs with this recommendation. DPA firmly believes that the development of integrated service strategies clearly benefit Temporary Assistance families with multiple needs, and enables them to stay together and become self-sufficient (TANF purpose 1 & 2). DPA's experience with integrated services through its family-centered services pilot project demonstrates that needy families often represent a common service population for multiple agencies within DHSS.

In the future, DPA will work closely with DHSS ' Financial Management Services to develop a cost allocation methodology that ensures all proposed service strategies that meet any purpose of the TANF program and involve multiple agencies are reviewed and assessed in accordance with departmental procedures, federal guidance, and the cost principals outlined in OMB Circular A-87.

The internal cost allocation process will include parameters for defining needy families (as required under the first and second purposes of the TANF program) and methods for estimating the percentage of needy families likely to benefit from service strategies involving multiple programs. This process relies on the guidance provided by the Administration of Children and Families on funding services for children and families through the TANF Program.

DPA, in conjunction with Finance and Management Services (FMS), will determine an allocation methodology that represents the population served and will incorporate appropriate federal reporting adjustments on the quarter ending March 31, 2006 federal reports.

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Recommendation No. 13

The director of Division of Public Assistance (DPA) should implement procedures to ensure the Income Eligibility and Verification System (IEVS) requirement is met for all programs funded with Temporary Assistance to Needy Families (TANF) monies.

The IEVS system is not used by DPA staff to determine eligibility for recipients of the Parents Achieving Self-Sufficiency (PASS) III program. The PASS III program provides subsidized child care for low-income families and is funded in part with TANF monies.

The federal regulations for TANF require the State's participation in IVEs to obtain necessary information in determining eligibility of applicants. However, DPA staff was not aware that recipients of the PASS III child care assistance program were included in this requirement. As a result, there is no process in place to comply with the IEVS requirement for PASS III services funded by TANF.

Lack of adherence to the IEVS requirement puts the State in jeopardy of being penalized, by the U.S. Department of Health and Human Services, up to 2% of the TANF grant award for failure to participate. This represents a potential grant reduction of approximately \$1 million.

We recommend the director of DPA implement procedures to satisfy the IEVS requirement for PASS III services funded by TANF.

CFDA: 93.558
Questioned Costs: None

Federal Agency: USDHSS
Noncompliance
Special Tests and Provisions

Agency Response – Department of Health and Social Services

The department concurs with the recommendation. The Child Care Program Office, Systems Operations Unit, and the Program and Policy Unit are looking at ways to implement this requirement in conjunction with the rollout of our new statewide child care information system.

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Recommendation No. 14

We recommend DHSS' project manager for the child care program continues to improve monitoring of subrecipients.

Prior Finding

The State's child care program office did not monitor its subrecipients as required by its State Plan for Child Care Services.

The child care subsidy program is carried out in partnership with grantees located throughout the State. Grantees are referred to as local administrators (LAs). LAs work with clients to determine eligibility and preauthorize the frequency and level of child care (part- or full-time).

The State's child care subsidy program is funded through the federal child care development program. Since LAs are responsible for accomplishing the objectives of this federal program, LAs are considered federal subrecipients. The State, as the entity that passes federal funds through to subrecipients, has a responsibility to monitor subrecipients to ensure the subrecipients comply with federal requirements. The federally-approved State Plan for Child Care Services specifies that the State will perform the following subrecipient monitoring activities:

- Conduct twice a year on-site visits
- Perform random desk audits

- Assess monthly statistical reports, and
- Review mandatory monthly fiscal and activity reports.

Child care program staff resources were severely limited during FY 04 because of the implementation of a new child care computer system, the transfer of the program to DHSS from the Department of Education and Early Development, and the State’s assumption of child care provider payment responsibilities. Consequently, DHSS did not comply with the monitoring requirements as set out in its state plan. Inadequate monitoring of its subrecipients increases the State’s risk of noncompliance.

We recommended DHSS’ project manager for the child care program take steps to comply with its state plan and improve monitoring of its subrecipients.

Legislative Audit’s Current Position

Although DHSS has made significant improvements in subrecipient monitoring for FY 06; limited progress occurred during FY 05. The monitoring functions performed during FY 05 included the development of an on-site monitoring guide, performance of one desk audit, and regular teleconferences with LAs on technical assistance. The improvements in FY 05 did not bring DHSS in full compliance with subrecipient monitoring for the child care program.

We, again, recommend DHSS’ project manager for the child care program to continue taking steps to comply with its state plan and improve monitoring of its subrecipients.

CFDA: 93.575 and 93.596
 Questioned Costs: None

Federal Agency: USDHHS
 Noncompliance
 Subrecipient Monitoring

Agency Response – Department of Health and Social Services

The department concurs with this recommendation. Two major actions that are currently being undertaken to improve monitoring of grantees are the hiring of a quality assurance person for the Child Care Program Office and the implementation of a new computer system for use by all grantees. Prior to this, grantees were using different computer systems which were not integrated with each other. Having one computer system will allow the CCPO to access family and payment records for monitoring purposes much more efficiently.

During FY05, three key program staff moved to different jobs, leaving a major resource deficit in the Child Care Program Office. The design and development of the new computer system also contributed to a lack of resources. Because of this, the CCPO was not able to conduct monitoring visits to grantees as anticipated. However, an in-depth monitoring instrument was designed and piloted that provided a much more extensive review of the grantee than had ever been done before.

Currently, monitoring visits, which are very extensive, are being scheduled on an annual basis. In addition, the CCDF state plan for FFYO6 and FFYO7 was written to reflect annual monitoring of grantees, rather than twice a year monitoring.

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Recommendation No. 15

DHSS' foster care staff should implement procedures to adjust financial records for retroactive effects when eligibility changes are made to the On-line Resources for the Children of Alaska (ORCA) information management system.

During FY 05, retroactive adjustments for Foster Care: Title IV-E (Title IV-E) claims were not calculated when the eligibility status of providers and children changed in ORCA. DHSS implemented OCRA at the beginning of calendar year 2005 as a fully integrated, comprehensive, automated case management child welfare information system. In addition to case management, the ORCA system also determines Title IV-E payments to providers based on federal requirements.

Occasionally, changes are made to the provider and/or children files in ORCA that affect the Title IV-E eligibility and federal allowability of expenditures. In FY 05, no mechanism existed to calculate the retroactive financial adjustment as changes occurred in ORCA case management files. As a result, the State may owe monies to the federal government for mis-collected Title IV-E funds or be due monies for undetermined retroactive claims.

As a condition of receiving federal awards, states are required to maintain internal controls over federal programs that provide reasonable assurances that the State is managing federal awards in compliance with applicable laws and regulations. The State is responsible for maintaining internal controls over payments to ensure costs are accurate and allowable.

We recommend DHSS' foster care staff, responsible for the ORCA system implement procedures, to calculate retroactive adjustments when changes are made in ORCA and process necessary adjustments to the financial records.

CFDA 93.658
Questioned Costs: Indeterminate

Federal Agency: USDHHS
Reportable Condition
Activities Allowed, Allowable Costs

Agency Response – Department of Health and Social Services

The department concurs with the recommendation. Procedures have been established to adjust financial records for retroactive effects of eligibility changes and an upgrade to the

Online Resources for the Children of Alaska (ORCA) system occurred in June 2006. Included in this release is a process to provide an exception report to be used to identify retroactive adjustments and correct claiming. Changes to the reports are being developed, and should be implemented by July 15, 2006. A detailed explanation of this reconciliation process has been provided to the auditors.

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Recommendation No. 16

The DHSS commissioner should emphasize strong internal controls over the Medicaid program.

Prior Finding

We conducted a performance audit of the Division of Medical Assistance's internal controls over Medicaid payments. In a report dated January 31, 2003, *Department of Health and Social Services, Division of Medical Assistance, Internal Control Over Medicaid Payments*, (Audit Control Number 06-30018-03), numerous control deficiencies were identified. Findings and recommendations related to federal compliance were included in the FY 02 SWSA.

FY 03 and FY 04 federal compliance testing continued to find significant internal control weaknesses over Medicaid payments. Additionally, two federal reviews conducted during FY 04 echoed the need for improving controls over Medicaid expenditures.

The recommendations noted in the Medicaid performance audit—and the additional internal control deficiencies found during FY 02, 03, and 04 testing—represented significant deficiencies in internal controls over federal program funds.

Legislative Audit's Current Position

Additional improvements are needed to address the internal control weaknesses noted in the prior year findings and during current year testing. With the exception of improvements over calculating the upper payment limit, DHSS' efforts to address the prior year internal control weaknesses fell short of making significant progress.

Poor statutory/regulatory language and staff vacancies kept DHSS from taking action in response to audits of personal care service agencies and other Medicaid providers. Additionally, internal controls over DHSS' program integrity and utilization, noted during the prior year, worsened during FY 05 (See Recommendation No. 17). In the FY 05 testing

of DHSS' detection and reporting of Medicaid overpayments it was found internal controls over this area of Medicaid also needed to be improved. (See Recommendation No. 19).

As a recipient of federal Medicaid funding, the State must comply with federal requirements related to these funds. Federal 45 CFR part 92 and various sections of 42 CFR require the State to maintain internal controls over federal programs that provide reasonable assurances the material federal funds are managed consistent with laws, regulations, and the provisions of contracts or grant agreements. Medicaid is the largest federal program that the State administers. In FY 05, the State was reimbursed over \$645 million, as part of the federal Medicaid program.

When considered together—DHSS' weak control environment and significant reportable conditions noted during our review—the control deficiencies represent a material internal control weakness. We again recommend that DHSS' commissioner promote strong internal controls over the Medicaid program and swift compliance with audit findings.

CFDA: 93.778

Questioned Costs: None

Federal Agency: USDHHS

Material Weakness

Allowable Costs

Agency Response – Department of Health and Social Services

The department concurs that strong internal controls are a requirement and is committed to improving in this area.

Legislative Audit provides two examples of weak internal controls identified in FY05. The first example relates to internal control issues concerning the Personal Care program. Several improvements have occurred since July 1, 2005 in this area, including establishment of a separate Personal Care Attendant (PCA) section in the Division of Senior & Disability Services and a major effort to staff that unit appropriately; and development and adoption of PCA regulations that will control the use of services and provide many controls over the program. The second example relates to detection and reporting of Medicaid overpayments. DHSS has adopted an audit flow-chart and policy on how and when Medicaid overpayments will be reported on the CMS-64. That policy was in place for quarter ending March 31, 2006.

DHSS also acknowledges that the old and aging current Medicaid Management Information System (MMIS) does not have the modern capability for desired internal control features and that replacement of the system is two to three years away. However, we are committed to securing a new MMIS in a reasonable manner in the most cost effective means for the State.

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Recommendation No. 17

The State Medicaid director and the DHSS commissioner should take action to improve the agency's utilization control and program integrity function.

Prior Finding

Significant components of DHSS' utilization control and program integrity function were not operating effectively during FY 04. State Medicaid agencies are required by the U.S. Department of Health and Human Services to have methods and procedures in place to avoid unnecessary utilization of care and services. Additionally, states are required to have methods and criteria for identifying and investigating suspected fraud cases. Agencies are also required to have procedures for ongoing post-payment review, on a sample basis, for the necessity, quality, and timeliness of Medicaid services. Traditionally, DHSS has relied on the following functions to help meet its federal responsibilities:⁸

- Surveillance and Utilization Review (SUR) – The SUR function provides profiles of health care delivery and utilization patterns of providers and recipients that are based on predetermined parameters and health care delivery patterns in order to identify aberrant practices. SUR information helps identify cases needing further investigation for possible fraud, waste, or abuse.
- Prior Authorization (PA) – PA is a mechanism used to determine the medical necessity of selected non-emergency Medicaid-covered services prior to delivery.
- Drug Utilization Review (DUR) – DUR is similar to SUR except that analysis is focused on the prescribing, dispensing, and utilization of pharmaceuticals to Medicaid recipients.
- Recipient Explanations of Medical Benefits (REOMB) – REOMB are letters to Medicaid clients requesting verification that services submitted as Medicaid claims were received by the client.
- Lock-Ins – Recipients found to be abusing or at risk of abusing their Medicaid benefits are locked-in to or restricted in their choice of providers so that their utilization can be closely monitored.

DHSS relies on a contract with its Medicaid fiscal agent to carry out some of its program integrity and utilization functions. DHSS also utilizes quality control sections within each division that administer Medicaid-type programs. The purpose of the quality control sections is to follow-up on complaints received directly from affected parties or indirectly upon referral from the State's fiscal agent.

⁸ In addition, organizationally located within the Department of Law, the State Medicaid Fraud Control Unit is responsible for criminally prosecuting cases determined to be fraudulent.

During FY 04, DHSS amended its contract with its Medicaid fiscal agent, First Health Services Corporation (FHSC), to increase the department's utilization and program integrity efforts. Part of the contract amendment required FHSC to enhance SUR functionality, increase the number of cases reviewed as a result of SUR-generated information, increase the number of lock-ins, and improve the procedures it uses to conduct the investigations. The contract amendment was effective July 1, 2003.

During FY 04, DHSS anticipated, per the contract amendment, that FHSC would:

- maintain the SUR system and generate reports necessary to identify cases requiring review,
- distribute the REOMB forms,
- perform provider audits based on SUR-generated and state-referred cases,
- increase lock-ins to approximately 300, and
- maintain a case tracking system and provide weekly status and monthly detailed reports to DHSS regarding case development and progress.

FHSC met very few of the contractual requirements. Because of nonperformance by FHSC, DHSS ceased paying for the services in May 2004.

Since DHSS relied heavily on FHSC to conduct many of its essential program integrity and utilization functions, and FHSC failed to fulfill its contractual obligations, we conclude that the State did not effectively meet its federal responsibility for program integrity and utilization. Without adequate procedures in place, the likelihood that Medicaid payments were subjected to fraud, waste, and abuse increased. DHSS' director of the Division of Health Care Services (DHCS) is negotiating with FHSC to address compliance with the contractual terms and recoupment of previous payments for program integrity and utilization services not rendered.

Effective FY 04, DHSS decentralized its program integrity section and many positions responsible for such activities were transferred to the various divisions that have Medicaid-related programs. Several of the positions responsible for program integrity remain vacant. Consequently, DHSS has placed itself in a poor position to address complaints received and cases referred for investigation. Further, the decentralization has highlighted the need for a comprehensive case referral and tracking system equally accessible by all divisions.

Legislative Audit's Current Position

During FY 05, DHSS made no progress in addressing the prior year finding. The department's program integrity and utilization program continued to be ineffective making DHSS out of compliance with federal requirements. The lack of internal controls associated with program integrity and utilization increases control risk associated with allowable costs,

allowable activities, and eligibility; thereby, creating a weakness in internal controls over the Medicaid program.

Three main factors weakened DHSS' integrity and utilization program in FY 05: nonperformance by its Medicaid fiscal agent, decentralization of its program integrity and utilization function, staff vacancies and conflicting priorities.

Nonperformance by DHSS' Medicaid fiscal agent

DHSS depends on its Medicaid fiscal agent to carry out many of its program integrity and utilization functions. The program integrity section of DHCS is the primary contact with FHSC. FHSC forwards SURS and REOMB information to the program integrity section which is responsible for forwarding the data to applicable divisions for follow-up. Divisions may also follow-up complaints received directly by the agency. Approximately 60% of Medicaid claims are for services regulated by DHCS, 25% of claims are for services regulated by the Division of Senior and Disability Services, and 15% of claims are for services regulated by the Division of Behavioral Health.⁹

In May 2005, the program integrity and utilization functions, as specified in the contract between FHSC and DHSS, were renegotiated. Under a contract amendment, FHSC's responsibilities for program integrity and utilization were significantly reduced. FHSC continued to be responsible for the SUR, PA, DUR, REOMB, and Lock-ins at a reduced level. DHSS did not increase its program integrity and utilization activities to compensate for the nonperformance of FHSC.

During the first half of FY 05, FHSC did not report SURS or REOMB information and DHSS staff was uncertain whether FHSC performed the activities. FHSC did perform some of the requirements during the later half of FY 05. However, due to staff vacancies and other conflicting priorities, DHSS staff did not take action in response to information provided by FHSC.

Decentralization of DHSS' program integrity and utilization function

In FY 04, DHSS decentralized its program integrity function, breaking out responsibility into the three divisions. The decentralization of its program integrity and utilization program has placed DHSS in an awkward position to monitor Medicaid payments that are reviewed and paid centrally by the Medicaid fiscal agent, FHSC.

Decentralization increases the need for coordination and clear guidance. DHSS has not organized in an effective manner. Divisional program staff has not been given clear responsibilities, nor is there guidance on how to accomplish department-wide goals. There is no central entity within DHSS that monitors program integrity and utilization activities to ensure department-wide compliance with federal requirements.

⁹ The Office of Children's Services also has responsibility for regulating a minimal number of Medicaid services.

Responsibilities, objectives, and action steps are needed for the department to effectively function in a decentralized organizational structure.

Staff Vacancies and Conflicting Priorities

Each division's quality assurance section was understaffed during FY 05 and lacked adequate written procedures to ensure a thorough coordinated response to complaints or other indications of fraud and abuse. Additionally, the quality assurance sections do not have adequate case/complaint tracking tools. Divisional quality assurance staff could not identify the number or status of referrals made to the State Medicaid Fraud Control Unit during FY 05.

One of the responsibilities of quality control staff is to follow-up on provider audits. During FY 05, DHSS staff took minimal action in response to 80 provider audits completed by a contractor. Division quality assurance staff cited vacancies and conflicting priorities as reasons for not following up on audit findings. Timely follow-up of potential overpayments is necessary to meet federal requirements. This is discussed further in Recommendation No. 19.

Reorganization and shifting responsibilities have led to a lack of clear guidance on priorities and procedure. During FY 05, an audit committee, made up of commissioner's office and director-level staff was created, in part, to help improve the Medicaid fraud detection, prosecution, and collection processes. The audit committee did meet sporadically, but no minutes were taken and little was communicated to program staff.

The consequence of not having an effective integrity and utilization program is far reaching. Medicaid costs are growing exponentially and many people, including the Federal Centers for Medicare and Medicaid Services, consider the program a high risk for fraud, waste, and abuse. During FY 05, approximately \$975 million was paid by the State of Alaska for Medicaid services (both state and federally funded). Clearly, the effects of poor controls over program integrity and utilization function can be substantial.

We recommend the DHSS commissioner and the State Medicaid director make improving DHSS' program integrity and utilization function a priority. Improvements should address the need for a coordinated department-wide approach to ensure compliance with federal requirements.

CFDA: 93.778

Questioned Costs: None

Federal Agency: USDHHS
Reportable Condition, Noncompliance
Special Tests and Provisions

Agency Response – Department of Health and Social Services

The department concurs with the recommendation.

The department acknowledges past problems in quality assurance and program integrity management. As a result, the department has created a new vision for overall quality improvement. The new plan creates a centralized department-wide unit, based in the Commissioner's Office and autonomous in action. The unit is headed by a quality improvement manager who is responsible directly to the Deputy Commissioner for the Office of Program Review. The manager coordinates all department quality improvement efforts. Those efforts include program integrity, defined as fraud control and program abuse investigations; quality assurance, defined as audit activity and the oversight of provider compliance with regulations; and quality enhancement, defined as training and technical assistance for staff and Medicaid providers to enhance overall quality in program administration. The manager position is currently being recruited.

In addition, the department participated in the pilot Payment Error Rate Measurement (PERM) project in calendar 2005. The project was an eye opener for the department, which discovered, in brief, many deficiencies in training and technical administrative expertise among Alaska's Medicaid providers and among DHSS staff providing technical assistance to those providers. The result of that project has been a plan to create eight new quality assurance and audit positions under the manager. These positions are a redirection of resources previously dedicated to the PERM project by the Legislature. These resources have been redirected to the area of greatest need with the consent of the Legislature. Those positions will be submitted to the Department of Administration for approval shortly and will be posted immediately thereafter.

To enhance the operating environment of our future quality assurance staff and current audit activity, DHSS and the Department of Law have completely redrafted the Medicaid audit regulations and appeals procedures. This effort, part of a larger project to update all of 43 AAC, represents a substantial undertaking to modernize the regulations and codify best practices in this area. For the first time a provider who emerges from an audit with substantial compliance issues will be encouraged to submit a corrective action plan. Audit results and corrective actions plans will be reviewed by the newly formed audit committee who will recommend further action to department executives, including provider sanctions or provider referral to the Medicaid Fraud Control Unit (MFCU) at the Department of Law.

Finally, one of the aforementioned eight positions is a research analyst whose job will be to provide the manager and quality assurance personnel with the data they need to understand where the Medicaid program and its providers are experiencing problems. Another position will be an investigator to provide assistance to MFCU in fact development where audit activity or complaints indicate a provider is committing fraud.

Additional activities undertaken during FY06 which will improve the entire quality improvement program are:

- 1. Establishment of a department audit committee, which regularly meets to improve the quality integrity program and to review audit issues; and*

2. *The department contracted with Meyers and Stauffer to perform and complete 80 Year 1 audits and begin Year 2 audits under the requirements of AS 47.05 .200.*

The department is committed to continuous improvement and the enhancement of quality in the administration of its programs. The new quality improvement unit will help further that effort as well as our efforts at fraud control and compliance monitoring.

*Contact Person: Janet Clarke, Assistant Commissioner
Division of Finance & Management Services
Telephone: 907-465-1630*

Recommendation No. 18

We recommend the State Medicaid director improve payment procedures for the Medicaid upper payment limit (UPL).

Prior Finding

The DHSS calculation of the FY 03 and FY 04 Medicaid UPL included several procedural errors. This caused the amount of Medicaid payments under the UPL to be overstated by over \$10 million in FY 03 and \$6.2 million in FY 04. Additionally, we noted that DHSS had paid approximately \$27.1 million in Proshare payments to hospitals during FY 04 based on their FY 03 UPL calculation. This caused DHSS to exceed its FY 04 UPL and the entire \$27.1 million was questioned.

Upper payment limits were established by the federal Medicaid agency to ensure the reasonableness of payments to providers. They refer to total amounts the federal Medicaid agency would agree to pay for a variety of services and are based on what Medicare¹⁰ would pay for comparable services. Upper payments represent a ceiling on Medicaid payments for a category of providers above which the federal government will not share. Because state Medicaid payment rates are generally less than Medicare rates, states often have large gaps between their actual Medicaid payment and what they would pay using Medicare payment rates. This gap is referred to as the amount of Medicaid payments under the UPL.

States, including Alaska, have developed methods to maximize federal Medicaid revenue based on the UPL calculation. Federally-approved amendments to the Medicaid state plan permit Alaska to access Medicaid funding, under certain circumstances, up to the upper limit for specific purposes. DHSS refers to these funding mechanisms as Private Hospital Refinancing.

¹⁰ Medicare is the federal health care program for the elderly and some disabled individuals.

The UPL is calculated annually by DHSS' staff using cost reports provided by each hospital. The amount Medicare would have paid for services is calculated for each hospital using information contained in these reports for discharges, capital costs, and patient days. Federally-published information on Medicare rates is also used. The amount Medicaid paid for services is estimated based on patient days and hospital-specific Medicaid rates. The amount Medicaid paid is deducted from the amount Medicare would have paid, to determine the amount the State under/over paid in terms of the UPL.

Legislative Audit's Current Position

DHSS continued to make current year Proshare payments based on the prior year UPL calculation. This timing of Proshare payments caused DHSS to exceed the FY 05 UPL for state-owned hospitals and created \$203,504 in questioned costs.

Although the timing of Proshare payments continued to be an issue in FY 05, DHSS made marked improvements in applying the UPL calculation methodology. The only error found in the Medicare rates was that the department did not use the most current, federally approved, rate-of-increase percentage. This resulted in an overstatement of \$71,954 for the total amount available for private hospital Proshare payments during FY 05. However, no questioned costs resulted because in FY 05 DHSS made only \$37.2 million in Proshare payments to private hospitals – \$10.5 million less than what the FY 05 UPL calculation supported (see table below).

Type of Hospital	Allowable FY 05 Proshare Payments ¹¹	Actual FY 05 Proshare Payments	Difference
Private	47,755,486 ¹²	37,246,487	10,508,999
Public	2,352,067	1,691,217	660,880
State Owned	654,400	857,904	(203,504)

This table summarizes the maximum amount available for Proshare payments as dictated by the FY 05 UPL calculation compared to the actual FY 05 Proshare payments. The remaining difference from FY 05 is not available for UPL payments in FY 06. We note that in July 2005, during FY 06, DHSS expended \$9.3 million for private hospital Proshare; if DHSS applies the \$9.3 million payment to the \$10.5 million difference shown above, rather than the FY 06 UPL calculation, it may be considered a questioned cost in FY 06 depending on the amount available from the FY 06 UPL calculation.

Upper payments represent a ceiling on Medicaid payments for a category of providers above which the federal government will not share. Since the annual calculation is based on a state fiscal year, seeking additional federal participation for the prior UPL in the subsequent state fiscal year is not allowable.

¹¹ Amount available for Proshare payments is the amount of Medicaid payments under the UPL.

¹² This amount represents the UPL calculated by DHSS staff. It is not adjusted for the FY 05 calculation error of \$71,954.

We recommend the State Medicaid director take steps to ensure Proshare payments do not exceed the maximum allowable per the UPL calculation by fiscal year.

CFDA: 93.778
Questioned Costs: \$203,504

Federal Agency: USDHHS
Noncompliance
Allowable Costs

Agency Response – Department of Health and Social Services

The department partially concurs. DHSS believes that the UPL calculation should be performed in accordance with the approved Medicaid state plan and relevant federal regulations with proshare payments not exceeding the maximum allowable per the UPL calculation.

DHSS anticipates proshare payments in 2006 will not exceed the 2006 UPL calculation. As outlined in the 2004 audit response, DHSS is unaware of a requirement in the approved state plan amendment or in federal regulation which requires the DHSS to make payments under the 2005 UPL calculation before the end of state fiscal year 2005. In fact, the Medicaid State Plan states in Attachment 4.19-A that “PHPS payments shall be paid annually on or before September 30th during each federal fiscal year. The state may make one additional payment per year, if needed to reconcile the federal fiscal year with state fiscal year expenditures. State fiscal year payments require money from two federal fiscal years. The second payment may be held until the next federal fiscal year monies are available.”

This difference in understanding between DHSS and Legislative Audit regarding applicable provisions of the approved state plan and relevant federal regulations causes DHSS to respectfully disagree with questioned costs cited in this recommendation.

*Contact Person: Janet Clarke, Assistant Commissioner
Division of Finance & Management Services
Telephone: 907-465-1630*

Legislative Audit’s Additional Comments

We have reviewed DHSS’ response and nothing contained in the response provided sufficient information to persuade us to revise or remove this recommendation. The annual calculation of upper payment limits is based on a state fiscal year. Further, upper payments represent a ceiling on Medicaid payments for a category of providers above which the federal government will not share. Since the annual calculation is based on a state fiscal year, seeking additional federal participation for the prior UPL in the subsequent state fiscal year is not allowable. The section of the Medicaid State Plan Amendment cited in DHSS’ response supports this position.

Recommendation No. 19

The DHSS finance officer and the State Medicaid director should work together to develop policies and procedures that ensure provider overpayments are identified, reported accurately, and decreasing adjustments are processed within federal time requirements.

DHSS procedures for identifying and reporting Medicaid and the State Children's Insurance Program (SCHIP) provider overpayments do not ensure overpayments are identified and reported accurately and timely. Further, approximately \$8.6 million in provider overpayments¹³ discovered during FY 05 were not reported and refunded as required by federal law.

Federal requirements for reporting Medicaid provider overpayments are defined in 42 CFR part 433 and the State Medicaid Manual issued by the Federal Centers for Medicare and Medicaid Services (CMS). The State must refund the federal share of overpayments within 60 days following discovery, whether or not the State has recovered the overpayment from the provider. Overpayments must be reported on line 10C of the CMS-64 report and should include the total amount as well as the federal share.

In an October 2004 report, the federal Department of Health and Human Services, Office of Inspector General, noted deficiencies in DHSS' system for identifying and reporting provider overpayments. Specifically, the report noted that during federal fiscal year 2003, DHSS did not report approximately \$1.8 million in overpayments, netted other overpayments recovered against expenditures, and failed to refund the federal share of \$1 million. To address the finding, DHSS developed new procedures to track and report provider overpayments.

We reviewed DHSS' new provider overpayment procedures, including reporting of provider overpayments during FY 05, and found the following:

- Provider overpayments discovered during FY 05 were not reported on the CMS-64 or refunded. DHSS began to report overpayments on the CMS-64 report for the quarter ended September 2005. However, the amounts were reported on the incorrect line (line 9D) and only represent the overpayments *recovered* from providers during that quarter, not the overpayments *discovered*.
- DHSS has established a tracking spreadsheet, maintained within DHSS' Division of Health Care Services (DHCS), to identify provider overpayments. However, there are no written policies or procedures for tracking the overpayments. Specifically, there is no guidance on criteria for including a provider in the spreadsheet, coordinating tracking overpayments between divisions, and identifying overpayment amounts and discovery dates.
- Not all of the provider audits, resulting in questioned costs, were listed in the tracking spreadsheets. Further, no other divisions appear to be reporting to the central DHCS

¹³ This amount was identified through review of DHSS' tracking spreadsheets. However, we were unable to ascertain the accuracy and completeness of the amounts.

position responsible for tracking provider overpayments. Consequently, the tracking spreadsheets are not complete.

- It was unclear whether overpayment amounts noted in DHSS’ tracking spreadsheets represented the overpayment amounts discovered. Amounts were changed without adequate explanation. In some cases, amounts appear to be net of recoveries. Detail information regarding amount discovered, recovered, and amended is not maintained.
- Typically, overpayments collected from providers are netted against expenditures in DHSS’ Medicaid management system and never identified in the tracking spreadsheets. Consequently, DHSS has no way to identify the overpayments for proper reporting on the CMS-64 report. We were unable to identify the extent to which provider overpayments are netted with expenditures because provider overpayments are not distinguishable between other credit type adjustments within the system.

In conclusion, DHSS is not in compliance with federal requirements over reporting and refunding provider overpayments. DHSS’ new procedures are not adequate. More comprehensive procedures, to address the identification and tracking of provider overpayments, are needed. Overpayments collected from providers are being refunded to CMS indirectly because they are netted against expenditures. However, there is no monitoring to ensure the amounts are refunded within the required 60 days from discovery. Overpayment amounts discovered during FY 05—but not recovered from providers—were not reported to CMS or refunded. Questioned costs could not be determined because the overpayment tracking spreadsheets were not accurate or complete.

We recommend the DHSS finance officer and the State Medicaid director work together to develop policies and procedures that ensure provider overpayments are identified, reported accurately, and decreasing adjustments are processed within federal time requirements. As a long term solution, we recommend the State Medicaid director ensure the new Medicaid management system addresses the need to separately account for provider overpayments.

CFDA: 93.778

Questioned Costs: Indeterminate

CFDA: 93.767

Questioned Costs: Indeterminate

Federal Agency: USDHHS

Noncompliance, Reportable Condition

Allowable Costs, Reporting

Agency Response – Department of Health and Social Services

The department concurs with this recommendation. The department will implement the following:

- 1) *The Division of Health Care Services (DHCS) in conjunction with Finance and Management Services will develop written policies to address the tracking of provider overpayments. This policy will address criteria for including a provider overpayment in the department’s tracking spreadsheet, coordinating audits with DHCS, Division of*

Senior and Disability Services, and Division of Behavioral Health, and ensure overpayment amounts and discovery dates are recorded in the tracking spreadsheet.

2) The amounts identified in the DHSS spreadsheet of overpayments should represent the amount as discovered in the final audit. This will be addressed in the policies being developed, and will be reflected in the overpayment spreadsheet maintained by the department.

3) The overpayments identified as a result of audit activity are identified and tracked with relative ease. However, as stated in the recommendation, DHSS has no way to identify claim adjustments which may or may not represent a recovery. DHSS will consider this in the procurement of a new MMIS system.

Contact Person: Janet Clarke, Assistant Commissioner
Division of Finance & Management Services
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Recommendation No. 20

We recommend the DBH administrative manager ensure personal services expenditures charged to the SAPT program comply with federal requirements.

Personal services expenditures in the amount of \$52,342 were transferred to the federal SAPT block grant without adequate documentation. These expenditures represented 100% of one DBH employee's time during an 8-month period in FY 05. However, the associated personnel activity records for the individual did not provide detailed evidence of the actual time worked on SAPT activities.

Federal requirements state that costs be charged to federal awards only if the goods or services involved are chargeable or assignable in accordance with relative benefits received. In situations where employee's work on programs funded by multiple federal awards, then documentation needs to exist supporting the actual time worked and charged to those programs. These records must account for all time worked and may not be based on estimates.

According to DHSS, the expenditures were transferred to the SAPT program because the employee's main duties provided programmatic support for SAPT grantees. However, without documentation of the specific time spent on the SAPT program, the total transfer of \$52,342 is unallowable. We recommend that the administrative manager for the DBH ensure personal service expenditures charged to SAPT comply with federal requirements.

CFDA: 93.959
Questioned Costs: \$52,342

Federal Agency: USDHSS
Noncompliance
Allowable Costs

Agency Response – Department of Health and Social Services

The department concurs. The Division of Behavioral Health (DBH) has worked in partnership with the FMS Grants and Contracts section to more carefully allocate funding for community grantees, based on the parameters and federal requirements for the expenditure of the federal Substance Abuse Prevention and Treatment (SAPT) block grant. DBH program staff, FMS grants management staff, and FMS administrative and fiscal staff have all received clarification regarding the allowable and required expenditures for the SAPT block grant, including maintenance of effort (MOE) for Women and Children's treatment programs, 20% prevention funding, and 5% administrative funding. All annual funding allocations will be determined based on the required federal SAPT block grant allocations.

For SFYO6, the director of DBH has given instructions to the Administrative Manager to reallocate the funds used for a reimbursable services agreement (RSA) with the Department of Corrections to grants. We will utilize general fund dollars to provide mental health services to inmates. In the future, the director of DBH, in conjunction with FMS Grants & Contracts section, will ensure that SAPT grant funds are used in accordance with federal requirements.

*Contact Person: Janet Clarke, Assistant Commissioner
Division of Finance & Management Services
Telephone: 907-465-1630*

Recommendation No. 21

The director of DBH should ensure that SAPT grant funds which pass through to other state agencies are used in accordance with federal requirements.

SAPT grant funds in the amount of \$29,400 were inappropriately used as match for the federal program, Residential Substance Abuse Treatment for State Prisoners (RSAT) through a reimbursable services agreement (RSA) with Department of Corrections (DOC). DHSS did not indicate to DOC these were federal funds.

Federal regulations pertaining to the SAPT grant stipulate that grant funds can not be used as match for other federal funds (45 CFR 96.135(a)(4)). Further, SAPT federal regulations stipulate that the State is limited to spending no more than that spent in FY 91 to provide treatment services in penal or correctional institutions of the State (45 CFR 96.135(a)(4)). However, DBH staff is unaware of the amount of funds spent in FY 91 for treatment services of inmates in penal or correctional institutions of the State.

The use of SAPT funds as match for another federal program is unallowable and creates questioned costs of \$29,400. We recommend that the director of DBH ensure that SAPT grant funds, distributed to other state agencies, are used in accordance with federal requirements.

CFDA: 93.959

Questioned Costs: \$29,400

Federal Agency: USDHHS

Noncompliance

Allowable Costs

Agency Response – Department of Health and Social Services

The department concurs. DBH has worked in partnership with the FMS Grants and Contracts section to more carefully allocate funding for community grantees, based on the parameters and federal requirements for the expenditure of the federal SAPT Block Grant. DBH Program staff, FMS Grants Management staff, and FMS Administrative and Fiscal staff have all received clarification regarding the allowable and required expenditures for the SAPT Block Grant, including MOE for Women and Children’s treatment programs, 20% prevention funding, and 5% administrative funding. All annual funding allocations will be determined based on the required federal SAPT Block Grant allocations.

For SFY 06, the Director of DBH has given instructions to the Administrative Manager to reallocate the funds used for an RSA with Corrections to grants. We will utilize general fund dollars to provide Mental Health services to inmates. In future, the director of DBH, in conjunction with FMS/Grants and Contracts, will ensure that SAPT grant funds are used in accordance with federal requirements.

*Contact Person: Janet Clarke, Assistant Commissioner
Division of Finance & Management Services
Telephone: 907-465-1630*

Recommendation No. 22

The director of DBH should develop procedures with finance and management services (FMS) grants and contracts section to ensure that grant recipients are informed when grants are provided with federal funds.

An internal control weakness exists at DBH in communicating to sub-grantees changes in funding sources. During FY 05, DBH redirected \$450,764 in grants established as state funded to the SAPT program. Yet, the sub-grantees affected by the funding changed were not informed that they were receiving federal SAPT funds.

When a state passes through federal monies to sub-grantees they are required by OMB Circular A-133 to inform each subrecipient of the Catalog of Federal Domestic Assistance

(CFDA) title and number, name of the federal agency, award year, and if the award is research and development. Additionally, the state is required to advise the subrecipient of any federal laws, regulations, or provisions of contracts or grant agreements as well as any supplemental requirements imposed by the state.

Grants to subrecipients are issued and monitored by the FMS grants and contracts section. The grant agreement identifies the funding source(s) for the subrecipients grant and any applicable federal identifying information such as CFDA number.

The State, as a recipient of federal funds, has specific responsibilities to monitor subrecipients and notify them of federal award information. Failure to notify subrecipients that they have received federal funds, could lead to subrecipients not receiving required A-133 audits, failure to follow specific restriction of the federal grant, or use of grant funds to match other federal awards received from other entities.

We recommend that the director of DBH develop procedures with the FMS grants and contract section to ensure that recipients of SAPT grant awards are informed when federal funding is provided; specifically, when the source of funding has changed during the grant period.

CFDA 93.959

Questioned Costs: None

Federal Agency: USDHHS

Reportable Condition, Noncompliance
Subrecipient Monitoring

Agency Response – Department of Health and Social Services

The department concurs. Standard grant award procedures for the DHSS require that grantees are informed of the source of the funding they receive (federal or state). In the situations the audit found, where this notification did not occur, it was due to changes in the allocation formulas after the grant awards had been made. Unfortunately, all the necessary staff was not informed of these reallocations, and the notification of fund source changes were not made to the grantees. In the future, any reallocation of funds will be made, with notification going to both the FMS grants staff and the DBH program staff to guarantee appropriate notification.

The Director of DBH has requested that the Administrative Manager work with the FMS Grants and Contracts Manager to develop a protocol so that sub-grantees have accurate, up-to-date information on what portion of funding to their agency is federal.

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Recommendation No. 23

The director of DBH should establish a methodology for tracking and documenting expenditures that support the SAPT maintenance of effort (MOE) and earmarking requirements.

DHSS does not have effective internal controls to track and document by federal fiscal year (FFY) the financial detail to verify several MOE requirements were met for the SAPT program. The specific SAPT MOE requirements in question include (a) substance abuse treatment services for pregnant women and women with dependent children provided from period to period, and (b) specified level of expenditures from non-Federal sources for tuberculosis services maintained from period to period.

While one MOE requirement had documented expenditures, the methodology used to calculate the requirement was flawed. This created an understatement of required state expenditures, due to the exclusion of expenditures in prior fiscal year appropriations.

Further, DHSS does not have a methodology or tracking mechanism to ensure the 20 percent earmarking requirement was met for the SAPT program associated with primary prevention programs for individuals who do not require substance abuse treatment. However, DBH staff is confident this requirement was met for the FFY 04 grant even though no documentation was available to verify the compliance.

Reorganization of divisions and programs within DHSS has complicated the ability to track expenditures for the SAPT MOE and earmarking requirements. Further staff turnover contributed to the lack of available documentation to verify meeting specific MOE and earmarking requirements.

We recommend that the director of DBH develop procedures and maintain documentation for compliance with MOE and earmarking requirements for the SAPT block grant.

CFDA 93.959

Questioned Costs: None

Federal Agency: USDHHS

Reportable Condition, Noncompliance

Level of Effort and Earmarking

Agency Response – Department of Health and Social Services

The department concurs. The Director of DBH has requested that the Administrative Manager develop a tracking and documentation system in conjunction with FMS Grants and Contracts section to verify that all SAPT MOE and earmarking requirements are met.

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Recommendation No. 24

Division of Behavior Health (DBH) staff responsible for management of the federal substance abuse prevention and treatment (SAPT) block grant should develop procedures to document independent peer reviews to comply with the federal requirements.

DBH staff had no documentation to support independent peer review(s) were performed during FY 05 to meet SAPT federal requirements. Further, DBH staff indicated that compliance with the independent peer review requirement was complicated due to varying directions provided through correspondence with federal representatives.

Code of federal regulations (45CFR 93.136) require the state provide independent peer reviews to assess treatment services of at least five percent of the entities providing services in the state. Specifically that:

- practitioners/providers do not review their own programs, or programs in which they have administrative oversight;
- a separation of peer review personnel from funding decision makers will exist, and
- the independent peer review is not conducted as part of the licensing/certification process.

We recommend that DBH staff managing the SAPT program develop procedures to document SAPT independent peer reviews to comply with federal requirements.

CFDA 93.959

Questioned Costs: None

Federal Agency: USDHHS
Noncompliance
Special Tests and Provisions

Agency Response – Department of Health and Social Services

The department partially concurs. DBH has located a copy of the Site Review that included a peer reviewer. That document was sent to you with the response to Management Letter No. 4.

DBH will develop a new procedure to comply with the federal requirement. To maintain independence for the peer review per 45CFR 93.136, we will have peer reviewers go out in a team of two without DBH staff. The peer review team will also use a review tool that is different from the certification tool that is currently used by DBH Program Integrity staff.

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Telephone: 907-465-1630*

Legislative Audit’s Additional Comments

We have reviewed DHSS’ response and as a point of clarification the site review documentation, as referenced by DHSS, was dated December of 2005 (FY 06) which is not applicable to our audit period FY 05. We reaffirm our recommendation.

Recommendation No. 25

The Division of Public Health (DPH) administrative manager should ensure that personal service expenditures charged to the immunization program comply with federal cost principals.

Time charged to CFDA 93.268 – Immunization Grants program was not adequately supported for employees who worked on multiple programs. Prior to April 2005, employee timesheets did not identify time worked by program. Instead each program was charged a percentage set by management for each individual’s personal service expenditures. In April 2005, the agency implemented positive time keeping. However, according to DPH management, rather than documenting actual time worked on the program, the multiple-program employees estimated the time they spent on the program based on the budget.

United States Office of Management and Budget (OMB) Circular A-87 requires that appropriate time distribution records support employee compensation charged to more than one federal grant or other cost objective. Additionally, the allocation must reflect actual time worked on the program or be based on a federally-approved allocation system. The use of budget estimates is not adequate support. Due to the lack of adequate support, all personal service expenditures for the employees charged to multiple programs have been questioned. Questioned costs associated with this finding are \$164,430.

We recommend that the DPH administrative manager ensure that personal service expenditures comply with OMB Circular A-87 requirements. Specifically, we recommend that DPH complete and maintain timesheets which record actual time per program or, alternatively, develop a federally-approved time allocation plan.

CFDA 93.268
Questioned Costs: \$164,430

Federal Agency: USDHHS
Noncompliance
Allowable Costs

Agency Response – Department of Health and Social Services

The department concurs with the recommendation. It is unfortunate the Public Health program staff did not follow the prescribed methodology to reflect time spent on the immunization grant. In April 2005, positive timekeeping was implemented on a department-wide basis with detailed instructions provided to effected staff. Since this time, we are

confident that our timekeeping is being handled appropriately and is in compliance with OMB Circular A-87.

The department has taken the necessary steps to reiterate positive timekeeping for personal services expenditures against the Immunization Grants. As a reinforcement compliance measure, comprehensive timesheet instructions are being written for each section within the Division of Public Health. These instructions will reinforce the department's timekeeping requirements and provide additional program-specific guidelines.

*Contact Person: Janet Clarke, Assistant Commissioner
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DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

No recommendations were made to the Department of Labor and Workforce Development (DLWD) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2004*.

Additionally, no new recommendations have been made during the FY 05 statewide single audit.

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DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

No recommendations were made to the Department of Commerce, Community, and Economic Development (DCCED) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2004*.

One new recommendation has been made during the FY 05 Statewide Single Audit.

(Intentionally left blank)

Recommendation No. 26

The finance officer for the Department of Commerce, Community, and Economic Development (DCCED) should ensure that all expenditures are recorded in the correct chart of accounts (COA) year.

Three out of 12 DCCED capital expenditures tested were recorded to the incorrect COA year. COA year is used by the State's accounting system to ensure expenditures are recorded to the year in which goods and services are received.

Alaska Statute 37.05.150 requires the State's accounting system to be in accordance with accepted principles of governmental (fund) accounting. Generally accepted accounting principles require that governmental funds be accounted for and reported on a modified accrual basis. Under the modified accrual basis of accounting, expenditures are measurable and should be reported when the related liability is incurred.

DCCED staff does not ensure the correct COA year is coded for capital expenditure transactions because capital appropriations do not lapse after one year. Staff is focused on budgetary compliance rather than financial reporting. Recording expenditures to the wrong COA year leads to misstatements in the State's annual financial statements.

We recommend the finance officer for DCCED ensure that all expenditures are recorded in the correct COA year.

Agency Response – Department of Community, Commerce, and Economic Development

The recommendation results from staff's long term practice (since 1986) of not distinguishing between the current and prior COA years (2005 versus 2006) when recording expenses to continuing capital appropriations. Based on Legislative Audit's recommendation, DCCED will now make the COA year distinction on expenditures posted to capital appropriation in July and August in the same manner as expenditures posted to terminating operating appropriations.

*Contact Person: Philiciann (Phil) Bennett, Finance Officer
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Telephone: 907-465-5445*

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DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS

No recommendations were made to the Department of Military and Veterans' Affairs (DMVA) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2004*.

No new recommendations have been made during the FY 05 Statewide Single Audit.

(Intentionally left blank)

DEPARTMENT OF NATURAL RESOURCES

No recommendations were made to the Department of Natural Resources (DNR) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2004*.

No new recommendations have been made during the FY 05 statewide single audit.

(Intentionally left blank)

DEPARTMENT OF FISH AND GAME

No recommendations were made to the Department of Fish and Game (DFG) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2004*.

One new recommendation is included as Recommendation No. 27.

(Intentionally left blank)

Recommendation No. 27

We recommend the finance officer for the Department of Fish and Game (DFG) ensure that expenditures are charged in compliance with state law and revenue shortfalls are resolved.

During FY 05, \$232,057 of project expenditures in AR 43446-05 Public Access Land was improperly transferred to AR 43588-08 Sport Fish and Recreation to avoid a revenue shortfall. The revenue shortfall was created by projects requiring more general fund match than allowed for in the original budget.

The State constitution mandates that no expenditure can occur without a valid appropriation. State statutes provide a mechanism to allocate costs between appropriations. Specifically, AS 37.07.080(e)(2) states that transfers may not be made between appropriations, including transfers made through the use of a reimbursable services agreement (RSA) or other agreement, except as provided in the act making transfers between appropriations. However, a RSA, or other agreement, may be used to finance the provisions of a service if: (1) the agency that requires the service has the legal authority to obtain or provide the service; and, (2) the agency that provides the service bills the agency administering the funds based on the actual cost to provide the service, or uses a cost allocation method approved by the Office of the Governor, Office of Management and Budget.

AR 43446-05, a capital appropriation authorized in FY 95, provided funding for many smaller fish and game projects. When DFG's staff identified the shortfall, the project expenditures were reviewed to identify projects that could have been paid by a different capital appropriation. Because staff believed that the project expenditures could have been paid for by AR 43588-08, DFG transferred \$232,057 of expenditures and the related federal revenue of \$173,929.

The budgetary purpose of AR 43446-05 and AR 43588-08 are similar. However, the project expenditures should not have been transferred because AR 43588-08 was not effective until FY 04, but the project expenditures were incurred prior to FY 04. Adjusting for the unallowable transfer of expenditures creates a revenue shortfall of \$58,127 in AR 43446-05.

We recommend DFG's finance officer take steps to move the expenditures to an appropriation that can legally pay the project costs. If this is not possible, we recommend the finance officer seek a supplemental appropriation to resolve the revenue shortfall.

Agency Response – Department of Fish and Game

The Department concurs with the recommendation. Additional controls have been implemented to prevent the transfer of expenditures between appropriations that are not in compliance with state law. All appropriations that are terminating are monitored to identify possible revenue shortfalls and initiate corrective action.

The inappropriate transfer of expenditures and federal revenue from AR 43446-05 to AR 43588-08 has been corrected. The expenditures and related federal revenue were moved from AR 43588-08 to AR 43405-07 Public Access Development (effective FY 98) and to AR 43482-07 Sport Fishing and Recreational Boating Public Access and Facility Development (effective FY 00) on June 1, 2006. Both receiving ARs had sufficient legal authority to cover the transferred project costs; were effective at the time the expenditures were incurred; and have a budgetary purpose similar to AR 43446-05

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DEPARTMENT OF PUBLIC SAFETY

No recommendations were made to the Department of Public Safety (DPS) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2004*.

No new recommendations have been made during the FY 05 statewide single audit.

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DEPARTMENT OF ENVIRONMENTAL CONSERVATION

Four recommendations were made to the Department of Environmental Conservation (DEC) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2004*. Prior year's Recommendation Nos. 22 and 23 are considered resolved. Significant progress was initiated on prior year Recommendation Nos. 24 and 25 during FY05 and is considered resolved during FY06; these recommendations are not reiterated for FY05.

Additionally, no new recommendations have been made during the FY 05 statewide single audit.

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DEPARTMENT OF CORRECTIONS

No recommendations were made to the Department of Corrections (DOC) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2004*.

No new recommendations have been made during the FY 05 statewide single audit.

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DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

No recommendations were made to the Department of Transportation and Public Facilities (DOTPF) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2004*.

Two new recommendations have been made and are included as Recommendation Nos. 28 and 29.

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Recommendation No. 28

The Department of Transportation and Public Facilities' (DOTPF) Division of Administrative Services' (DAS) finance officer should strengthen procedures to ensure all funds legally obligated at year-end are encumbered.

DOTPF did not encumber a total of \$14,025,093 in valid obligations at the end of FY 05. This amount represents the unexpended balance of funds obligated under a Memorandum of Agreement (MOA) between DOTPF and the Inter-Island Ferry Authority (IFA). Under the agreement, DOTPF is obligated to provide funds to IFA for the design and construction of the M/V *Stikine*. IFA is responsible for obtaining the services required to complete the project. Upon completion, the vessel will be owned, operated, and maintained by IFA.

Encumbrances are commitments related to unperformed (executory) contracts for goods or services. Encumbrances represent "valid obligations" or amounts which the State may be legally required to meet out of its resources. Authorizations are obligated by purchase orders, delivery orders, contracts, or other documents. Departments are required by AAM 30.010 to record encumbrances for leases, contracts, or other purchasing agreements estimated to cost \$5,000 or more.

We consider the failure to encumber a \$14,025,093 obligation indicative of a significant weakness in internal controls. Because encumbrances are reported as reservations of fund balance, DOTPF's encumbrance procedural weakness results in misstatements to the State's annual financial statements.

We recommend DOTPF strengthen its procedures to ensure all funds legally obligated at year-end are encumbered.

Agency Response – Department of Transportation and Public Facilities

The department has encumbrance procedures in place for the various agreements with local governments and other legal entities. The Inter-island Ferry Authority (IFA) agreement was for a pass-through to a non-governmental agency. Typically these grant agreements are supposed to be encumbered at the time of grant execution for an amount up to the federal authority available. In the case of this IFA grant, the project was begun in Headquarters and handed off to a project manager in Southeast Region. Due to the confusion with this project, the funds apparently were not encumbered. This was an unusual situation and is not a reflection of a systemic problem.

The Administrative Services Division will provide guidance and additional training to assure that the regions properly encumber these pass-through funds.

Contact Person: Nancy Slagle, Director
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Recommendation No. 29

The DOTPF finance officer should improve procedures to ensure that legislative approval is obtained prior to transferring excess revenues between legal appropriations.

DOTPF processed an adjusting journal entry (AJE) transferring revenues earned in prior years, which were in excess of the amount appropriated from one appropriation to another appropriation without formal legislative approval. Specifically, DOTPF transferred \$403,957 in excess revenues accumulated in Highway Construction Engineering Projects (Chapter 247, SLA 1976 - AR 61220-05) to Statewide Federal Programs (Chapter 159, SLA 2004 - AR 57827-09). This transfer inappropriately allowed the department to report revenues in one appropriation, when in fact the expenditures in another appropriation earned that revenue. Further, the transfer inappropriately reduced the amount of assets available to be swept into the Constitutional Budget Reserve Fund (CBRF).

DOTPF cannot identify the sources of the revenue recorded under AR 61220. The \$403,957 in revenue was collected and recorded to AR 61220 prior to FY 05, when AR 57827 came into existence. Department staff has been using AR 61220 for miscellaneous financial adjustments since the mid 1980s. This includes recording accumulated excess revenues which were then used to fund expenditures in other legal appropriations. According to staff, during FY 05, OMB directed DOTPF to terminate AR 61220 in FY 05. The \$403,957 represents the remaining revenue balance in AR 61220.

There are a variety of constitutional and statutory cites that govern the appropriation of funds. AS 37.07.080 (h) prescribes the procedures that must be followed to increase an appropriation based on additional receipts not specifically appropriated by the legislature: AS 37.07.080 (h) states:

The increase of an appropriation item based on additional federal or other program receipts not specifically appropriated by the full legislature may be expended in accordance with the following procedures:

(1) the governor shall submit a revised program to the Legislative Budget and Audit Committee for review:

It is important to note that revenues collected and deposited in the General Fund in excess of the amounts appropriated is intrinsically tied to the calculation of amounts due to/due from the CBRF¹⁴.

¹⁴ In most years the Legislature has appropriated funds from the CBRF if the unrestricted state revenue available for appropriation is insufficient to cover general fund appropriations. Additionally, Alaska Constitution Article IX, 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 financial effect of the year-end transactions between the general fund and the CBRF is that all funds available for appropriation (including excess receipts) are either: 1) used to support current existing appropriations, or 2) swept into the CBRF. Therefore, there are no funds available for transfer from the prior year appropriations. This transaction does not represent real funds and, therefore, cannot be used to support expenditures in subsequent fiscal years. In effect, DOTPF appropriated itself the use of general funds to support expenditures. The appropriation of funds is the responsibility of the legislature and not the department.

Transferring revenues earned in one year to subsequent year's appropriations distorts the accounting records that are used to demonstrate budgetary compliance. Without accurate financial records, the agency would be unable to take the necessary actions to reduce expenditures when they have identified an appropriation that may not collect sufficient revenues to support the current year's spending. And conversely an agency would not be able to identify when excess revenues are received and request the ability to spend these additional funds from the legislature

Agency Response – Department of Transportation and Public Facilities

DOTPF is working diligently to close old appropriations at the request of federal government agencies, the legislature and the Office of Management and Budget. In order to facilitate the closure process, the department often needs to make small adjustments to balance old projects. The funds used for these adjustments are a last resort and are tightly monitored.

The department believed that legislative approval was received for the use of these funds. Federal funds were received against an appropriation, Chapter 247, SLA 76, but the department was urged to remove that appropriation from AKSAS because of its own age. A new federal funded appropriation was requested from the legislature, Chapter 159, SLA 04. The department was unaware that the shifting of federal receipts from the one appropriation to another would change the flavor of the funds. Our only intent was to continue to use the funds to close out projects with what we thought were federal funds. Apparently since supporting documentation to the appropriation did not specifically state that the federal receipt revenue was from prior years, the Division of Legislative Audit is now questioning the transfer of those revenues. The department will establish a project with existing general fund authority to provide a mechanism to close these old projects.

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ALASKA COURT SYSTEM

No recommendations were made to the Alaska Court System (ACS) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2004*.

No new recommendations have been made during the FY 05 statewide single audit.

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COMPONENT UNITS

This section includes three federal compliance recommendations; two directed to Alaska Housing Finance Corporation (AHFC) and one directed to the University of Alaska. These component units are audited by other auditors. Complete copies of their reports may be obtained directly from AHFC and the University of Alaska.

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Alaska Housing Finance Corporation

Recommendation No. 30

Section 8 Housing Choice Voucher Program

Criteria: 24 CFR sections 982.4, 982.54(d)(15), 982.158(f)(7), and 982.507 require that the public housing agency's (PHA) administrative plan must state the methods used to determine that the rent to owner is reasonable in comparison to rent for other comparable unassisted units. The PHA must determine that the rent to owner is reasonable at the time of initial leasing, and must maintain records to document the basis for such determination. The PHA determination must consider unit attributes such as the location, quality, size, unit type, age of unit, amenities, housing services, maintenance and utilities provided by the owner. The Corporation's policies state the Form SE315 (Unassisted Unit Comparability Survey) will be used to document the information necessary to make a reasonable rent determination. As stated in the procedures, two forms shall be placed in the client folder.

Condition: Of the 23 participant files tested, two files were found to have deficiencies in the documentation of a reasonable rent determination. One file had the appropriate forms, but the information was not that of a comparable unit. One other file contained only one of the required forms.

Context: There were 3,688 participants as of June 30, 2005. Twenty-three participant files were selected and tested for this requirement. Two were found to have deficiencies in documenting compliance. This represents 8.7% of the sample selected for testing and .05% of the total participants.

Effect: The Corporation may be paying unreasonable rent for participants. The lack of compliance with the above-mentioned requirement could lead to loss of funding to the Corporation.

Cause: The Corporation failed to obtain sufficient documentation supporting the compliance with the requirement as stated in their administrative plan.

Recommendation: Management should verify that field staff are aware of applicable policies, and provide training to new staff, to ensure that documentation is adequate for compliance with this requirement.

CFDA: 14.871

Questioned Cost: Not Determinable

Federal Agency: HUD
Noncompliance
Special Tests and Provisions

Agency Response – Alaska Housing Finance Corporation

In file #1, rent for a two-bedroom assisted unit was proposed at \$975. Two rent comparability forms were filed, each for one-bedroom units. There was no explanation in the file to account for the use of one bedroom units to determine rent comparability.

In file #2, rent for a two-bedroom unit was proposed at \$975 with the tenant paying for electricity. Two similar two-bedroom units were used for comps. Both comps were within six months of the approved rental of the assisted unit; however, in the first comp the unit rent was left blank. The second comp was complete with a rent of \$895. Staff used incomplete comparable unit data in one case. Staff did not note why the unit was approved for \$80 more than the complete unit comp.

Proposed Action: Staff was instructed to test each unit for rent reasonableness using current, comparable unit rents. To ensure that rent is reasonable, AHFC is proposing a modification to its forms and procedures used to compare an assisted unit with unassisted comparable units. The revised form and procedure were distributed internally for review on September 2, 2005. Comments are due back by September 15, 2005 for incorporation into a final draft. Management staff will cover this issue at its annual staff meeting in October 2005.

*Contact Person: Kevin Tune
Division of Audit
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Recommendation No. 31

Section 8 Housing Choice Voucher Program

Criteria: According to 24 CFR § 982.516, the PHA must pay the owner, of an approved-unit; a housing assistance payment (HAP) on behalf of a family that the PHA has determined is eligible for the program.

Condition: Of the 23 participant files tested, one instance was found in which a HAP was made to an owner after the participant had been terminated from the program.

Context: There were 3,688 participants as of June 30, 2005. Twenty-three participant files were selected and tested for this requirement. One instance was found in which payment was made to an owner after the participant had been terminated. This payment was later refunded by the landlord. This represents 4.3% of the sample tested and .03% of the total participants.

Effect: The Corporation may be making payments for participants who are no longer eligible for the program. The lack of compliance with the above-mentioned requirement could lead to loss of funding to the Corporation.

Cause: The Corporation's field staff failed to communicate termination of the participant through appropriate channels in a timely manner.

Recommendation: Management should verify that field staff is aware of applicable policies and should establish controls to ensure that communication of program participants' status changes is effected in a timely manner.

CFDA: 14.871

Questioned Cost: Not Determinable

Federal Agency: HUD

Noncompliance

Eligibility

Agency Response – Alaska Housing Finance Corporation

Views of responsible officials and planned corrective actions:

A review of the file indicates that AHFC had not received written notification from either the landlord or client concerning the family's desire to terminate the lease. A review of the computer 'note screen' indicates that the client's sister called AHFC to notify staff of the proposed termination. AHFC mailed a termination notice to the client, dated 8-2-04, informing them that the HAP will terminate on 8-31-04. The case manger [sic] failed to post the HAP cancellation after sending the termination letter.

AHFC made HAP payments for the months of September and October. File notes indicate the landlord notified AHFC of the overpayments. A return check for the full amount was received in mid-October. Staff processed an adjustment form with Housing Support and Compliance to correct the overpayment.

Proposed Actions: Both the landlord and the participant are required to provide AHFC copies of any and all notices related to the lease. If that doesn't occur, the possibility exists for AHFC to continue to pay HAP. There is no practical method to avoid this possibility; however, mechanisms for recovering overpayments are in place. In this instance, staff failed to post the termination after mailing the notice. In order to avoid future occurrences, AHFC will use the quality control file review to focus more closely on the proximity of termination notices and posting of a HAP cancellation. This can occur through general file review or, if necessary, for this particular case manager. Housing Support and Compliance will review procedures to ensure adequate instruction is available about posting HAP terminations. Management staff will cover this issue, as well, at the annual staff training in October 2005.

Contact Person: Kevin Tune
Division of Audit
Telephone: 907-330-8410

University of Alaska

Recommendation No. 32

Alaska Native Education Grants

Criteria or Specific Requirement: According to Section 7304(b) of the Alaska Native Educational Equity, Support and Assistance Act, facilities and administrative cost rates include a five percent limit on the administrative component of the rate.

Condition: For grant award #S356AO30018, the University applied a facilities and administrative cost rate which included an administrative component that exceeded the Department of Education's Alaska Native Education program statute five percent administrative limit.

Questioned Costs – \$92,931. Computed by applying the facilities and administrative cost rate variance to inception to date allowable grant expenditures.

Context: Isolated to this grant.

Effect: The University recovered \$92,931 of administrative costs above the amount allowed by the Department of Education.

Recommendation: The University should return the amount of over recovered administrative costs to the Department of Education or transfer, upon approval by the Department of Education, the amount originally budgeted and recorded for facilities and administrative costs in excess of the capped recovery to direct costs.

CFDA: 84.356

Questioned Cost: \$92,931

Federal Agency: USDOE
Noncompliance
Allowable Costs

Agency Response – University of Alaska Division of Legislative Audit

The University of Alaska Statewide Administration facilities and administrative cost rate for the Alaska Native Education Grant was originally proposed, budgeted for, and subsequently approved by the Department of Education (DOE) with an administrative component exceeding Alaska Native Education program statute's five percent administrative limit. The indirect cost rate section of the DOE's General Application Instruction (instructions), directed grant applicants to "indicate the applicant's approved, unrestricted, indirect cost rate, per sections 75.560-75.580 of EDGAR." Referenced EDGAR sections did not discuss this program statute. However, the program statute was included with the instructions as an appendix with a website reference. University management did not review the program statute during the proposal review process.

Corrective action will include the following steps:

- *The administrative component of the facilities and administrative rate will be reduced to five percent in the University's financial system.*
- *Facilities and administrative costs will be adjusted to correct amounts.*
- *A formal budget revision request to move excess facilities and administrative amounts to direct program expense categories will be submitted to the funding agency.*
- *Management has incorporated review of all program statutes referenced in instructions into the proposal review process.*

Completion of corrective action is expected in April 2006.

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State of Alaska Division of Legislative Audit
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended June 30, 2005

Part I – Summary of Auditor’s Results

- a) An unqualified opinion was issued on the basic financial statements of the State of Alaska.
- b) Reportable conditions, but no material weaknesses, in internal controls over financial reporting were disclosed by the audit of the basic financial statements.
- c) There was no noncompliance which was material to the basic financial statements.
- d) Reportable conditions in internal controls over major federal programs, including material weaknesses, were disclosed by the audit.
- e) The independent auditor’s report on compliance with requirements applicable to each major federal program expressed an unqualified opinion for all 39 programs.
- f) There were several audit findings that were required to be reported under Section 510(a) of Office and Management and Budget (OMB) Circular A-133. These are summarized in Part III of this schedule of findings and questioned costs. The detail findings and recommendations can be read in Section II – Recommendations and Questioned Costs of this report.
- g) The State of Alaska has 39 major federal programs for the fiscal year ended June 30, 2005 as follows:

<u>CFDA or Other Identifying Number</u>	<u>Title of Federal Program</u>
Various	Research and Development Cluster
10.551, 10.561	Food Stamp Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.558	Child and Adult Care Food Program
10.665	School and Roads – Grants to States
10.760	Water and Waste Disposal Systems for Rural Communities
11.419	Coastal Zone Management Administration Awards
12.400	Military Construction, National Guard
12.401	National Guard Military Operations and Maintenance Projects
12.999	Nikolski Powerhouse Clean-up
12.999	Delta Junction Missile Defense Test Bed Facilities Impact
14.871	Section 8 Housing Choice Voucher Program

State of Alaska Division of Legislative Audit
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended June 30, 2005

Part I – Summary of Auditor’s Results (continued)

<u>CFDA or Other Identifying Number</u>	<u>Title of Federal Program</u>
15.LAA040005	BLM Fire Suppression Cooperative Agreement
17.225	Unemployment Insurance
20.500, 20.507	Federal Transit Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Funds
66.606	Surveys, Studies, Investigations, and Special Purpose Grants
81.087	Renewable Energy Research & Development
84.010	Title I Grants to Local Educational Agencies
84.027, 84.173	Special Education Cluster
84.032	Federal Family Education Loan Program
84.041	Impact Act
84.356	Alaska Native Education Grants
90.100	Denali Commission Program
93.003	Public Health and Social Services Emergency Fund
93.044, 93.045	Aging Cluster
93.268	Immunization Grants
93.283	Center for Disease Control and Prevention: Investigations and Technical Assistance
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.568	Low-Income Home Energy Assistance
93.575, 93.596	Child Care Cluster
93.658	Foster Care – Title IV-E
93.767	State Children’s Insurance Program
93.775, 93.777, 93.778	Medicaid Cluster
93.959	Block Grants for Prevention and Treatment of Substance Abuse
97.004, 97.042, 97.067	Homeland Security Cluster
97.046	Fire Management Assistance Grant

h) A threshold of \$7,713,289 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.

i) The State of Alaska does not qualify as a low-risk auditee under Section 530 of OMB Circular A-133.

State of Alaska Division of Legislative Audit
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended June 30, 2005

Part II – Findings related to the Basic Financial Statements

Reportable Conditions

<u>State Department</u>	<u>Recommendation Number</u>	<u>Comments</u>
Education and Early Development Commerce, Community, and Economic Development	Recommendation No. 5	
Transportation and Public Facilities	Recommendation No. 26	
	Recommendation No. 28	

Irregularities and Illegal Acts

There were no reportable findings relating to irregularities and illegal acts.

Part III – Federal Findings and Questioned Costs

<u>Federal Agency/ Recommendation Number</u>	<u>Questioned Costs</u>	<u>Comments</u>
USDA		
Recommendation No. 9	\$ 25,129	Reportable condition, Noncompliance
Recommendation No. 10	Indeterminate	Noncompliance
USDOE		
Recommendation No. 3	1,439,110	Noncompliance
Recommendation No. 10	Indeterminate	Noncompliance
Recommendation No. 32	92,931	Noncompliance
USDHHS		
Recommendation No. 2	120,972	Noncompliance
Recommendation No. 9	27,706	Reportable Condition, Noncompliance
Recommendation No. 10	Indeterminate	Noncompliance
Recommendation No. 11	- 0 -	Reportable condition
Recommendation No. 12	- 0 -	Noncompliance
Recommendation No. 13	- 0 -	Noncompliance
Recommendation No. 14	- 0 -	Noncompliance
Recommendation No. 15	Indeterminate	Reportable condition
Recommendation No. 16	- 0 -	Material weakness
Recommendation No. 17	- 0 -	Reportable condition, Noncompliance
Recommendation No. 18	203,504	Noncompliance
Recommendation No. 19	- 0 -	Reportable condition, Noncompliance

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE



Division of Legislative Audit

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on the Audit of the Basic Financial Statements Performed in Accordance with *Government Auditing Standards*

Members of the Legislative Budget
and Audit Committee:

We have audited the basic financial statements of the State of Alaska as of and for the year ended June 30, 2005, and have issued our report thereon dated November 30, 2005. That report, presented in Section I, describes our division of responsibility with other auditors. We conducted our audit in accordance with audit standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of Alaska's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the State's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are identified in the accompanying Summary of Recommendations and Schedule of Findings and Questions Costs in Section II – Recommendations and Questioned Costs of this report.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur, and not be detected within a timely period by employees, in the normal course of performing their assigned functions. Our consideration of

the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions identified above are a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Alaska's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements—noncompliance with which could have a direct and material effect on the determination of the basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the preceding section of Recommendations and Questioned Costs. Our recommendations for these instances are identified in the Summary of Recommendation under *Other State Issues*.

This report is intended for the information of the State's management and members of the Alaska Legislature, and the federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Pat Davidson, CPA
Legislative Auditor

November 30, 2005

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE



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Independent Auditor's Report on Compliance Requirements
Applicable to Each Major Program, on Internal Control Over
Compliance and on Supplementary
Information – Schedule of Expenditures of
Federal Awards in Accordance with OMB Circular A-133

Members of the Legislative Budget
and Audit Committee:

Compliance

We have audited the State of Alaska's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget's (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2005. The State of Alaska's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the State of Alaska's management. Our responsibility is to express an opinion on the State's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the State of Alaska's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the State of Alaska's compliance with those requirements.

In our opinion, the State of Alaska complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with

OMB Circular A-133. These instances are also summarized in the accompanying Summary of Recommendations and Schedule of Findings and Questioned Costs and described in detail in Section II - Recommendations and Questioned Costs section.

Internal Control Over Compliance

The management of the State of Alaska is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the State of Alaska's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the State's ability to administer a major federal program in accordance with applicable laws, regulations, contracts and grants. Reportable conditions are summarized in the accompanying Summary of Recommendations and Schedule of Findings and Questioned Costs and described, in detail, in the preceding Recommendations and Questioned Costs section.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions identified, we considered some instances to be material weaknesses. These have been identified as such on the accompanying Summary of Recommendations and Schedule of Findings and Questioned Costs and described, in detail, in the preceding Recommendations and Questioned Costs section.

Schedule of Expenditure of Federal Awards

We have audited the 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, 2005, and have issued our report thereon dated November 30, 2005. That report, presented in Section I, describes our division of responsibility with other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively

comprise the State of Alaska's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information of the State's management, members of the Alaska Legislature, and the federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Pat Davidson, CPA
Legislative Auditor

September 8, 2006, except for the
Schedule of Expenditures of
Federal Awards, as to which the
date is November 30, 2005

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STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2005
By Federal Agency
(see acronyms)

State Agency	CFDA Number	Grant or Other Identifying Number	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
Legal Services Corporation						
COURT	09.902000		Technology Initiative Grant Program	\$ 294		
Total Legal Services Corporation				294		
U.S. Department of Agriculture						
DNR	10.001		Agricultural Research - Basic and Applied Research	40,026		
UofA	10.001		Agricultural Research - Basic and Applied Research	1,204,954	3,10	\$ 637,758
UofA	10.001		Agricultural Research - Basic and Applied Research	1,118,431		
10.001 Total				2,363,411		637,758
DPS	10.02CA-111001-039		Cooperative Law Enforcement Agreement	62,803		
DEC	10.04-9702-1218-CA		Johne's Disease	47,234		
DEC	10.04-9702-1339-CA		Foreign Animal Disease Surveillance	12,298		
DEC	10.04-9702-1346-CA		Scrapie Disease Cooperative Agreement	35		
DEC	10.12-25-A-4251		Cooperative Pesticide Recordkeeping Program	96		
DEC	10.12-25-A-4340		Cooperative Pesticide Recordkeeping Program	6,008	6	
DEC	10.025		Plant and Animal Disease, Pest Control and Animal Care	5,021		
DFG	10.025		Plant and Animal Disease, Pest Control and Animal Care	55,815	6	
DNR	10.025		Plant and Animal Disease, Pest Control and Animal Care	2,400,162	6	
10.025 Total				2,460,998		
DNR	10.156		Federal-State Marketing Improvement Program	9,483		
DNR	10.162		Inspection Grading and Standardization	3,181		
DNR	10.163		Market Protection and Promotion	81,318		
UofA	10.200		Grants for Agricultural Research, Special Research Grants	2,838,448	3,10	
UofA	10.200		Grants for Agricultural Research, Special Research Grants	1,364,833		529,700
10.200 Total				4,203,281		529,700
UofA	10.206		Grants for Agricultural Research - Competitive Research Grants	818	3,10	
UofA	10.206	00-RA2416-AK	Grants for Agricultural Research - Competitive Research Grants Pass-through University of California, Davis	3,850	3,10	
UofA	10.206		Grants for Agricultural Research - Competitive Research Grants	61,830		
10.206 Total				66,498		
UofA	10.228		Alaska Native Serving and Native Hawaiian Serving Institutions Education Grants	555,258		100,038
UofA	10.302	RCUH LTR JAN 1, 02	Economic Development - Support for Planning Organizations Pass-through University of Hawaii, Hilo	18,825		

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State Agency	CFDA Number	Grant or Other Identifying Number	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
UofA	10.303		Integrated Programs	239,956	3,10	
UofA	10.303	40534-6898	Integrated Programs Pass-through Cornell University	6,170	3,10	
UofA	10.303		Integrated Programs	8,574		
UofA	10.303	K009607-AK AMEND 2	Integrated Programs Pass-through University of California, Davis	36,363		
UofA	10.303	BJKE27-UA (PO013815)	Integrated Programs Pass-through University of Idaho	88,011		
10.303 Total				379,074		
AHFC	10.410		Very Low to Moderate Income Housing Loans	101,588		
DEC	10.43-0109-4-0380		Regulatory oversight of Contaminated Sites cleanup	13,831	6	
UofA	10.457		Commodity Partnerships for Risk Management Education	68,705		
UofA	10.500		Cooperative Extension Service	323,707	3,10	
UofA	10.500	K007797-02	Cooperative Extension Service Pass-through University of California, Davis	40,022	3,10	
UofA	10.500		Cooperative Extension Service	2,643,251		
UofA	10.500	S05043	Cooperative Extension Service Pass-through Kansas State University	3,448		
UofA	10.500	SUB-GRANT 03/03/03	Cooperative Extension Service Pass-through Nat'l 4H Council	12,430		
UofA	10.500	UTSTUNV6160:6128STAT	Cooperative Extension Service Pass-through University of Wyoming	3,304		
UofA	10.500	WSU-WE-TAA-SAL	Cooperative Extension Service Pass-through University of Washington	276,228		105,865
10.500 Total				3,302,390		105,865
DEED	10.550		Food Donation	2,443,330	15	2,443,330
DHSS	10.551		Food Stamps	77,726,876	3,7,10	
DEED	10.553	17131	School Breakfast Program	4,213,305	10	4,212,062
DEED	10.555	17132	National School Lunch Program	20,729,811	10	20,729,811
DEED	10.556	17133	Special Milk Program for Children	8,943	10	8,943
DHSS	10.557		Special Supplemental Nutrition Program for Women, Infants, and Children	23,042,575	3,8	5,647,021
DEED	10.558	17134	Child and Adult Care Food Program	7,989,072	3	7,912,538
DEED	10.559	17137	Summer Food Service Program for Children	449,790	10	395,920
DEED	10.560	17135	State Administrative Expenses for Child Nutrition	505,733		
DHSS	10.561		State Administrative Matching Grants for Food Stamp Program	8,463,060	3,10	
DLWD	10.561		State Administrative Matching Grants for Food Stamp Program	304,405	3,10	
DEED	10.568	17138	Emergency Food Assistance Program (Administrative Costs)	134,091	10	129,609
DEED	10.574	17400	Team Nutrition Grants	14,377		14,377
ASMI	10.601		Market Access Program	4,672,605		
UofA	10.652		Forestry Research	43,277	3,10	
DCCED	10.664		Cooperative Forestry Assistance	184,387		160,873
DNR	10.664		Cooperative Forestry Assistance	3,089,427	6	15,534
UofA	10.664		Cooperative Forestry Assistance	164,532	3,10	
UofA	10.664		Cooperative Forestry Assistance	72,194		
10.664 Total				3,510,540		176,407

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State Agency	CFDA Number	Grant or Other Identifying Number	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
DCCED	10.665		Schools and Roads - Grants to States	8,738,850	3,10	8,738,850
DOTPF	10.665		Schools and Roads - Grants to States	170,000	3,10	
	10.665 Total			8,908,850		8,738,850
AEA	10.672	05DG1110000204	Rural Development, Forestry, and Communities	8,231		8,231
DCCED	10.672		Rural Development, Forestry, and Communities	199,322		165,408
	10.672 Total			207,553		173,639
DNR	10.676		Forest Legacy	15,059		
DNR	10.677		Forest Land Enhancement Program	315,526	6	15,404
DEC	10.760		Water and Waste Disposal Systems for Rural Communities	9,927,209	3	387,144
DCCED	10.766		Community Facilities Loans and Grants	1,252,227		1,212,769
UofA	10.769		Rural Business Enterprise Grants	46,576		
UofA	10.901		Resource Conservation and Development	22,274	3,10	
DNR	10.905		Plant Materials for Conservation	578,617	6	
ASMI	10.999	Agreement #1	Quality Samples Program (QSP)	29,438		
ASMI	10.999	Agreement #67	Section 108 Program	152,601		
DFG	10.999		Miscellaneous U.S. Forest Service	951,129	6	
DOTPF	10.999	PO 43-0109-3-0356	Acquisition of right of way on section of Coffman Cove Rd costs reimb by USDA AK DOT Pj # 68690	60,106		
UofA	10.999	ADN 1058068	Miscellaneous	481,111	3,10	
UofA	10.999		Miscellaneous	125,826		
	10.999 Total			1,800,211		
DNR	10.L83008		Calendar Year 2003 Fire Suppression	5,702	6	
DNR	10.L83008		Calendar Year 2004 Fire Suppression	253,264	6	
DNR	10.L83008		Calendar Year 2005 USFS Fire Suppression	14,509	6	
DNR	10.L83008		CY 04 Miscellaneous USFS Fire Billings	13,553		
	10.L83008 Total			287,028		
DNR	10.Other		Agricultural Economic Assistance	4,445		
DNR	10.Other	GR39847:43-0120-4-0169	Spot Revegetation(purchase order)	9,530		
	10.Other Total			13,975		
Total U.S. Department of Agriculture				191,383,210		53,571,185
U.S. Department of Commerce						
DPS	11.02 and 03-NMFS-JEA		National Marine Fisheries Joint Enforcement Agreement	1,043,347		
UofA	11.300	F0414	Grants for Public Works and Economic Development Facilities	60,559	10	
UofA	11.303		Economic Development - Technical Assistance	100,194	3,10	
UofA	11.303		Economic Development - Technical Assistance	(4)		
	11.303 Total			100,190		
DCCED	11.307		Economic Adjustment Assistance	60,745	10	624,595
UofA	11.307		Economic Adjustment Assistance	113,810	10	
	11.307 Total			174,555		624,595

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State Agency	CFDA Number	Grant or Other Identifying Number	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
UofA	11.400	H2004-00	Geodetic Surveys and Services (Geodesy and Applications of the National Geodetic Reference System)	49,997		
DFG	11.405		Anadromous Fish Conservation Act Program	326,632	6	
DFG	11.407		Interjurisdictional Fisheries Act of 1986	138,920	6	
DFG	11.417		Sea Grant Support	235,055	6	
UofA	11.417		Sea Grant Support	2,319,199		15,964
		11.417 Total		2,554,254		15,964
DCCED	11.419		Coastal Zone Management Administration Awards	2,424,114	3,6	2,173,030
DMVA	11.419		Coastal Zone Management Administration Awards	29,919	3	6,000
DNR	11.419		Coastal Zone Management Administration Awards	2,972,587	3,6	236,950
		11.419 Total		5,426,620		2,415,980
DFG	11.420		Coastal Zone Management Estuarine Research Reserves	675,874	6	
UofA	11.420		Coastal Zone Management Estuarine Research Reserves	2,989	3,10	
		11.420 Total		678,863		
UofA	11.427		Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	16,323	3,10	
UofA	11.430		Undersea Research	1,753,113	3,10	636,218
UofA	11.432		Office of Oceanic and Atmospheric Research (OAR) Joint and Cooperative Institutes	3,048,015	3,10	397,616
DFG	11.437		Pacific Fisheries Data Program	4,210,628	6	
DCCED	11.438		Pacific Coast Salmon Recovery - Pacific Salmon Treaty Program	4,022,368		2,367,581
DFG	11.438		Pacific Coast Salmon Recovery - Pacific Salmon Treaty Program	17,854,065	4,6	2,172,527
		11.438 Total		21,876,433		4,540,108
DFG	11.439		Marine Mammal Data Program	3,078,694	6	
UofA	11.439	RSA EN 1145095	Marine Mammal Data Program	1,040,674	3,10	
UofA	11.439	AWARD LTR 6/17/03	Marine Mammal Data Program Pass-through Aleutians East Borough	2,037	3,10	
UofA	11.439	SUB. NA16FX2629 #35	Marine Mammal Data Program Pass-through North Pacific Marine Science Foundation	18,048	3,10	
UofA	11.439	R1713-01	Marine Mammal Data Program Pass through Seward Assoc for Advancement of Science	27,276	3,10	
UofA	11.439		Marine Mammal Data Program	82,874		
		11.439 Total		4,249,603		
DCCED	11.452		Unallied Industry Projects	10,041,697		6,406,420
OG	11.452		Unallied Industry Projects	670,034		320,420
		11.452 Total		10,711,731		6,726,840
DEC	11.45ABNA0N0252		Miscellaneous Inspection Service	11,847	6	

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State Agency	CFDA Number	Grant or Other Identifying Number	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
UofA	11.460		Special Oceanic and Atmospheric Projects	290,997	3,10	
UofA	11.460	A 100388	Special Oceanic and Atmospheric Projects Pass-through Woods Hole Oceanographic Institution	29,920	3,10	
11.460 Total				320,917		
DFG	11.463		Habitat Conservation	205,454	6	
DEC	11.469		Congressionally Identified Awards and Projects	200,000		200,000
UofA	11.472	AGRMT 7/9/02; NPRB #39	Unallied Science Program Pass-through North Pacific Research Board	379,783	3,10	
UofA	11.472	R0326	Unallied Science Program	29,663		
11.472 Total				409,446		
DFG	11.473		Coastal Services Center	834,967	6	609,020
UofA	11.473		Coastal Services Center	9,046	3,10	
UofA	11.473	UA/AOOS MOA	Coastal Services Center Pass-through Alaska Ocean Observing System	72,471		
11.473 Total				916,484		609,020
DCCED	11.477		Fisheries Disaster Relief	19,500		19,500
DFG	11.477		Fisheries Disaster Relief	1,019,155	6	
11.477 Total				1,038,655		19,500
UofA	11.478		Center for Sponsored Coastal Ocean Research - Coastal Ocean Program	55,689	3,10	
UofA	11.480		National Ocean Service Intern Program	39,990		
DEC	11.50ABNC100055		Regulatory Oversight, Pribilof Islands, Alaska	27,694	6	
UofA	11.550		Public Telecommunications Facilities Planning and Construction	(68,069)		
UofA	11.552		Technology Opportunities Program	27,305		
DFG	11.999		Miscellaneous NOAA	3,137,403	6	
DOTPF	11.999	Lease of space no Fed Agr	Lease of terminal space and land rental at international airports	41,608		
DOTPF	11.999	Lease of space no Fed Agr	Space leased by National Weather Service at DOTPF facility in Slana and Ernestine	1,480		
UofA	11.999	1145374	Miscellaneous	613,186	3,10	131,897
UofA	11.999		Miscellaneous	152,495		
UofA	11.999	CONTRACT DTD 6/8/04	Miscellaneous Pass-through from ALMA Latin Association of Women in Alaska	15,000		
UofA	11.999	LETTER 11-19-04 CK# 341	Miscellaneous Pass-through from Consortium for Oceanographic Research and Education	14,834		
UofA	11.999	JHT04P1133	Miscellaneous Pass-through from Jardon and Howard Tech., Inc.	58,209	3,10	
UofA	11.999	NA16FX2629-#41A #14	Miscellaneous Pass-through from North Pacific Marine Science Foundation	69,228	3,10	
UofA	11.999	AGREEMENT	Miscellaneous Pass-through from North Pacific Research Board	472,064	3,10	
UofA	11.999	R1991-01	Miscellaneous Pass-through from Seward Assoc for Advancement of Science (SAAMS)	78,941	3,10	
11.999 Total				4,654,448		131,897
DNR	11.Other		Kuroshima Evaluation of Vegetation	3,383	6	
Total U.S. Department of Commerce				64,263,026		16,317,738

STATE OF ALASKA
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State Agency	CFDA Number	Grant or Other Identifying Number	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
U.S. Department of Defense						
UofA	12.002		Procurement Technical Assistance for Business Firms	298,418		
UofA	12.106		Flood Control Projects	949		
DEC	12.113		State Memorandum of Agreement Program for the Reimbursement of Technical Services	1,785,247	6	
UofA	12.114	270 1031743 28459 PO# R	Collaborative Research and Development	13,248		
UofA	12.114	UAF-03-01	Collaborative Research and Development Pass-through Chenega Technology Services Corporation	2,425	3,10	
UofA	12.114	UM02-09-029	Collaborative Research and Development Pass-through University of Mississippi	279,874	3,10	
		12.114 Total		295,547		
UofA	12.300		Basic and Applied Scientific Research	5,613,626	3,10	
UofA	12.300	885010	Basic and Applied Scientific Research Pass-through John Hopkins University	790,337	3,10	
UofA	12.300	INDEX# 332520 PO42668	Basic and Applied Scientific Research Pass-through Wayne State University	124,552	3,10	54,556
UofA	12.300		Basic and Applied Scientific Research	91,686		
		12.300 Total		6,620,201		54,556
AADC	12.400	DAHA51-99-2-3038	Military Construction, National Guard	13,953,602	3	
DMVA	12.400		Military Construction, National Guard	6,178,179	3	
		12.400 Total		20,131,781		
DMVA	12.401		National Guard Military Operations and Maintenance (OandM) Projects	11,373,382	3	
DMVA	12.404		National Guard Civilian Youth Opportunities	2,207,987		
UofA	12.420		Military Medical Research and Development	369,839	3,10	
UofA	12.420		Military Medical Research and Development	48,793		
		12.420 Total		418,632		
UofA	12.431		Basic Scientific Research	29,203		
UofA	12.630		Basic, Applied, and Advanced Research in Science and Engineering	94,170	3,10	
UofA	12.800	PROLOGIC-LAK03-1019	Air Force Defense Research Sciences Program	56,702	3,10	
ARRC	12.999	DTRFDV-02-G-60035	Track Realignment - Elmendorf Air Force Base and Ft. Richardson 2002 (pass-through from FRA)	329,139		
ARRC	12.999	DTRFDV-03-G-60039	Track Realignment – Elmendorf Air Force Base and Ft. Richardson 2003 (pass-through from FRA)	1,883,941		
ARRC	12.999	DTRFDV-04-G-00006	Track Realignment – Elmendorf Air Force Base and Ft. Richardson 2004 (pass-through from FRA)	5,774,751		
DCCED	12.999		Delta Junction Missile Defense Test Bed Facilities Impact	11,879,238	3	11,798,077
DEED	12.999		Troops to Teachers	161,532		
DFG	12.999		Miscellaneous Army	139,136	6	
DMVA	12.999		Various Programs	69,907		
DNR	12.999		Kulak Bay Lease	7,500		
DNR	12.999		Stewart River Revegetation	2,713		
DOTPF	12.999	N6871104MDC4010	Funding from US Navy for Adak Airport Operations	646,024		
UofA	12.999	TRACKING# 14540-05-01	Miscellaneous	1,717,794	3,10	1,207,698

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State Agency	CFDA Number	Grant or Other Identifying Number	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
UofA	12.999	ADN 1155101	Miscellaneous	6,477		
UofA	12.999	885205	Miscellaneous Pass-through from John Hopkins University	1,125,902	3,10	
UofA	12.999	C40628	Miscellaneous Pass-through from New Mexico State University	79,510	3,10	
UofA	12.999	CATT03-UAA-03	Miscellaneous Pass-through from Oklahoma State University	(1,172)		
UofA	12.999	M00010	Miscellaneous Pass-through from Univ. of Michigan	348,130	3,10	
		12.999 Total		24,170,522		13,005,775
DOTPF	12.DACA85-5-69-8		Rental by Dept of Army of space at TSAIA for Air National Guard base and other military uses.	215,876		
DEC	12.DTFAAL-04-X-0000		Clean up contaminated Sites in Alaska	56,226	6	
DOTPF	12.F65501-95C0017		Maintain Galena Airport to USAF Safety Standards	397,932		
DOTPF	12.F65501-96C0006		Maintain King Salmon Airport to USAF Safety Standards	321,298		
AEA	12.unkn	US AIRFORCE MOU	Nikolski Powerhouse Clean-up	1,671,064	3	
DEC	12.USAF	Elmendorf Site cleanup	USAF Elmendorf Site Cleanup	7,802	6	
Total U.S. Department of Defense				70,152,939		13,060,331
U.S. Department of Housing and Urban Development						
AHFC	14.117		Mortgage Insurance - Homes	1,666,197		
AHFC	14.182		Lower Income Housing Assistance Program: Section 8 New Construction/Substantial Rehabilitation	2,268,102	10	
AHFC	14.195		Section 8 Housing Assistance Payments Program - Special Allocations	6,540,115	10	6,555,934
DLWD	14.227		Community Development Block Grants/Technical Assistance Program	6,075		
DCCED	14.228		Community Development Block Grants/State's Program	2,846,280		2,246,166
DCCED	14.231		Emergency Shelter Grants Program	113,791		113,791
AHFC	14.235		Supportive Housing Program	14,107		
AHFC	14.238		Shelter Plus Care	401,714		401,714
AHFC	14.239		HOME Investment Partnerships Program	3,375,620		3,321,035
AHFC	14.241		Housing Opportunities for Persons with AIDS	506,763		496,523
UofA	14.246		Community Development Block Grants / Brownfields Economic Development Initiative	593,328		41,713
AHFC	14.249		Section 8 Moderate Rehabilitation Single Room Occupancy	320,798	10	272,464
UofA	14.515		Alaska Native/Native Hawaiian Institutions Assisting Communities	1,620,490		58,862
AHFC	14.850		Public and Indian Housing	8,165,135		
AHFC	14.870		Resident Opportunity and Supportive Services	51,682		
AHFC	14.871		Section 8 Housing Choice Vouchers	28,873,671	3	
AHFC	14.872		Public Housing Capital Fund	1,840,915		
AHFC	14.901		Healthy Homes Demonstration Grants	225,016		223,903
UofA	14.999		Miscellaneous	19,669		
Total U.S. Department of Housing and Urban Development				59,449,468		13,732,105
U.S. Department of Interior						
UofA	15.034		Agriculture on Indian Lands	13,656	3,10	
UofA	15.034		Agriculture on Indian Lands	2,959		
		15.034 Total		16,615		

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<u>State Agency</u>	<u>CFDA Number</u>	<u>Grant or Other Identifying Number</u>	<u>Federal Program Title</u>	<u>Federal Expenditures</u>	<u>Notes</u>	<u>Provided to Subrecipient</u>
UofA	15.043		Indian Child and Family Education	3,002	3,10	
DNR	15.1422L953A98-0009		Development of an Electronic Access for Digital Mineral and Land Records	5,527		
DFG	15.222		Cooperative Inspection Agreements With States and Tribes	38,637	6	
DNR	15.222		Cooperative Inspection Agreements with States and Tribes	332,250	6	
	15.222 Total			370,887		
DNR	15.224		Cultural Resource Management	1,161,682	6	
UofA	15.224		Cultural Resource Management	(388)	3,10	
UofA	15.224		Cultural Resource Management	35,196		
	15.224 Total			1,196,490		
DCCED	15.226		Payments in Lieu of Taxes	6,146,858		5,819,809
DNR	15.228		National Fire Plan - Wildland Urban Interface Community Fire Assistance	36,236	6	
DNR	15.250		Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	182,418	6	
DNR	15.252		Abandoned Mine Land Reclamation (AMLR) Program	857,682	6	
UofA	15.600		Anadromous Fish Conservation	1,332		
DFG	15.605		Sport Fish Restoration	14,703,171	6,10	419,113
DFG	15.608		Fish and Wildlife Management Assistance	1,107,094	6	
DNR	15.608		Fish and Wildlife Management Assistance	25,000		
UofA	15.608		Fish and Wildlife Management Assistance	39,928	3,10	
	15.608 Total			1,172,022		
DFG	15.611		Wildlife Restoration	9,380,866	6,10	
DFG	15.614		Coastal Wetlands Planning, Protection and Restoration Act	2,267,581	6	
DFG	15.615		Cooperative Endangered Species Conservation Fund	278,430	6	
DFG	15.616		Clean Vessel Act	21,926		29,801
DFG	15.625		Wildlife Conservation and Restoration	249,142	6	
DFG	15.626		Hunter Education and Safety Program	138,779	6	
DFG	15.630		Coastal Program	15,009	6	
UofA	15.630		Coastal Program	56,592	3,10	
	15.630 Total			71,601		
UofA	15.631		Partners for Fish and Wildlife	4,514		
DFG	15.633		Landowner Incentive	59,758		
DFG	15.634		State Wildlife Grants	2,449,148	6	88,216
DFG	15.636		Alaska Subsistence Management	1,389,876	6	
DNR	15.701813M757		Togiak Refuge Maps	5,299		
DNR	15.7018M176		Comprehensive Conservation Plans	11,163		
UofA	15.805		Assistance to State Water Resources Research Institutes	80,853	3,10	
UofA	15.807		Earthquake Hazards Reduction Program	554,145	3,10	
DNR	15.808		U.S. Geological Survey - Research and Data Collection	1,605,961	6	

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State Agency	CFDA Number	Grant or Other Identifying Number	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
UofA	15.808	ADN # 1056014	U.S. Geological Survey - Research and Data Collection	3,808,047	3,10	
UofA	15.808	AV04-AK01	U.S. Geological Survey - Research and Data Collection Pass-through America View, Inc	108,829	3,10	
15.808 Total				5,522,837		
DNR	15.810		National Cooperative Geologic Mapping Program	553,106	6	
UofA	15.812		Cooperative Research Units Program	206,120	3,10	
UofA	15.900		Disposal of Surplus Wildlife	94,044	3,10	
UofA	15.900		Disposal of Surplus Wildlife	7,329		
DNR	15.904		Historic Preservation Fund Grants-In-Aid	807,192	6	62,216
DNR	15.916		Outdoor Recreation - Acquisition, Development and Planning	382,744	6	30,957
DNR	15.9911040018		NPS Planning Assistance	9,186	6	
ARRC	15.999	H.R. 4578	U.S. Department of Interior	181,894		
DFG	15.999		Miscellaneous Bureau of Indian Affairs	40,000	6	
DFG	15.999		Miscellaneous Bureau of Land Management	384,902	6	
DFG	15.999		Miscellaneous National Park Service	266,976	6	
DFG	15.999		Miscellaneous U.S. Fish and Wildlife Service	1,965,242	6	
DOTPF	15.999		Bridge Design - Selected Alaska Communities AK DOT Pj#74975	11,074		
UofA	15.999		Miscellaneous	2,418,843	3,10	
UofA	15.999		Miscellaneous	1,318,871		18,009
UofA	15.999	MEMORANDUM OF AGREEMENT	Miscellaneous Pass-through from Association of Village Council Presidents	46,929		
UofA	15.999	AC-279	Miscellaneous Pass-through from Bering Sea Fisherman's Association	14,437	3,10	
UofA	15.999	AGRMT 1-1-04	Miscellaneous Pass-through from C and C Technologies	49,097	3,10	
UofA	15.999	2326-04-UAA-001	Miscellaneous Pass-through from Chenega Technology Services Corporation	3,438	3,10	
UofA	15.999	02TO85279 01100B	Miscellaneous Pass-through from MBC Applied Environmental Sciences	2,452		
UofA	15.999	2003-0029-011	Miscellaneous Pass-through from National Fish and Wildlife Foundation	15,130	3,10	
UofA	15.999	AGRMT 7/9/02	Miscellaneous Pass-through from Seward Assoc for Advancement of Science (SAAMS)	(4,810)	3,10	
15.999 Total				6,714,475		18,009
DNR	15.AAI	0203ML1302	Wickersham House	19,000		
DNR	15.AAN	H9915040004	NPS Fire Program Analysis	1,187		
DNR	15.CA-02-02-06		Independence Mine	444,606		
DNR	15.CA9910-8-0050/99-01		Denali National Park Interpretative Services	5,000		
DNR	15.DDD	LAA-02-0005	Cadastral Project	186,117	6	
UofA	15.DDD		AK Resource Library Info Svc ARLIS	90,128		
15.DDD Total				276,245		
ARRC	15.FFA	DCN 70181-3-G236	U.S. Department of Fish and Wildlife Services	170,127		
DNR	15.H9910030005		Stampede Road Alignment	34,779		

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DNR	15.LAA040005		Calendar Year 2004 Fire Suppression	6,428,658	3	
DNR	15.LAA040005		Calendar Year 2005 BLM Fire Suppression	2,133,996	3	
15.LAA040005 Total				8,562,654		
DNR	15.Other		CY04 Miscellaneous USFWS Fire Billings	6,446		
DNR	15.Other P9911050003		NPS Anilca Assistance	26,665	6	
DNR	15.Other		Onshore Compliance	162,404	6	
DNR	15.Other H9837041015		South Denali Implementation	84,515		
DNR	15.Other		South Denali Recon Survey	8,215		
DNR	15.Other 0204CA25505		Survey GIS Coverage	14,195		
DNR	15.Other		Toklat/Eielson Survey	6,095		
15.Other Total				308,535		
Total U.S. Department of Interior				65,774,487		6,468,121
U.S. Department of Justice						
DPS	16.04-02 and CY05		Marijuana Eradication	97,934		
DHSS	16.202		Offender Reentry Program	424,422		80,000
DHSS	16.523		Juvenile Accountability Incentive Block Grants	431,108		
DPS	16.527		Supervised Visitation, Safe Havens for Children	162,111		152,840
COURT	16.540		Juvenile Justice and Delinquency Prevention - Allocation to States	9,130		
COURT	16.540	2003-MU-FX-K009	Juvenile Justice and Delinquency Prevention - Allocation to States	8,500		
DHSS	16.540		Juvenile Justice and Delinquency Prevention - Allocation to States	1,006,268		122,519
16.540 Total				1,023,898		122,519
DHSS	16.541		Developing, Testing and Demonstrating Promising New Programs	315,102		169,891
DOA	16.541	OPA	Developing, Testing and Demonstrating Promising New Programs	50,000		
16.541 Total				365,102		169,891
DHSS	16.548		Title V - Delinquency Prevention Program	74,862		68,586
DHSS	16.549		Part E - State Challenge Activities	150,838		
UofA	16.550		State Justice Statistics Program for Statistical Analysis Centers	56,943	3,10	
DPS	16.554		National Criminal History Improvement Program (NCHIP)	1,145,140		
DPS	16.560		National Institute of Justice Research, Evaluation, and Development Project Grants	29,805		
DPS	16.560		National Institute of Justice Research, Evaluation, and Development Project Grants	118,277		
DPS	16.560		National Institute of Justice Research, Evaluation, and Development Project Grants	2,202,663		
UofA	16.560		National Institute of Justice Research, Evaluation, and Development Project Grants	102,845	3,10	
16.560 Total				2,453,590		

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<u>State Agency</u>	<u>CFDA Number</u>	<u>Grant or Other Identifying Number</u>	<u>Federal Program Title</u>	<u>Federal Expenditures</u>	<u>Notes</u>	<u>Provided to Subrecipient</u>
DPS	16.564		Crime Laboratory Improvement - Combined Offender DNA Index System Backlog Reduction	215,599		
DPS	16.575		Crime Victim Assistance	1,659,731		1,597,163
DOA	16.576	VCCB	Crime Victim Compensation	409,379		
DPS	16.579		Byrne Formula Grant Program	2,240,862		412,313
LAW	16.579	2002GPCX0190	Byrne Formula Grant Program	100,528		
		16.579 Total		2,341,390		412,313
DPS	16.580		Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	1,781,648		
DPS	16.580		Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	1,524,791		
		16.580 Total		3,306,439		
DOTPF	16.585		Drug Court Discretionary Grant Program	25,579		
DPS	16.588		Violence Against Women Formula Grants	735,405		315,064
DPS	16.589		Rural Domestic Violence and Child Victimization Enforcement Grant Program	23,621		
COURT	16.590	2002-WE-BX-0025	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	156,156		
COURT	16.590	2004-WE-AX-0013	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	66,086		
DPS	16.590		Grants to Encourage Arrest Policies and Enforcement of Protection Orders	149,002		
		16.590 Total		371,244		
DPS	16.592		Local Law Enforcement Block Grants Program	157,332		
DPS	16.593		Residential Substance Abuse Treatment for State Prisoners	541,521		
UofA	16.595	SUBCONTRACT 2001-WS	Community Capacity Development Office	1,123	3,10	
DPS	16.609		Community Prosecution and Project Safe Neighborhoods	87,410		28,356
UofA	16.609		Community Prosecution and Project Safe Neighborhoods	36,188	3,10	
		16.609 Total		123,598		28,356
DOA	16.710	ETS	Public Safety Partnership and Community Policing Grants	1,866,486		
DPS	16.710		Public Safety Partnership and Community Policing Grants	2,946,976		455,307
		16.710 Total		4,813,462		455,307
DHSS	16.727		Enforcing Underage Drinking Laws Program	540,499		
DOC	16.999	2002-RG-CX-0012	Offender Tracking System	369,591		
DOC	16.999	2002-RE-CX-0014	Serious and Violent Offender Reentry Initiative	251,264		

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State Agency	CFDA Number	Grant or Other Identifying Number	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
UofA	16.999		Miscellaneous	18,208	3,10	
UofA	16.999		Miscellaneous	22,514		
16.999 Total				661,577		
DMVA	16.A98-229-CV		Counterdrug Support Program-Asset Forfeiture	37,368		
COURT	16.SJI-03-N-007		The Solutions Project	11,419		
COURT	16.SJI-04-T-040		Technical Assistance to Improve Public Access to Court Records	15,273		
COURT	16.SJI-04-T-119		Technical Assistance for Language Interpreter Development	5,935		
Total U.S. Department of Justice				22,383,442		3,402,039
U.S. Department of Labor						
DLWD	17.002		Labor Force Statistics	852,917		
DLWD	17.005		Compensation and Working Conditions	91,123		
DLWD	17.203		Labor Certification for Alien Workers	65,081		
DLWD	17.207		Employment Service	8,407,269	10	
DLWD	17.225		Unemployment Insurance	175,507,895	3,11	
DLWD	17.235		Senior Community Service Employment Program	1,762,168		1,334,340
DLWD	17.245		Trade Adjustment Assistance - Workers	695,645		
DEED	17.249	17205	School to Work	13,414		13,414
DLWD	17.258		WIA Adult Program	3,475,787	10	129,764
DLWD	17.259		WIA Youth Activities	3,649,651	10	1,967,014
DLWD	17.260		WIA Dislocated Workers	10,192,891	10	1,306,141
UofA	17.260	EN 750000	WIA Dislocated Workers	267	10	
17.260 Total				10,193,158		1,306,141
DLWD	17.503		Occupational Safety and Health - State Program	1,311,806		
DLWD	17.504		Consultation Agreements	593,098		
UofA	17.600		Mine Health and Safety Grants	23,881	3,10	
DLWD	17.720		Disability Employment Policy Development	1,541,362		193,156
DLWD	17.801		Disabled Veterans' Outreach Program (DVOP)	267,835	10	
DLWD	17.804		Local Veterans' Employment Representative Program	282,162	10	
DLWD	17.807		Transition Assistance Program	30,850		
Total U.S. Department of Labor				208,765,102		4,943,829
U.S. Department of State						
UofA	19.999		Miscellaneous	22,821		
DHSS	19.S-LMAQM-01-M4627		Arctic Human Health and Environmental Contaminants	(3,618)		
Total U.S. Department of State				19,203		
U.S. Department of Transportation						
DOTPF	20.106		Airport Improvement Program	141,936,450	19	
UofA	20.108		Aviation Research Grants	163,897		
UofA	20.108	01-C-GA-ERAU AMEND#5	Aviation Research Grants Pass-through Embry-Riddle Aeronautical University	2,199		
20.108 Total				166,096		

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DCCED	20.205		Highway Planning and Construction	(15,000)		
DOTPF	20.205		Highway Planning and Construction	319,529,835	10,19	3,826,686
	20.205 Total			319,514,835		3,826,686
UofA	20.215	P502251 MOD # 2	Highway Training and Education	40,736		
DOA	20.217	DMV	Motor Carrier Safety	217,060		
DOTPF	20.218		National Motor Carrier Safety	1,139,773		
DNR	20.219		Recreational Trails Program	338,560		128,613
ARRC	20.420	DTSA20-03-G-01069	U.S. Department of Homeland Security	353,658		
ARRC	20.500		Federal Transit - Capital Investment Grants	21,542,582	3,10	
DOTPF	20.500		Federal Transit - Capital Investment Grants	12,785,488	10	
	20.500 Total			34,328,070		
DOTPF	20.505		Federal Transit - Metropolitan Planning Grants	292,483		255,230
ARRC	20.507		Federal Transit - Formula Grants	4,593,895	3,10	
DOTPF	20.509		Formula Grants for Other Than Urbanized Areas	4,804,696		658,515
DOTPF	20.513		Capital Assistance Program for Elderly Persons and Persons with Disabilities	379,002		351,300
DOTPF	20.515		State Planning and Research	78,381		47,732
DOTPF	20.516		Job Access - Reverse Commute	9,767		9,767
COURT	20.600		State and Community Highway Safety	28,352	10	
COURT	20.600		State and Community Highway Safety	12,954	10	
DOTPF	20.600		State and Community Highway Safety	199,306	10	86,750
	20.600 Total			240,612		86,750
DOTPF	20.601		Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	1,543,719	10	624,425
DOTPF	20.602		Occupant Protection	566,327	10	314,451
DOTPF	20.603		Federal Highway Safety Data Improvements Incentive Grants	347,657	10	9,444
DOTPF	20.604		Safety Incentive Grants for Use of Seatbelts	92,550	10	75,771
DOTPF	20.605		Safety Incentives to Prevent Operation of Motor Vehicles By Intoxicated Persons	681,818	10	310,436
DMVA	20.703		Interagency Hazardous Materials Public Sector Training and Planning Grants	91,889		25,000
ARRC	20.999	DTFRDV53-04-G-00007	Anchorage C Street Grade Crossing – 2004	149		
ARRC	20.999	DTFRDV-99-G-60005	Anchorage International Airport Rail Passenger Station - 1999	372,263		
ARRC	20.999	DTFRDV-03-G-60016	Grade Crossing Safety Improvements and Noise Reduction - 2003	158,075		
ARRC	20.999	DTFRDV-99-G-60004	Positive Train Control – 1999	555,280		
ARRC	20.999	DTFRDV-00-G-60028	Positive Train Control – 2000	2,252,513		
ARRC	20.999	DTFRDV-02-G-60032	Rail Safety and Infrastructure Improvements – 2002	1,048,992		
ARRC	20.999	DTFRDV-03-G-60040	Rail Safety and Infrastructure Improvements – 2003	7,232,696		
ARRC	20.999	DTFRDV-04-G-00005	Rail Safety and Infrastructure Improvements – 2004	14,234,645		
ARRC	20.999	DTFRDV-05-G-00007	Rail Safety and Infrastructure Improvements – 2005	357,526		
ARRC	20.999	DTFRDV-03-G-60015	Seward Loading Facility - 2003	497,113		
ARRC	20.999	DTFR53-04-H-00005	Track Integrity System – 2004	15,198		

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Agency	Number	Identifying Number	Federal Program Title	Expenditures		Subrecipient
ARRC	20.999	DTFRDV-01-G-60030	Track Rehab, Siding Access Improvements and Track Relocation - 2001	474,442		
DOTPF	20.999	Lease of space no Fed Agr	Rental by FAA of terminal space at FIA.	26,755		
UofA	20.999	PROJECT 210672	Miscellaneous Pass-through from Construction Technology Labs	24,775	3,10	
UofA	20.999	01-C-GA-ERAU-02	Miscellaneous Pass-through from Embry-Riddle Aeronautical University	(122)		
20.999 Total				27,250,300		
DOTPF	20.DTFA-03-X-02057		Rural Airport Lighting install at various airports. Pj#57794	688,460		
DOTPF	20.DTFA04-00-L-42873		Rental by FAA of terminal space at TSAIA.	25,336		
DOTPF	20.DTFA04-81-F-81018		Pay Half of Electric Billed Through Shared Meter at Kodiak Airport	11,492		
DOTPF	20.DTFA04-92-89229		Prorated Share of Utilities and Repair/maintenance Cost FAA ARFF Deadhorse Combined Facility	42,168		
DOTPF	20.DTFA04-92-L-89210		Rental by FAA of terminal space at FIA.	225,844		
DOTPF	20.DTFA04-99-1-17624		Rental by FAA land space at TSAIA.	9,713		
DOTPF	20.DTFA-04-A-00003		FAA agreement for installation of lighting at Chenega airport. Pj#57884	66,894		
DOTPF	20.DTFA-AAL03P-45013		FAA agreement to install Precision Approach Path Indicator (PAPI) and Runway End Identifier Lights (REIL) at various airports. Pj#62315	222,887		
DOTPF	20.DTFAWA-02-X-44090		Runway End Identifier Lighting (REIL) at various airports. Pj#62462	105,824		
DOTPF	20.DTFAWA-03-X-02009		FAA agreement to install Precision Approach Path Indicator (PAPI) and Runway End Identifier Lights (REIL) at various airports. Various Pj#s	745,656		
DOTPF	20.00-AK PFH 44-1(1) and AK PFH		Projects contracted by Western Federal Public Lands Division. Pj#68096 and 67667	383,068		
Total U.S. Department of Transportation				541,535,676		2,768,821
U.S. Department of Treasury						
ARRC	21.999	None	Taxpayer Relief Act of 1997 Amtrak Congressional Appropriation	2,638,106		
DCCED	21.999		Jobs and Growth Tax Relief Reconciliation Act of 2002	1,327,000		127,000
DEED	21.999		Jobs and Growth Tax Relief Reconciliation Act of 2002	3,997,463		
DNR	21.999		Jobs and Growth Tax Relief Reconciliation Act of 2002	222,183		
DOA	21.999	APOC	Electronic Filing of Public Official and Legislative Financial Disclosure	98,821		
DOA	21.999	LR	Labor Contract Negotiations and Arbitration Costs	68,096		
DPS	21.999		Jobs and Growth Tax Relief Reconciliation Act of 2002	879,204		
21.999 Total				9,230,873		127,000
Total U.S. Department of Treasury				9,230,873		127,000
U.S. Department of Equal Employment Opportunity Commission						
OG	30.002		Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	59,493		
Total U.S. Department of Equal Employment Opportunity Commission				59,493		

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U.S. General Service Agency						
DOA	39.003	GS	Donation of Federal Surplus Personal Property	1,080,900	14	
UofA	39.009		Federal Citizen Information Center	13,409,280	3,10	
UofA	39.009		Federal Citizen Information Center	288,375		139,012
	39.009 Total			13,697,655		139,012
OG	39.011		Election Reform Payments	263,392		
UofA	39.999		Miscellaneous	1,985		
	Total U.S. General Service Agency			15,043,932		139,012
National Aeronautics and Space Administration						
UofA	43.001		Aerospace Education Services Program	903,925	3,10	84,729
UofA	43.001	SUBCONTRACT NO. 99-1:	Aerospace Education Services Program Pass-through Arizona State University	(9,725)	3,10	
UofA	43.001	478959	Aerospace Education Services Program Pass-through University of Washington	23,208	3,10	
	43.001 Total			917,408		84,729
DMVA	43.002		Technology Transfer	2,633,728		
UofA	43.999	RSA EN 1026006	Miscellaneous	10,598,916	3,10	138,592
UofA	43.999	SUBC #03-12	Miscellaneous Pass-through from Hampton University	112,449	3,10	
UofA	43.999	LT-04-1054	Miscellaneous Pass-through from Lightning Technologies, Inc.	29,993	3,10	
UofA	43.999	04CK65A-002	Miscellaneous Pass-through from SETI Institute	20,001	3,10	
UofA	43.999	0965 G FB372	Miscellaneous Pass-through from University of California, Los Angeles	1,251	3,10	
UofA	43.999	PO 3012590 PRIME NAG1	Miscellaneous Pass-through from University of Massachusetts, Dartmouth	377,194	3,10	
UofA	43.999	PG-6617-03	Miscellaneous Pass-through from University of Montana	25,655		
UofA	43.999	402256	Miscellaneous Pass-through from University of Pittsburgh	7,394	3,10	
	43.999 Total			11,172,853		138,592
DNR	43.NAG1301010		Remote Sensing	393,880		34,306
DNR	43.NAG1301011		Remote Sensing	63,137		
	Total National Aeronautics and Space Administration			15,181,006		257,627
National Foundation on the Arts and the Humanities						
UofA	45.004		Promotion of the Arts-Literature	(4,233)		
DEED	45.025	17335	Promotion of the Arts - Partnership Agreements	539,740		297,562
UofA	45.027		Promotion of the Arts - Grants to Organizations and Individuals	60,504		
UofA	45.129	GRANT 17-02	Promotion of the Humanities - Federal/State Partnership Pass-through Alaska Humanities Forum	(172)	3,10	
UofA	45.129	GRANT 17-02	Promotion of the Humanities - Federal/State Partnership Pass-through Alaska Humanities Forum	2,434		
	45.129 Total			2,262		

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DEED	45.149	17110	Promotion of the Humanities - Division of Preservation and Access	625		
UofA	45.149		Promotion of the Humanities - Division of Preservation and Access	126,769		
45.149 Total				127,394		
UofA	45.301		Museum for America Grants	96,585		
DEED	45.310	17336	State Library Program	785,345		754,565
UofA	45.999		Miscellaneous	17,739		
UofA	45.999	AGREEMENT DTD 5/2004	Miscellaneous Pass-through from Alaska Humanities Forum	42,539	3,10	
45.999 Total				60,278		
Total National Foundation on the Arts and the Humanities				1,667,875		1,052,127
National Science Foundation						
UofA	47.041		Engineering Grants	345,898	3,10	38,012
UofA	47.041		Engineering Grants	240,860		
47.041 Total				586,758		38,012
UofA	47.049		Mathematical and Physical Sciences	242,274	3,10	
UofA	47.049	SUBAWARD NO. 30891-A	Mathematical and Physical Sciences Pass-through Stanford University	5,987	3,10	
47.049 Total				248,261		
UofA	47.050	SUBCONTRACT PG-5616	Geosciences Pass-through University of Montana	15,211	3,10	
UofA	47.050	#892069	Geosciences Pass-through University of Washington	4,396	3,10	
UofA	47.050	SUBCONTRACT C029979	Geosciences Pass-through Utah State University	15,116	3,10	
UofA	47.050		Geosciences	3,711,197	3,10	
UofA	47.050	MBL SUBCONTRACT #10	Geosciences Pass-through Marine Biological Laboratory	23,602	3,10	
UofA	47.050	PO# 0313498	Geosciences - Pass-through Monterey Bay Aquarium Research Inst	29,148	3,10	
UofA	47.050	53-000045	Geosciences Pass-through SRI Int'l	16,734	3,10	
UofA	47.050	S02-39004	Geosciences Pass-through UCAR Office Programs	13,171	3,10	
UofA	47.050	SUBAWARD EAR-031854	Geosciences Pass-through UNAVCO, Inc	12,033	3,10	
UofA	47.050	UNR-02-72 P.O.12GC000C	Geosciences Pass-through University of Nevada, Reno	62,541	3,10	
UofA	47.050	AGRMT #010429-1	Geosciences University of Pittsburgh	471	3,10	
UofA	47.050		Geosciences	157,119		
47.050 Total				4,060,739		
UofA	47.070	EDUCAUSE AGREEMENT	Computer and Information Science and Engineering Pass-through EDUCAUSE	58,080		34,948
UofA	47.070		Computer and Information Science and Engineering	525,962	3,10	
UofA	47.070		Computer and Information Science and Engineering	101,500		
47.070 Total				685,542		34,948
UofA	47.074		Biological Sciences	2,007,548	3,10	82,814
UofA	47.074	99221642	Biological Sciences Pass-through Marine Biological Laboratory	18,934	3,10	
UofA	47.074	527144-01	Biological Sciences Pass-through Stevens Institute of Technology	26,680	3,10	

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UofA	47.074	UF02018	Biological Sciences Pass-through University of Florida	598	3,10	
UofA	47.074		Biological Sciences	77,366		
		47.074 Total		2,131,126		82,814
UofA	47.075		Social, Behavioral, and Economic Sciences	72,462	3,10	
DNR	47.076		Education and Human Resources	52,112	6	
UofA	47.076	40257-00-01N	Education and Human Resources Pass-through Northeastern Illinois University	4,329		
UofA	47.076		Education and Human Resources	3,665,576	3,10	236,499
UofA	47.076	LETTER 2/28/02 - MOD6/0	Education and Human Resources Pass-through Alaska Federation of Natives, Inc	442,299	3,10	
UofA	47.076		Education and Human Resources	2,029,347		
		47.076 Total		6,193,663		236,499
UofA	47.078	WIRE 03/23/05	Polar Programs	10,500,577	3,10	
UofA	47.078	ARCUS CONTRACT8.26.0	Polar Programs Pass-through Arctic Research Consortium of the U.S. (ARCUS)	44,044	3,10	
UofA	47.078	03-2214	Polar Programs Pass-through Idaho State University	34,653	3,10	
UofA	47.078	3872	Polar Programs Pass-through University of Delaware	24,309	3,10	
UofA	47.078	250234	Polar Programs Pass-through University of Washington	3,532	3,10	
UofA	47.078	A100253 MOD 2	Polar Programs Pass-through Woods Hole Oceanographic Institution	24,568	3,10	
UofA	47.078	CONTRACT 7/29/03	Polar Programs Pass-through Arctic Research Consortium of the U.S. (ARCUS)	3,666		
UofA	47.078		Polar Programs	1,564,951		808,485
		47.078 Total		12,200,300		808,485
UofA	47.999		Miscellaneous	1,276,904	3,10	
UofA	47.999		Miscellaneous	85,491		
UofA	47.999	AGREEMENT 7/1/02	Miscellaneous Pass-through from Alaska Federation of Natives Inc.	(134)		
UofA	47.999	MOA 3-10-05	Miscellaneous Pass-through from Bristol Bay Native Assoc.	48,379		
UofA	47.999	JSA 5-09	Miscellaneous Pass-through from Joint Oceanographic Institutes, Inc.	1,107	3,10	
UofA	47.999	JSA 5-05	Miscellaneous Pass-through from Joint Oceanographic Institutes, Inc.	6,454		
UofA	47.999	AGREEMENT AVDONIN 2	Miscellaneous Pass-through from National Academy of Sciences	4,464		
UofA	47.999	UTA04-171	Miscellaneous Pass-through from The University of Texas at Austin	41,225	3,10	
		47.999 Total		1,463,890		
		Total National Science Foundation		27,642,741		1,200,758
		Small Business Administration				
UofA	59.007		7(j) Technical Assistance	55,180		
UofA	59.037		Small Business Development Center	447,654		
		Total Small Business Administration		502,834		

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U.S. Department of Veterans' Affairs						
AHFC	64.114		Veterans Housing - Guaranteed and Insured Loans	703,244		
ASLC	64.V101(223b)-P4401		Veteran's Administration Contract	18,648	24	
Total U.S. Department of Veterans' Affairs				721,892		
U.S. Environmental Protection Agency						
DEC	66.001		Air Pollution Control Program Support	79,221		
DHSS	66.032		State Indoor Radon Grants	60,983		
DEC	66.034		Surveys Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act.	332,406	6	
DEC	66.419		Water Pollution Control State and Interstate Program Support	52,589		
DEC	66.424		Surveys, Studies, Demonstrations and Special Purpose Grants - Section 1442 of the Safe Drinking Water Act	56,300		
DEC	66.432		State Public Water System Supervision	2,281,520	6	
DOA	66.433	AOGCC	State Underground Water Source Protection	126,000		
DEC	66.436		Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act	193,613		
DEC	66.454		Water Quality Management Planning	112,436	6	
DEC	66.458		Capitalization Grants for Clean Water State Revolving Funds	12,280,411	3,6,17	12,019,369
DFG	66.461		Regional Wetland Program Development Grants	44,969	6	
DEC	66.463		Water Quality Cooperative Agreements	162,318		
DEC	66.467		Wastewater Operator Training Grant Program (Technical Assistance)	21,306	6	
DEC	66.468		Capitalization Grants for Drinking Water State Revolving Fund	7,050,238	3,6,18	6,261,244
UofA	66.468		Capitalization Grants for Drinking Water State Revolving Funds	1,515		
66.468 Total				7,051,753		6,261,244
DEC	66.471		State Grants to Reimburse Operators of Small Water for Training and Certification Costs	93,943	6	
DEC	66.472		Beach Monitoring and Notification Program Implementation Grants	50,672	6	
DEC	66.474		Water Protection Grants to the States	89,728	6	
DEC	66.500		Environmental Protection - Comprehensive Research	33,543	6	
UofA	66.500		Environmental Protection - Comprehensive Research	61,808	3,10	
UofA	66.500	G-5817-3	Environmental Protection - Comprehensive Research Pass-through from Colorado State University	23,785	3,10	
66.500 Total				119,136		
DEC	66.511		Office of Research and Development, Consolidated Research/Training	187,266	6	
DEC	66.605		Performance Partnership Grants	6,399,434	6	367,577
DCCED	66.606		Surveys, Studies, Investigations and Special Purpose Grants	917,671	3	

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DEC	66.606		Surveys, Studies, Investigations and Special Purpose Grants	28,794,878	3,6	4,958,411
UofA	66.606	EN 1840503	Surveys, Studies, Investigations and Special Purpose Grants	46,507	3,10	
UofA	66.606		Surveys, Studies, Investigations and Special Purpose Grants	427,646		46,507
UofA	66.606	CONTRACT S00005568 P	Surveys, Studies, Investigations and Special Purpose Grants Pass-through Fairbanks North Star Borough	39,782	3,10	
66.606 Total				30,226,484		5,004,918
DEC	66.608		Environmental Information Exchange network Grant Program and Related Assistance	268,975		
UofA	66.708		Pollution Prevention Grants Program	41,591	3,10	37,677
DEC	66.804		State and Tribal Underground Storage Tanks Program	192,526	6	
DEC	66.805		Leaking Underground Storage Tank Trust Fund Program	477,735	6	
DEC	66.809		Superfund State and Indian Tribe Core Program Cooperative Agreements	213,088	6	
DEC	66.817		State and Tribal Response Program Grants	474,030	6	
UofA	66.951		Environmental Education Grants	9,115	3,10	
UofA	66.999		Miscellaneous	62,571		15,000
DEC	66.LUST	Trust Cost Recovery	LUST Trust Cost Recovery	45,385	6	
Total U.S. Environmental Protection Agency				61,807,504		23,705,785
U.S. Department of Energy						
AHFC	81.041		State Energy Program	330,622		
AHFC	81.042		Weatherization Assistance for Low-Income Persons	1,572,759		1,398,849
UofA	81.049		Office of Science Financial Assistance Program	68,306	3,10	
UofA	81.049	DOELOC2284::2285AKUN	Office of Science Financial Assistance Program Pass-through University of Wyoming	42,201	3,10	
81.049 Total				110,507		
AEA	81.079	VARIOUS	Regional Biomass Energy Programs	68,080		8,231
AEA	81.087	VARIOUS	Renewable Energy Research and Development	1,923,950	3	1,922,520
DNR	81.089		Fossil Energy Research and Development	471,838	6	
UofA	81.089		Fossil Energy Research and Development	82,736	3,10	
UofA	81.089	17839	Fossil Energy Research and Development Pass-through Sandia National Laboratories	147,228	3,10	42,819
81.089 Total				701,802		42,819
UofA	81.104	SUB1 UCD-W/GEC 03-019	Office of Environmental Cleanup and Acceleration	30,594	3,10	
UofA	81.113	CONTRACT 409909-A-R8	Defense Nuclear Nonproliferation Research	(2,574)		
UofA	81.113	UM03-02-074	Defense Nuclear Nonproliferation Research Pass-through University of Mississippi	232,383	3,10	
UofA	81.113	SUBC GI04-88	Defense Nuclear Nonproliferation Research Pass-through Weston Geophysical Corporation	1,086	3,10	
81.113 Total				230,895		

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AHFC	81.117		Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	17,490		17,251
AHFC	81.119		State Energy Program Special Projects	101,265		101,265
UofA	81.999		Miscellaneous	2,947,333	3,10	294,360
UofA	81.999		Miscellaneous	5,623		
UofA	81.999	DE-FC02-02EH02039	AME Miscellaneous Pass-through from Alaska State Dist. Council of Laborers	41,695	3,10	
UofA	81.999	NO. 9064	Miscellaneous Pass-through from Battelle Pacific Northwest Lab	82,705	3,10	
UofA	81.999	G-3928-1 SUBAWARD	AM Miscellaneous Pass-through from Colorado State University	20,509	3,10	
UofA	81.999	60-4005	Miscellaneous Pass-through from Inland Northwest Research Alliance	196,185		
UofA	81.999	CRESP II	Miscellaneous Pass-through from Institute for Responsible Management, Inc.	204,876	3,10	
UofA	81.999	65520-001-03 97	Miscellaneous Pass-through from University of California	62,998	3,10	
UofA	81.999	AGREEMENT 234041A	Miscellaneous Pass-through from University of Oregon	71,305	3,10	
81.999 Total				3,633,229		294,360
DEC	81.DE-FC03-02EH02039		Amchitka Medical Screening Program	396,950	6	
DEC	81.DE-FG08-99NV13763		Amchitka Oversight/NEWNET	55,932	6	
AEA	81.unkn	Doc #271744	Sandia National Lab Grant	27,988		27,988
Total U.S. Department of Energy				9,202,063		3,813,283
U.S. Department of Education						
DLWD	84.002		Adult Education - State Grant Program	1,129,489		763,170
UofA	84.007		Federal Supplemental Educational Opportunity Grants	250,942	10	
UofA	84.007		Federal Supplemental Educational Opportunity Grants	250,843	10	
84.007 Total				501,785		
DEED	84.010	17126	Title I Grants to Local Educational Agencies	33,963,202	3	33,603,613
DEED	84.011	17127	Migrant Education - State Grant Program	7,549,583		6,605,720
DEED	84.013	17129	Title I Program for Neglected and Delinquent Children	301,453		298,554
UofA	84.016		Undergraduate International Studies and Foreign Language Programs	54,778		
UofA	84.024		Early Education for Children with Disabilities	(9,630)		
DEED	84.027	17232	Special Education - Grants to States	31,782,754	3,10	29,686,436
UofA	84.031		Higher Education - Institutional Aid	4,797,237		
ASLC	84.032		Federal Family Education Loans	2,642,063	3,10,21	
UofA	84.032		Federal Family Education Loans	36,909,461	10	
84.032 Total				39,551,524		
UofA	84.033		Federal Work - Study Program	634,287	10	
DEED	84.041	17238	Impact Aid	32,993,477	3	
UofA	84.042		TRIO - Student Support Services	207,834	10	
UofA	84.044		TRIO - Talent Search	975,995	10	83,852
UofA	84.047		TRIO - Upward Bound	1,319,101	10	90,160

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DEED	84.048	17244	Vocational Education - Basic Grants to States	3,932,802		3,249,191
DLWD	84.063		Federal Pell Grant Program	222,968	10	
UofA	84.063		Federal Pell Grant Program	9,037,075	10	
		84.063 Total		9,260,043		
UofA	84.066		TRIO - Educational Opportunity Centers	543,535	10	
DEED	84.116	17351	Fund for the Improvement of Postsecondary Education	72,168		
UofA	84.116		Fund for the Improvement of Postsecondary Education	881,509		75,067
		84.116 Total		953,677		75,067
DLWD	84.126		Rehabilitation Services - Vocational Rehabilitation Grants to States	8,542,480		114,842
DEED	84.161	17152	Rehabilitation Services - Client Assistance Program	24,347		
DLWD	84.169		Independent Living - State Grants	310,415		310,826
DEED	84.173	17242	Special Education - Preschool Grants	1,358,042	3,10	1,097,676
DLWD	84.177		Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	215,712		215,216
DHSS	84.181		Special Education - Grants for Infants and Families with Disabilities	2,244,067		1,818,410
DEED	84.184	17220	Safe and Drug-Free Schools and Communities - National	307,709		
DEED	84.185	17254	Byrd Honors Scholarships	118,500		103,500
DEED	84.186	17255	Safe and Drug-Free Schools and Communities - State Grants	2,103,782		1,890,981
DLWD	84.187		Supported Employment Services for Individuals with Severe Disabilities	355,363		
UofA	84.195		Bilingual Education - Professional Development	268,032		45,438
DEED	84.196	17257	Education for Homeless Children and Youth	163,592		79,478
DOC	84.203	R203F990010-01	Star Schools	374		
DEED	84.213	17264	Even Start - State Educational Agencies	1,147,257		1,101,750
DEED	84.215	17231	Fund for the Improvement of Education	3,733,134		
UofA	84.215	PO 4P15661	Fund for the Improvement of Education Pass-through Anchorage School District	2,500		366,947
UofA	84.215	RSA EN# 0550625	Fund for the Improvement of Education	2,129,632		
		84.215 Total		5,865,266		366,947
DLWD	84.224		Assistive Technology	356,065		197,851
DEED	84.243	17246	Tech-Prep Education	99,375		79,360
DLWD	84.265		Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	31,030		
DEED	84.282	17247	Charter Schools	1,094,296		1,038,641
DEED	84.287	17271	Twenty-first Century Community Learning Centers	4,243,021		4,228,186
UofA	84.295	AGREEMENT 8/2003	Ready-to-Learn Television	3,431		
UofA	84.297		Native Hawaiian Curriculum Development, Teacher Training and Recruitment	31,591	3,10	
DEED	84.298	17267	State Grants for Innovative Program	1,544,679		1,362,089
UofA	84.299		Indian Education-Special Programs	272,052		
UofA	84.306		National Institute on the Education of At-Risk Students	483,138	3,10	
DEED	84.318	17241	Education Technology State Grants	3,234,602		2,957,214

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UofA	84.320		Alaska Native Educational Planning, Curriculum Development, Teacher Training, and Recruitment Program	(9,109)		
DEED	84.323	17159	Special Education - State Personnel Development	339,126		201,739
UofA	84.325	SUBCONTRACT H325S99	Special Education - Personnel Preparation to Improve Services and Results for Children with Disabilities	(1)	3,10	
UofA	84.325		Special Education - Personnel Preparation to Improve Services and Results for Children with Disabilities	150,791		
	84.325 Total			150,790		
DEED	84.326	17347	Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	146,530		
DEED	84.330	17122	Advanced Placement Program	8,627		
DOC	84.331	V331A010032	Grants to States for Incarcerated Youth Offenders	33,547		
DEED	84.332	17256	Comprehensive School Reform Demonstration	1,077,313		1,034,885
DEED	84.334	17250	Gaining Early Awareness and Readiness for Undergraduate Programs	1,413,384		1,314,465
UofA	84.336		Teacher Quality Enhancement Grants	1,358,727		224,520
DEED	84.338	17233	Reading Excellence	737,076		708,920
UofA	84.342		Preparing Tomorrow's Teachers to Use Technology	435,461		
UofA	84.342	CONTRACT DTD 07/2003	Preparing Tomorrow's Teachers to Use Technology Pass-through from International Society for Technology in Education	45,815	3,10	
	84.342 Total			481,276		
DLWD	84.346		Vocational Education - Occupational and Employment Information State Grants	105,516		
UofA	84.350		Transition to Teaching	455,712		102,038
DEED	84.352	17275	School Renovation Grants	306,975		306,975
UofA	84.356		Alaska Native Educational Programs	289,307	3,10	138,272
UofA	84.356	AGREEMENT DTD 1/21/2003	Alaska Native Educational Programs Pass-through Alaska Humanities Forum	24,539	3,10	
UofA	84.356	SUBAWARD DTD 4/9/05	Alaska Native Educational Programs Pass-through Copper River Native Association	66,263	3,10	
UofA	84.356		Alaska Native Educational Programs	3,045,220	3	
	84.356 Total			3,425,329		138,272
DEED	84.357	17273	Reading First State grants	3,703,616		2,867,192
DEED	84.358	17373	Rural Education	25,724		
UofA	84.362	S362A030013	Native Hawaiian Education	221,047	3,10	
UofA	84.363		School Leadership	698,236		385,894
DEED	84.365	17175	English Language Acquisition Grants	821,330		774,925
DEED	84.366	17252	Mathematics and Science Partnership	398,995		300,480
DEED	84.367	17172	Improving Teacher Quality State Grants	11,684,868		11,161,769
DEED	84.369	17171	Grants for State Assessments and Related Activities	2,397,720		
DHSS	84.989		Systems Change Project to Expand Employment Opportunities for Individuals with Mental or Physical Disabilities, or Both, Who Receive Public Support	(13,927)		

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DEED	84.999	17300	Consolidated Programs IASA Admin	1,176,058		
UofA	84.999	LETTER DATED APRIL 28	Miscellaneous Pass-through from Association of American Colleges and Universities	267		
UofA	84.999	R303A980236-01	Miscellaneous Pass-through from Chugach School District	12,753		
UofA	84.999	92 -AK01	Miscellaneous Pass-through from National Writing Project Corporation	69,737		
UofA	84.999	LETTER NOV. 2004	Miscellaneous Pass-through from Public Broadcasting Service	11,244		
84.999 Total				1,270,059		
Total U.S. Department of Education				236,099,631		110,986,242
National Archives and Records Administration						
DEED	89.003	17141	National Historical Publications and Records Grants	15,535		
UofA	89.003		National Historical Publications and Records Grants	54,224		
89.003 Total				69,759		
Total National Archives and Records Administration				69,759		
Denali Commission						
DHSS	90.0022-DC-2001-14		Alaska Rural Primary Health Care Needs Assessment - Phase II	35,868		
AEA	90.100	VARIOUS	Denali Commission Program	38,449,307	3	32,105,829
AHFC	90.100		Denali Commission Program	1,272,183		
DCCED	90.100		Denali Commission Program	6,198,134	3	6,119,185
DHSS	90.100		Denali Commission Program	2,552,083	3	
DLWD	90.100		Denali Commission Program	3,829,542	3	2,343,699
DOTPF	90.100		Denali Commission Program	175,923	3	
DPS	90.100		Denali Commission Program	418,350	3	392,619
UofA	90.100	075006	Denali Commission Program	751,625		48,573
90.100 Total				53,647,147		41,009,905
DHSS	90.A-2002-06		Health Facilities "Pre-Award" Support Services	(15,331)		
Total Denali Commission				53,667,684		41,009,905
U.S. Department of Health and Human Services						
UofA	93.001		Civil Rights and Privacy Rule Compliance Activities	376,056	3,10	
DHSS	93.003		Public Health and Social Services Emergency Fund	1,968,445	3	1,953,803
DHSS	93.030178D4D-CDC		Adult Lead Surveillance Data	16,056		
DHSS	93.042		Special Programs for the Aging - Title VII Chapter 2 - Long Term Care Ombudsman Services for Individuals	150,341		
DHSS	93.043		Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	68,047		34,258
DHSS	93.044		Special Program for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	2,598,137		
DHSS	93.045		Special Program for the Aging - Title III, Part C - Nutrition Services	2,519,517	3,10	1,823,428
					3,10	2,744,180
AHFC	93.048		Special Program for the Aging - Title IV and Title II - Discretionary Projects	144,637		

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DHSS	93.048		Special Program for the Aging - Title IV and Title II - Discretionary Projects	124,672		58,196
UofA	93.048		Special Program for the Aging - Title IV and Title II - Discretionary Projects	399,845	3,10	
	93.048 Total			669,154		58,196
DHSS	93.051		Alzheimer's Disease Demonstration Grants to States	(4,588)		
DHSS	93.052		National Family Caregiver Support	968,632		884,416
DHSS	93.053		Nutrition Services Incentive	277,944		49,407
UofA	93.107	SUBCONTRACT 919481	Model State-Supported Area Health Education Centers	38,200	3,10	
DHSS	93.110		Maternal and Child Health Federal Consolidated Programs	131,099		
UofA	93.110		Maternal and Child Health Federal Consolidated Programs	14,863		
	93.110 Total			145,962		
UofA	93.113		Biological Response to Environmental Health Hazards	75,934	10	6,634
DHSS	93.116		Project Grants and Cooperative Agreements for Tuberculosis Control Programs	513,496		75,500
DHSS	93.127		Emergency Medical Services for Children	113,617		
DHSS	93.130		Primary Care Services Resource Coordination and Development	679,130		
DHSS	93.136		Injury Prevention and Control Research and State and Community Based Programs	478,366		
DHSS	93.150		Projects for Assistance in Transition from Homelessness (PATH)	297,403		288,000
UofA	93.189	NO. 749428	Health Education and Training Centers	29,313		13,500
DHSS	93.200-2000-07201		NCHS Contract	141,692		
UofA	93.211	ANTHC-03-C-5239	Telehealth Network Grants	39,195		
DHSS	93.217		Family Planning - Services	393,208		86,891
DEC	93.223-03-4037		Food Sanitation Inspections	473		
DHSS	93.223-03-4401		Mammography Inspection	28,254		
DEC	93.223-04-4037		Food Sanitation Inspections	410,671	6	
DEED	93.230	17349	Consolidated Knowledge Development and Application (KDandA) Program	436,780		328,162
DHSS	93.230		Consolidated Knowledge Development and Application (KDandA) Program	5,331,590		2,586,694
UofA	93.230	241-23622G-3101	Consolidated Knowledge Development and Application (KDandA) Program Pass-through Municipality of Anchorage	10,714	3,10	
UofA	93.230	AGREEMENT	Consolidated Knowledge Development and Application (KDandA) Program Pass-through Yukon Kuskokwim Health Corporation	(6,079)	3,10	
UofA	93.230	CONTRACT 11-27-01	Consolidated Knowledge Development and Application (KDandA) Program Pass-through Fairbanks Native Association	1,428		
	93.230 Total			5,774,433		2,914,856

STATE OF ALASKA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended June 30, 2005
 By Federal Agency
 (see acronyms)

State	CFDA	Grant or Other	Federal		Provided to	
<u>Agency</u>	<u>Number</u>	<u>Identifying Number</u>	<u>Program Title</u>	<u>Expenditures</u>	<u>Notes</u>	<u>Subrecipient</u>
DHSS	93.230-BHPR-034(03)		National Health Services Corp - Student/Resident Experiences and Rotations in Community Health (SEARCH)	(18,105)		
DHSS	93.234		Traumatic Brain Injury: State Demonstration Grant Program	196,686		
DHSS	93.238		Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	30,476		
DHSS	93.240		State Capacity Building	50,786		
DHSS	93.241		State Rural Hospital Flexibility Program	584,020		140,044
UofA	93.242	FY04.001.022 ALASKA	Mental Health Research Grants	86,616	3,10	
DHSS	93.243		Substance Abuse and Mental Health Services - Projects of Regional and National Significance	1,329,997		563,902
UofA	93.243	1 H79 TI16092-01	Substance Abuse and Mental Health Services - Projects of Regional and National Significance Pass-through Cook Inlet Council on Alcohol & Drug Abuse	15,081	3,10	
UofA	93.243	CONTRACT DTD 12/2004	Substance Abuse and Mental Health Services - Projects of Regional and National Significance Pass-through Municipality of Anchorage	34,704	3,10	
UofA	93.243	CONTRACT FOR SVCS D	Substance Abuse and Mental Health Services - Projects of Regional and National Significance Pass-through Fairbanks Native Association	22,285		
	93.243 Total			1,402,067		563,902
DHSS	93.243-03-1045		NIOSH Trauma Registry	71,793		
UofA	93.247	SUBAWARD GSONO0130	Advanced Education Nursing Grant Program	37,667		
DHSS	93.251		Universal Newborn Hearing Screening	77,942		
DHSS	93.259		Rural Access to Emergency Devices Grant	140,040		
DHSS	93.268		Immunization Grants	7,919,978	3,23	131,300
UofA	93.273		Alcohol Research Programs	81,227	3,10	
DHSS	93.276		Drug-Free Communities Support Program Grants	1,173,010		1,305,172
UofA	93.279		Drug Abuse and Addiction Research Programs	54,134	3,10	
UofA	93.279	PHS R01 DA013139 PO71	Drug Abuse and Addiction Research Programs Pass-through Medical College of Wisconsin	70,061	3,10	
UofA	93.279	SUBCONTRACT #320020	Drug Abuse and Addiction Research Programs Pass-through Pacific Inst for Research & Evaluation Louisville Center	8,967	3,10	
UofA	93.279	SUB 4-12804-7810/PO895	Drug Abuse and Addiction Research Programs Pass-through University of New Mexico Health Science Center	385	3,10	
	93.279 Total			133,547		
DHSS	93.283		Centers for Disease Control and Prevention: Investigations and Technical Assistance	11,555,075		982,366
DHSS	93.301		Small Rural Hospital Improvement Grant Program	124,179	3	174,240
UofA	93.358		Advanced Education Nursing Traineeships	60,747		
UofA	93.361	#717794	Nursing Research	1,852	3,10	
UofA	93.375		Minority Biomedical Research Support	321,709	3,10	63,504
UofA	93.389		National Center for Research Resources	7,408,926	3,10	185,850
UofA	93.390		Academic Research Enhancement Award	28,026	3,10	

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2005
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(see acronyms)

<u>State Agency</u>	<u>CFDA Number</u>	<u>Grant or Other Identifying Number</u>	<u>Federal Program Title</u>	<u>Federal Expenditures</u>	<u>Notes</u>	<u>Provided to Subrecipient</u>
DHSS	93.556		Promoting Safe and Stable Families	1,109,741		948,279
DHSS	93.558		Temporary Assistance for Needy Families	32,354,730	3	
DLWD	93.558		Temporary Assistance for Needy Families	2,901,844	3	881,643
	93.558 Total			35,256,574		881,643
DOR	93.563		Child Support Enforcement	15,432,683	3,6	
AHFC	93.568		Low-Income Home Energy Assistance	674,716	4	674,716
DHSS	93.568		Low-Income Home Energy Assistance	7,606,173	3	
	93.568 Total			8,280,889		674,716
DCCED	93.569		Community Services Block Grant	2,713,146		2,601,492
UofA	93.570	NYSPPF: 03-298	Community Services Block Grant - Discretionary Awards	37,905		
DCCED	93.571		Community Services Block Grant Discretionary Awards:	7,928		7,928
			Community Food and Nutrition Programs			
DHSS	93.575		Child Care and Development Block Grant	20,103,808	3,10	5,354,348
COURT	93.586	G-0301AKSCIP	State Court Improvement Program	104,651		
COURT	93.586	G-0201AKSCIP	State Court Improvement Program	5,089		
	93.586 Total			109,740		
DHSS	93.590		Community-Based Child Abuse Prevention Grants	477,002		230,919
DHSS	93.596		Child Care Mandatory and Matching Funds of the Child Care and Development Fund	6,824,911	3,10	
DOR	93.597		Grants to States for Access and Visitation Programs	104,998		
DHSS	93.599		Chafee Education and Training Vouchers Program (ETV)	143,590		
DEED	93.600	17330	Head Start	172,517		54,881
DHSS	93.630		Developmental Disabilities Basic Support and Advocacy Grants	614,292		
DHSS	93.631		Developmental Disabilities Projects of National Significance	1,220		
UofA	93.632		University Centers for Excellence in Developmental Disabilities Education, Research, and Service	486,694		
DHSS	93.643		Children's Justice Grants to States	111,037		19,000
DHSS	93.645		Child Welfare Services - State Grants	326,593		230,811
UofA	93.647		Social Services Research and Demonstration	352,394	3,10	
UofA	93.648		Child Welfare Services Training Grants	55,204		
DHSS	93.658		Foster Care - Title IV-E	15,740,654	3	
DHSS	93.659		Adoption Assistance	7,554,321		
DHSS	93.667		Social Services Block Grant	6,818,752		698,731
DHSS	93.670		Child Abuse and Neglect Discretionary Activities	2,783,366		2,176,484
DPS	93.671		Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	891,364		864,623
DHSS	93.674		Chafee Foster Care Independence Program	473,022		118,718

STATE OF ALASKA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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 (see acronyms)

State Agency	CFDA Number	Grant or Other Identifying Number	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
DHSS	93.767		State Children's Insurance Program	23,104,322	3	
DHSS	93.752-3-939519		Healthy Start Grow Smart Program	(8,760)		
DHSS	93.768		Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities	778,749		
DHSS	93.773		Medicare - Hospital Insurance	687,442		
LAW	93.775		State Medicaid Fraud Control Units	440,314	3,10	
DHSS	93.777		State Survey and Certification of Health Care Providers and Suppliers	226,891	3, 10	
DEED	93.778	17309	Medical Assistance Program	1,263,637	3,4,10	
DHSS	93.778		Medical Assistance Program	641,564,432	3, 10, 20	12,500
			93.778 Total	642,828,069		12,500
DHSS	93.779		Centers for Medicare and Medicaid Service (CMS) Research, Demonstrations and Evaluations	1,301,945		
UofA	93.822		Health Careers Opportunity Program	252,833		
UofA	93.822	SUBCONTRACT 933805	Health Careers Opportunity Program Pass-through University of Washington	74,986		
			93.822 Total	327,819		
UofA	93.824	PO 611555	Basic / Core Area Health Education Centers	1	3,10	
UofA	93.848	PO#29995F MOD#5	Digestive Diseases and Nutrition Research	14,346	3,10	
UofA	93.853		Extramural Research Programs in the Neurosciences and Neurological Disorders	132,824	3,10	
UofA	93.854		Biological Basis Research in the Neurosciences	1,356,669	3,10	337,397
UofA	93.856	NO. 968134	Microbiology and Infectious Diseases Research	135,071	3,10	
DHSS	93.887		Health Care and Other Facilities	110,707		
DHSS	93.912		Rural Health Care Services Outreach and Rural Health Network Development Program Pass-through from University of Washington	103,409		
UofA	93.912	0640194	Rural Health Care Services Outreach and Rural Health Network Development Program Pass-through from University of Washington	1,045,090		
UofA	93.912	P0072828 DTD 10/19/04	Rural Health Care Services Outreach and Rural Health Network Development Program Pass-through from University of Washington	66,643	3,10	
UofA	93.912	CONTRACT #737711	Rural Health Care Services Outreach and Rural Health Network Development Program Pass-through from University of Washington	11,986		7,000
			93.912 Total	1,227,128		7,000
DHSS	93.913		Grants to States for Operation of Offices of Rural Health	100,414		
DHSS	93.917		HIV Care Formula Grants	1,001,180		418,078
UofA	93.928	ANTHC-03-U-6877 MOD 0	Special Projects of National Significance	61,416	3,10	
DEED	93.938	17308	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	205,564		43,887
DHSS	93.940		HIV Prevention Activities - Health Department Based	1,474,137		716,862

STATE OF ALASKA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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 (see acronyms)

State Agency	CFDA Number	Grant or Other Identifying Number	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
DHSS	93.944		Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	106,577		
DHSS	93.945		Assistance Programs for Chronic Disease Prevention and Control	367,714		
DHSS	93.952		Trauma Care systems Planning and Development	37,458		
DHSS	93.958		Block Grant for Community Mental Health Services	1,405,612		572,666
DHSS	93.959		Block Grants for Prevention and Treatment of Substance Abuse	6,185,524	3	5,386,698
UofA	93.969		Geriatric Education Centers	469,010	3,10	
DHSS	93.977		Preventive Health Services - Sexually Transmitted Diseases Control Grants	475,635		
DHSS	93.988		Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	402,454		44,250
DHSS	93.991		Preventive Health and Health Services Block Grant	385,525		178,108
DHSS	93.994		Maternal and Child Health Services Block Grant to the States	1,208,883		36,629
UofA	93.999	ADN# 640361 / EN643185	Miscellaneous	39,070	3,10	
UofA	93.999		Miscellaneous	85,355		
UofA	93.999	236-01-0003 SUB.	Miscellaneous Pass-through from Ak Native Tribal Health Consortium	672,936		
UofA	93.999	# 1 H79 TI15381-01-1	Miscellaneous Pass-through from Cook Inlet Council on Alcohol and Drug Abuse		15 3,10	
UofA	93.999	CONTRACT 12/16/02	Miscellaneous Pass-through from Fairbanks Native Association	371,588		
UofA	93.999	#701901	Miscellaneous Pass-through from University of Washington	24,007	3,10	
		93.999 Total		1,192,971		
DEC	93.FD-R-0022425-01		Food Safety Systems	936		
DEC	93.FD-R-002475-01		Food Safety Systems	16,767		
		Total U.S. Department of Health and Human Services		864,981,011		24,022,608
		U.S. Corporation for National and Community Service				
DCCED	94.003		State Commissions	85,724		
DCCED	94.004		Learn and Serve America - School and Community Based Programs	51,761		72,971
DEED	94.004	17344	Learn and Serve America - School and Community Based Programs	9,318		9,318
		94.004 Total		61,079		82,289
UofA	94.005		Learn and Serve America - Higher Education	14,176	3,10	
UofA	94.005		Learn and Serve America - Higher Education	14,766		
		94.005 Total		28,942		
DCCED	94.006		AmeriCorps	1,169,856		1,169,856
DCCED	94.007		Planning and Program Development Grants	2,943		

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2005
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State Agency	CFDA Number	Grant or Other Identifying Number	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
DCCED	94.009		Training and Technical Assistance	76,847		600
DCCED	94.013		Volunteers in Service to America	9,120		
Total U.S. Corporation for National and Community Service				1,434,511		1,252,745
Social Security Administration						
DLWD	96.001		Social Security - Disability Insurance	3,810,833	10	
DLWD	96.006		Supplemental Security Income	767,174	10	13,833
UofA	96.008		Social Security - Benefits Planning, Assistance, and Outreach Program	59,272		
Total Social Security Administration				4,637,279		13,833
U.S. Department of Homeland Security						
DPS	83.009		National Fire Academy	22,279		
ARRC	83.544	1423-DR-AK	U.S. Department of Emergency Management	10,613		
ARRC	83.544	1445-DR-AK	U.S. Department of Emergency Management	9,931		
ARRC	83.544	1461-DR-AK	U.S. Department of Emergency Management	13,773		
83.544 Total				34,317		
ARRC	83.548	1445.00006	U.S. Department of Emergency Management	253,853		
DPS	83.554		Alaska Home Fire Safety Inspection Project	387,236		
DMVA	97.004		State Domestic Preparedness Equipment Support Program	14,319,934	3,10	7,767,007
DNR	97.012		Boating Safety Financial Assistance	653,341	6	
DNR	97.013		State Access to the Oil Spill Liability Trust Fund	7,770		
UofA	97.021		Hazardous Materials Assistance Program	(127)		
DCCED	97.023		Community Assistance Program: State Support Services Element (CAP-SSSE)	77,974		9,000
DMVA	97.026		Emergency Management Institute - Training Assistance	8,557		
DCCED	97.029		Flood Mitigation Assistance	54,172		33,763
DMVA	97.036		Public Assistance Grants	3,714,814		3,124,768
DMVA	97.039		Hazard Mitigation Grant	151,942		136,286
DNR	97.041		National Dam Safety Program	17,629		
DMVA	97.042		Emergency Management Performance Grants	1,231,100	3,10	342,906
DPS	97.043		State Fire Training Systems Grants	5,508		
DNR	97.046		Fire Management Assistance Grant	18,713,101	3	60,435
DMVA	97.047		Pre-Disaster Mitigation	140,750		109,041
DMVA	97.051		State and Local All Hazards Emergency Operations Planning	106,654		106,654
DMVA	97.053		Citizen Corps	1,758	3,10	1,758
DMVA	97.054		Community Emergency Response Teams	199,962		178,420
DOTPF	97.056		Port Security Grant Program	1,737,897		
DOTPF	97.067		Homeland Security Grant Program	640,517	3,10	
DCCED	97.070		Map Modernization Management Support	41,379		
DOTPF	97.072		National Explosives Detection Canine Team Program	118,360		
DMVA	97.074		Law Enforcement Terrorism Prevention Program (LETPP)	25,169	3,10	25,169

STATE OF ALASKA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended June 30, 2005
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 (see acronyms)

State	CFDA	Grant or Other	Federal	Notes	Provided to
<u>Agency</u>	<u>Number</u>	<u>Identifying Number</u>	<u>Expenditures</u>		<u>Subrecipient</u>
DFG	97.999	Miscellaneous U.S. Coast Guard	8,027	6	
DOTPF	97.999	Lease of space no Fed Agr Rental of terminal space ar TSAIA by GSA for TSA.	67,478		
	97.999 Total		75,505		
DOTPF	97.DTCG89-96-L-J-DL-027	Rental of land space at TSAIA by US Coast Guard	3,141		
AEA	97.unknown	Bradley Lake 2002 Flood	293,170		
	Total U.S. Department of Homeland Security		43,037,662		11,895,207
	U.S. Agency for International Development				
DCCED	98.118-C 118-G-00-00-00-115	USAID Alaska-Sakhalin Working Group	338,695		
UofA	98.999	Alaska Chukotka Development Project	1,038,315	3,10	
UofA	98.999	Alaska Chukotka Development Project	1,002,860		185,241
	98.999 Total		2,041,175		185,241
	USAID Total		2,379,870		185,241
	Total Total Federal Financial Assistance		\$ 2,571,094,467		\$ 350,954,328

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2005

Note 1: Purpose of the Schedule

The federal Office of Management and Budget (OMB) Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations* requires a schedule of expenditures of federal awards showing total federal financial assistance for the period covered in the financial statements. Each federal financial assistance program must be identified as it is in *the Catalog of Federal Domestic Assistance* (CFDA) and its CFDA number. When CFDA information is not available, another federal identifying number must be used.

Note 2: Significant Accounting Policies

- A. Reporting Entity - The accompanying schedule includes the federal financial assistance programs administered by the State of Alaska for the fiscal year ended June 30, 2005.
- B. Basis of Presentation - The accompanying schedule presents expenditures of federal awards for each federal financial assistance program in accordance with OMB Circular A-133. Federal program titles are reported as presented in the CFDA whenever possible.

As defined in OMB Circular A-133, federal financial assistance means assistance provided by a federal agency in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, or direct appropriations. However, it does not include direct federal cash assistance to individuals. Federal financial assistance includes awards received directly from federal agencies, or indirectly through other units of state and local government and private nonprofit agencies.

This schedule identifies federal financial assistance with the state agency that uses the federal assistance directly for the federal program's purpose. Sometimes a state (requesting) agency passes federal assistance through to another (servicing) state agency using a reimbursable services agreement. When this has occurred, the requesting agency's financial assistance reported on this schedule does not include amounts passed through to the servicing agency (see Note 4).

Note 3: Major Federal Programs

The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the criteria to be used by the auditor in determining the major federal programs. For the fiscal year ended June 30, 2005, using the A-133 criteria, the State of Alaska has 39 major federal programs. The major federal programs are identified on the Schedule of Findings and Questioned Costs in Section II.

Note 4: Federal Pass-through Funds

Federal financial assistance passed through from another State of Alaska agency (see Note 2 B).

Note 5: State Match

The exact amount of federal financial assistance cannot be readily determined for this federal program. The expenditures amount includes state matching dollars and overmatch, if any.

Note 6: Indirect Costs

Expenditure amounts include indirect costs recovered.

STATE OF ALASKA
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 For the Fiscal Year Ended June 30, 2005

Note 7: Food Stamps

At fiscal year end, June 30, 2005, food stamp inventory was \$0 and during FY 05, approximately \$77.7 were issued.

Note 8: WIC Rebates

During FY 05 the Alaska Department of Health and Social Services (DHSS) earned cash rebates of \$3,207,045 from infant formula manufacturers on sales of formula to participants in the WIC Program. Rebate contracts with infant formula manufacturers are authorized by 7 CFR 246.16(a) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs. Applying the rebates received to such costs enables DHSS to extend program benefits to approximately 56,077 more persons than could have been served this fiscal year in the absence of the rebate contract. The number of additional persons provided benefits was determined by dividing the total amount of program benefits by the total number of individuals to determine average individual benefits. Total rebate dollars were then divided by the average benefit (CFDA 10.557).

Note 9: Fiscal Year

All State of Alaska agencies are reported using a fiscal year that ends June 30 except the Alaska Railroad Corporation whose fiscal year ends December 31.

Note 10: Cluster Programs

OMB Circular A-133 identifies programs to be considered clusters of programs for auditing purposes. These clusters consist of related programs that share common compliance requirements.

A. RESEARCH AND DEVELOPMENT CLUSTER

	<u>EXPENDITURES</u>
U.S. DEPARTMENT OF AGRICULTURE	\$ 5,369,119
U.S. DEPARTMENT OF COMMERCE	8,080,732
U.S. DEPARTMENT OF DEFENSE	10,602,861
U.S. GENERAL SERVICES AGENCY	13,409,280
U.S. DEPARTMENT OF THE INTERIOR	7,460,963
U.S. DEPARTMENT OF JUSTICE	215,307
U.S. DEPARTMENT OF TRANSPORTATION	24,775
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION	12,064,606
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES	42,367

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended June 30, 2005

	<u>EXPENDITURES</u>
NATIONAL SCIENCE FOUNDATION	23,208,757
ENVIRONMENTAL PROTECTION AGENCY	222,588
U.S. DEPARTMENT OF ENERGY	4,035,955
U.S. DEPARTMENT OF EDUCATION	1,161,699
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	11,657,824
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT	1,038,315
U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICES	14,176
U.S. DEPARTMENT OF LABOR	23,881
Total Research and Development Cluster	\$98,633,205
 B. STUDENT FINANCIAL AID CLUSTER	
U.S. DEPARTMENT OF EDUCATION	
84.007 Federal Supplemental Educational Opportunity Grants	\$ 501,785
84.032 Federal Family Education Loans	39,551,524
84.033 Federal Work-Study Program	634,287
84.063 Federal Pell Grant Program	9,260,043
Total Student Financial Aid Cluster	\$49,947,639
 C. OTHER CLUSTERS	
FOOD STAMP CLUSTER	
10.551 Food Stamps	\$77,726,876
10.561 State Administrative Matching Grants for Food Stamp Program	8,767,465
Total Food Stamp Cluster	\$86,494,341

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended June 30, 2005

	<u>EXPENDITURES</u>
CHILD NUTRITION CLUSTER	
10.553 School Breakfast Program	\$ 4,213,305
10.555 National School Lunch Program	20,729,811
10.556 Special Milk Program for Children	8,943
10.559 Summer Food Service Program for Children	449,790
	<hr/>
Total Child Nutrition Cluster	\$25,401,849
	<hr/> <hr/>
EMERGENCY FOOD ASSISTANCE CLUSTER	
10.568 Emergency Food Assistance Program (Administrative Costs)	\$134,091
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SCHOOLS AND ROADS CLUSTER	
10.665 Schools and Roads: Grants to States	\$8,908,850
	<hr/> <hr/>
PUBLIC WORKS AND ECONOMIC DEVELOPMENT CLUSTER	
11.300 Grants for Public Works and Economic Development Facilities	60,559
11.307 Economic Adjustment Assistance	174,555
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Total Public Works and Economic Development Cluster	\$235,114
	<hr/> <hr/>
SECTION 8 PROJECT-BASED CLUSTER	
14.182 Lower Income Housing Assistance Program: Section 8 New Construction/Substantial Rehabilitation	2,268,102
14.195 Section 8 Housing Assistance Payments Program: Special Allocations	6,540,115
14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	320,798
	<hr/>
Total Section 8 Project-based Cluster	\$9,129,015
	<hr/> <hr/>
FISH AND WILDLIFE CLUSTER	
15.605 Sport Fish Restoration	14,703,171
15.611 Wildlife Restoration	9,380,866
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Total Fish and Wildlife Cluster	\$24,084,037
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EMPLOYMENT SERVICES CLUSTER	
17.207 Employment Service	8,407,269
17.801 Disabled Veterans' Outreach Program (DVOP)	267,835
17.804 Local Veterans' Employment Representative Program	282,162
	<hr/>
Total Employment Services Cluster	\$8,957,266
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STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2005

	<u>EXPENDITURES</u>
WORKFORCE INVESTMENT ACT CLUSTER	
17.258 WIA Adult Program	3,475,787
17.259 WIA Youth Activities	3,649,651
17.260 WIA Dislocated Workers	10,193,158
	10,193,158
Total Workforce Investment Act Cluster	\$17,318,596
 HIGHWAY PLANNING AND CONSTRUCTION CLUSTER	
20.205 Highway Planning and Construction	\$319,529,835
	\$319,529,835
 FEDERAL TRANSIT CLUSTER	
20.500 Federal Transit: Capital Investment Grants	34,328,070
20.507 Federal Transit: Formula Grants	4,593,895
	4,593,895
Total Federal Transit Cluster	\$38,921,965
 HIGHWAY SAFETY CLUSTER	
20.600 State and Community Highway Safety	240,612
20.601 Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	1,543,719
20.602 Occupant Protection	566,327
20.603 Federal Highway Safety Data Improvements Incentive Grants	347,657
20.604 Safety Incentive Grants for Use of Seatbelts	92,550
20.605 Safety Incentives to Prevent Operation of Motor Vehicles By Intoxicated Persons	681,818
	681,818
Total Highway Safety Cluster	\$3,472,683
 SPECIAL EDUCATION CLUSTER	
84.027 Special Education: Grants to States	31,782,754
84.173 Special Education: Preschool Grants	1,358,042
	1,358,042
Total Special Education Cluster	\$33,140,796
 TRIO CLUSTER	
84.042 TRIO: Student Support Services	207,834
84.044 TRIO: Talent Search	975,995
84.047 TRIO: Upward Bound	1,319,101
84.066 TRIO: Educational Opportunity Centers	543,535
	543,535
Total TRIO Cluster	\$3,046,465

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2005

	<u>EXPENDITURES</u>
ADMINISTRATION ON AGING CLUSTER	
93.044 Special Programs for the Aging: Title III, Part B - Grants for Supportive Services and Senior Centers	2,598,137
93.045 Special Programs for the Aging: Title III, Part C - Nutrition Services	<u>2,519,517</u>
Total Administration on Aging Cluster	<u><u>\$5,117,654</u></u>
 CHILD CARE CLUSTER	
93.575 Child Care and Development Block Grant	20,103,808
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund	<u>6,824,911</u>
Total Child Care Cluster	<u><u>\$26,928,719</u></u>
 MEDICAID CLUSTER	
93.775 State Medicaid Fraud Control Units	440,314
93.777 State Survey and Certification of Health Care Providers and Suppliers	226,891
93.778 Medical Assistance Program (Medicaid)	<u>642,828,069</u>
Total Medicaid Cluster	<u><u>\$643,495,274</u></u>
 DISABILITY INSURANCE/SSI CLUSTER	
96.001 Social Security: Disability Insurance	3,810,833
96.006 Supplemental Security Income	<u>767,174</u>
Total Disability Insurance/SSI Cluster	<u><u>\$4,578,007</u></u>
 HOMELAND SECURITY CLUSTER	
97.004 State Domestic Preparedness Equipment Support Program	14,319,934
97.042 Emergency Management Performance Grants	1,231,100
97.053 Citizen Corps	1,758
97.067 Homeland Security Grant Program	640,517
97.074 Law Enforcement Terrorism Prevention Program (LETPP)	<u>25,169</u>
Total Homeland Security Cluster	<u><u>\$16,218,478</u></u>

Note 11: Unemployment Insurance

Federal participation in FY 05 Unemployment Insurance Benefits was \$6,833,876. Federal participation for program administration was \$24,998,920. UI benefits paid by the State during FY 05 was \$140,853,314 and Reed Act distribution was \$2,821,785. (CFDA No. 17.225)

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2005

Note 12: Petroleum Violation Escrow

Department of Energy (ENERGY) programs were funded in part by Petroleum Violation Escrow (PVE) funds. These expenditures are not included in the Schedule of Federal Financial Assistance. PVE funds represent the State of Alaska share of settlement proceeds in various lawsuits between the Federal Government and oil producers. During FY 05, AHFC expended \$0 from the trust fund in support of ENERGY programs.

Note 13: AHFC Loan Guarantee Programs

During FY 05, AHFC owned mortgage loans with various federal insurance and guarantee agreements covering future losses. Those programs, and the related principal balance of the loans covered at June 30, 2005, are:

Housing and Urban Development FHA Mortgage Insurance	\$ 843,550,542
Department of Veterans' Affairs Mortgage Guarantees	625,729,616
Farmers Home Administration Mortgage Insurance	146,505,798
Total Loan Guarantees and Insurance Programs	<u>\$ 1,615,785,956</u>

Note 14: Federal Surplus Property Program

All assistance provided to the Federal Surplus Property Program is in the form of donations of excess property to the Division of General Services. In FY 05, the State processed federal property valued at \$4,639,057 donors' acquisition cost. For OMB Circular A-133 purposes, the donated property is valued at 23.3% of donors' cost. This is the expenditure amount shown on the schedule \$1,080,900. The ending inventory at June 30, 2005, carried at the donors' acquisition cost was \$5,570,390 (CFDA 39.003).

Note 15: Commodities

DEED administers federal commodities distribution through other governmental and nonprofit agencies. In FY 05, commodities distributed totaled \$2,443,330. Commodities are valued at cost. These commodities are not reported in the State of Alaska basic financial statements for the year ended June 30, 2005 (CFDA 10.550).

Note 16: Federally Funded Student Loan Programs

Paul Douglas Teacher Scholarship program requires scholarship recipients to pay back assistance received if certain program requirements are not fulfilled. As of June 30, 2005, there were 6 outstanding scholarships, which totaled \$65,083.30 (CFDA 84.176).

Note 17: Capitalization Grants for State Revolving Funds

The U.S. Environmental Protection Agency (EPA) jointly funds the Alaska Clean Water Fund with the State of Alaska. At fiscal year end June 30, 2005, 85 loan commitments totaling \$197,099,338 had been granted. Total loans against these commitments were \$159,085,939 of which \$132,571,563 was federal participation. Of the \$132,571,563, \$12,019,369 was disbursed in FY 05. Repayment received during FY 05 totaled \$13,673,673. Loans outstanding at June 30, 2005, totaled \$105,507,409 (CFDA 66.458).

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2005

Note 18: Capitalization Grants for Drinking Water State Revolving Fund

EPA jointly funds the Alaska Safe Drinking Water Loan Fund with the State. At fiscal year end June 30, 2005, 54 loan commitments totaling \$91,006,282 had been granted which consists of \$7,821,000 in disadvantaged assistance and \$83,185,282 in loan assistance. Total loans against these commitments were \$55,348,231 of which \$46,123,507 was federal participation. Of the \$46,123,507, \$6,261,244 was disbursed in FY05. Loans outstanding at June 30, 2005, totaled \$45,203,261 (CFDA 66.468).

Note 19: Last Resort Housing Loans

DOTPF made last resort housing loans in compliance with Uniform Relocation Assistance and Real Property Acquisition Act. FY 05 loan disbursements, if any, are included in CFDA 20.205 and CFDA 20.106. The exact amount is not readily available. Loans outstanding at June 30, 2005, totaled \$153,354. Federal share of principal is \$145,373.

Note 20: Medical Assistance Program Deferred Claims

Medical Assistance Program Claims - \$4 million of Medical Assistance Program federal expenditures for School based administrative costs included in the FY 05 Schedule of Expenditures of Federal Awards are pending reimbursement. DHSS' claiming methodology has not been federally approved. Negotiations are in progress between the State of Alaska and the U.S. Department of Health and Human Services, Centers for Medicaid and Medicare Services (CMS). Additionally, \$3.8 million of FY 05 Schedule of Expenditures of federal awards for medical services providers who were referred by, and had a contract with an Indian Health Service facility are pending reimbursement. CMS has disallowed claiming for IHS referred services. The State of Alaska is awaiting resolution of this issue in the Federal Court System. (CFDA 93.778)

Note 21: Federal Family Education Loan Program (FFELP)

Federal Family Education Loan Program (FFELP) - FFELP loans are governed by the Higher Education Act (Act). The Act provides for federal (i) insurance or reinsurance of eligible loans, (ii) interest subsidy payment to eligible lenders with respect to certain Subsidized Stafford loans, and (iii) special allowance payments representing an additional subsidy paid by the Secretary of the U.S. Department of Education to holders of eligible loans. FFELP loans outstanding at year end was \$43,637,930 (CFDA 84.032).

Note 22: Perkins Loan Program

The University has received Federal awards under the Perkins Loan Program (CFDA #84.638). The outstanding loan balances under this program totaled \$37,675 as of June 30, 2005.

Note 23: Immunization Grants

Federal expenditures include vaccines received during FY05 valued at \$6,099,016. (CFDA 93.268)

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2005 Audit

Report: **02-40001-01**
Finding Number: **14**
Fiscal Year: **2000**
Initial Finding Year: **1997**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: None

Prior Audit Finding:

The director of the Division of Medical Assistance (DMA) should ensure that providers are eligible and aware of its disclosure requirements by updating enrollment on a periodic basis.

Status/corrective action planned/reasons for no further action:

The audit finding has been partially implemented. DHSS is currently developing the new MMIS system. DHSS is designing the new enrollment application and process, which will be used for the reenrollment of all providers prior to the implementation of the new MMIS. However, implementation of the new MMIS has been delayed due to a contract dispute. DHSS hopes to reissue an RFP for the new MMIS in June 2006. Implementing the new MMIS system will include assigning providers with National Provider Identification (NPI) numbers during the enrollment/reenrollment process. HCS continues to rely on the following controls:

- Monthly provider enrollment and eligibility list cross-checks against the Division of Occupational Licensing database to ensure licensed providers remain licensed;
- Ongoing reviews of nonlicensed providers to identify potential problem areas and update re-enrollment; and
- Periodic provider enrollment and eligibility list crosschecks with the Medicare/Medicaid Sanctions/Reinstatement Report issued by the Office of the Inspector General to help identify ineligible providers.

Report: **02-40003-03**
Finding Number: **6**
Fiscal Year: **2002**
Initial Finding Year: **2002**

Federal Agency: **USDOJ**
State Agency: **DOL**
CFDA: **16.579**
Questioned Costs: \$137,922
CFDA: **16.588**
Questioned Costs: \$36,080

Prior Audit Finding:

The director of the Department of Public Safety's (DPS) Division of Alaska State Troopers (AST) and the Department of Law's (DOL) director of Administrative Services should ensure that personal service costs for federal programs are supported as federally required.

Status/corrective action planned/reasons for no further action:

This audit finding is resolved in accordance with OMB Circular A-133 ____.315.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2005 Audit

Report: **02-40003-03**
Finding Number: **32**
Fiscal Year: **2002**
Initial Finding Year: **2002**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: \$64,661
CFDA: **93.767**
Questioned Costs: Not
determined

Prior Audit Finding:

DMA's health and programs manager should review the Medicaid Management Information System (MMIS) administrative controls and edits, and the related disposition policy, in order to better utilize the payment system's capacity to evaluate claims.

Status/corrective action planned/reasons for no further action:

This finding has been partially implemented. DHSS continues to monitor and enhance system edits to the current Legacy MMIS. In expectation of a new MMIS, DHSS has focused on edits and controls being built into the new system. Implementation of the new MMIS system has been delayed due to a contract dispute. DHSS plans to reissue an RFP for the new MMIS in June 2006. The design of the new system provides the opportunity to evaluate all edits and controls in a thorough and consistent process.

Report: **02-40003-03**
Finding Number: **33**
Fiscal Year: **2002**
Initial Finding Year: **2002**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: None

Prior Audit Finding:

DMA's provider and beneficiary services manager should develop and implement stronger Medicaid provider enrollment controls consistent with federal regulations and to prevent enrollment of inappropriate service providers.

Status/corrective action planned/reasons for no further action:

This finding has been partially implemented. DHSS continues with a comprehensive review of the enrollment application and process in expectation of the implementation of the new MMIS. However, implementation of the new MMIS has been delayed due to a contract dispute. DHSS hopes to reissue an RFP for the MMIS in June 2006. Implementing the new MMIS system will include National Provider Identification (NPI) numbers during the enrollment/reenrollment process. In addition, DHSS has instructed First Health Services Corporation to deactivate providers that have not submitted a claim within 18 months.

Report: **02-40003-03**
Finding Number: **35**
Fiscal Year: **2002**
Initial Finding Year: **2002**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs:
Indeterminate
CFDA: **93.767**
Questioned Costs:
Indeterminate

Prior Audit Finding:

DMA's director should take action to improve the agency's utilization control and program integrity function.

Status/corrective action planned/reasons for no further action:

This finding has been partially implemented. During SFY 04 and SFY 05 DHSS implemented a provider audit program. In SFY 04, 80 audits were conducted and selection of an additional 80 audits of providers was initiated. The contract with the DHSS fiscal agent for enhanced integrity functions was terminated due to non-performance. During SFY 06 an audit committee was established to review the audit reports. DHSS is currently evaluating the existing structure and will be making changes during SFY 07.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2005 Audit

Report: **02-40003-03**
Finding Number: **39**
Fiscal Year: **2002**
Initial Finding Year: **2002**

Federal Agency: **USDOD**
State Agency: **DMVA**
CFDA: **12.400, 12.401**
Questioned Costs: None

Prior Audit Finding:

The deputy director of Facilities and Maintenance (F&M) and the director of Division of Administrative Services (DAS) should develop procedures to segregate procurement and payment approval duties.

Status/corrective action planned/reasons for no further action:

The Standard Operating Procedure (SOP) for Procurement Authority was implemented in August 2005. The SOP for Approving Officer has been drafted and is being reviewed by divisions for comment. Programmatic implementation and possible process modification is expected prior to finalizing these SOPs. Expected implementation date is April 2006.

Report: **02-40003-03**
Finding Number: **40**
Fiscal Year: **2002**
Initial Finding Year: **2002**

Federal Agency: **USDOD**
State Agency: **DMVA**
CFDA: **12.401**
Questioned Costs: None

Prior Audit Finding:

The F&M deputy director and the director of DAS should ensure proper approval for payment of state obligations.

Status/corrective action planned/reasons for no further action:

The signature card procedure has been drafted and included in the above referenced Approving Officer SOP. Programmatic review prior to implementation and possible process modification is expected prior to finalizing the Accounting Documentation SOP. Expected implementation date is April 2006.

Report: **02-40004-04**
Finding Number: **05**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Federal Agency: **USDOE**
State Agency: **DEED**
CFDA: **84.367**
Questioned Costs: None

Prior Audit Finding:

The TLS director should establish procedures to ensure that eligibility determinations for sub grantees are consistently applied.

Status/corrective action planned/reasons for no further action:

This audit finding is resolved in accordance with OMB Circular A-133 ____.315.

Report: **02-40004-04**
Finding Number: **07**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Federal Agency: **USDOE**
State Agency: **DEED**
CFDA: **84.367**
Questioned Costs: None

Prior Audit Finding:

The TLS director should establish procedures to ensure that private school participation in Improving Teacher Quality State Grants (ITQSG) services is provided in accordance with program requirements.

Status/corrective action planned/reasons for no further action:

This audit finding is resolved in accordance with OMB Circular A-133 ____.315.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2005 Audit

Report: **02-40004-04**
Finding Number: **08**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Federal Agency: **USDHHS**
State Agency: **DEED**
CFDA: **93.575/93.596**
Questioned Costs: \$33,000

Prior Audit Finding:

The deputy commissioner should develop and implement procedures to ensure that timely management decisions are issued to sub recipients for all audit findings.

Status/corrective action planned/reasons for no further action:

The department has developed procedures and workpaper templates to ensure management decisions are issued timely and questioned costs are resolved for all federal sub-recipient audit findings. The department has been in contact with the sub-recipient and is still in the process of resolving the \$33,000 in questioned costs.

Report: **02-40004-04**
Finding Number: **13**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Federal Agency: **USDA, USDOE, USDHHS**
State Agency: **DHSS**
CFDA: **10.557**
Questioned Costs: \$8,615
CFDA: **84.181**
Questioned Costs: \$37
CFDA: **93.283**
Questioned Costs: \$3,636
CFDA: **93.767**
Questioned Costs: \$1,237
CFDA: **93.778**
Questioned Costs: \$740,994

Prior Audit Finding:

The Department of Health and Social Services (DHSS) finance officer should improve the controls over categorization and allocation of allowable claims.

Status/corrective action planned/reasons for no further action:

This finding has been partially implemented. The finance officer has established internal controls by limiting access to the cost allocation spreadsheets after its quarterly completion. Access is limited to two staff people, the finance officer and the accountant IV responsible for implementation. Additionally, the federal unit will continue to work with the information technology staff to ensure the spreadsheets are safeguarded to prevent changes occurring.

The federal reporting unit has processed decreasing federal claim adjustments for CFDA #93.778. The remaining questioned costs have not been resolved because the applicable federal granting agencies have not yet requested reimbursement.

Report: **02-40004-04**
Finding Number: **14**
Fiscal Year: **2003**
Initial Finding Year: **2001**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.658**
Questioned Costs: \$10,819

Prior Audit Finding:

The DHSS assistant commissioner responsible for finance and management services should ensure staff provides accurate and reliable information for implementing the cost allocation plan and that the information is obtained in compliance with federal requirements.

Status/corrective action planned/reasons for no further action:

This audit finding has been resolved in accordance with OMB Circular A-133___.315. The federal Division of Cost Allocation has approved amendments to the departments Public Assistance Cost Allocation Plan. The amendment removed the four quarter averaging requirements.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2005 Audit

Report: **02-40004-04**
Finding Number: **17**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Federal Agency: **USDA,
USDOE, USDOJ,
USDHHS**
State Agency: **DHSS**
CFDA: **Various**
Questioned Costs: None

Prior Audit Finding:

The internal auditor should implement procedures to ensure subrecipient information provided to the Office of the Governor, Office of Management and Budget (AOMB) is accurate and that federal single audit reports are reviewed timely.

Status/corrective action planned/reasons for no further action:

This audit finding is resolved in accordance with OMB Circular A-133____.315. Subrecipient information is now compiled from eGrants (electronic grant database) and reconciled, on a test basis, to AKSAS before submitting to the Single Audit Coordinator in the Department of Administration. Prior year grant files are now archived in the FMS Audit Section office. This, along with eGrants, has reduced the effort required to assemble grant data and has facilitated the timely review of federal single audits.

Report: **02-40004-04**
Finding Number: **18**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Federal Agency: **USDA,
USDOE**
State Agency: **DHSS**
CFDA: **10.557**
Questioned Costs: \$6,687
CFDA: **84.181**
Questioned Costs: \$6,687

Prior Audit Finding:

We recommend DHSS administrative managers for the Division of Public Health (DPH) and the Office of Children's Services (OCS) ensure personal services expenditures charged to federal programs comply with federal cost principals.

Status/corrective action planned/reasons for no further action:

This audit finding is partially implemented. DHSS has implemented positive time reporting requirements for all employees currently working on multiple benefiting programs.

DHSS is currently working with the applicable federal agency on resolving the questioned costs related to CFDA #84.181. Further, DHSS has not been contacted by the federal agency administering CFDA # 10.557.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2005 Audit

Report: **02-40004-04**
Finding Number: **20**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Federal Agency: **USDOE**
State Agency: **DHSS**
CFDA: **84.181**
Questioned Costs: \$35,787

Prior Audit Finding:

DHSS' finance officer should work with program staff to ensure that grant overpayments are refunded in a timely manner and the appropriate prior period adjustments are performed to reduce federal expenditures.

Status/corrective action planned/reasons for no further action:

This finding has been partially implemented. Effective, January 2004, DHSS established the grants and contracts unit (GCU). The GCU has implemented processes requiring the grantee to spend the majority of its initial advance prior to receiving future payments. If the grantee did not spend the predetermined amount, the advance payment is reduced appropriately or not made until the quarterly expenditure reports reflect the appropriate amount of expenditures. DHSS, Office of Children's Services corresponded with the federal agency providing financial documentation that State general fund dollars were used for federal allowable costs.

DHSS is currently working with the applicable federal agency on resolving the questioned costs related to CFDA #84.181 however, the federal granting agency has not issued a final determination at this time.

Report: **02-40004-04**
Finding Number: **21**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Federal Agency: **USDOE**
State Agency: **DHSS**
CFDA: **84.181**
Questioned Costs:
Indeterminate

Prior Audit Finding:

The Office of Children's Services (OCS) director should establish procedures to ensure that ILP subrecipients allocate indirect costs to federally funded grants in accordance with federal program guidelines.

Status/corrective action planned/reasons for no further action:

This finding has been resolved in accordance with OMB circular A-133____.315. The Infant Learning Program staff, Grants and Contracts Support Team staff, and Audit section staff have been alerted to the restricted indirect cost rate for federal Part-C monies. Current year grants to ILP subrecipients have been revised to only allow the restricted indirect cost rate on passed-through Part-C funds.

Report: **02-40004-04**
Finding Number: **22**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.767**
Questioned Costs: \$21,731
CFDA: **93.778**
Questioned Costs: \$11,043

Prior Audit Finding:

The DPH administrative manager should enforce procedures to ensure personal service expenditures charged to federal programs comply with federal cost principals.

Status/corrective action planned/reasons for no further action:

This finding has been resolved in accordance with OMB circular A-133____.315. DPH has implemented positive timekeeping processes. Training has been provided to employees with ongoing spot checks to verify staff are completing the timesheets accurately.

A decreasing claim adjustment will be processed in the March 31, 2006 CMS 64 report.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2005 Audit

Report: **02-40004-04**
Finding Number: **24**
Fiscal Year: **2003**
Initial Finding Year: **2002**

Prior Audit Finding:

The DHSS commissioner should emphasize strong internal controls over the Medicaid program.

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.767**
Questioned Costs: None

Status/corrective action planned/reasons for no further action:

This audit finding has been partially implemented. In September 2005 CMS conducted a weeklong review of DHSS' utilization review and quality control processes and procedures. DHSS has not yet received the results of that review. DHSS will use the report to implement further improvements. Proposed regulations regarding audits and quality assurance are currently in process within DHSS. These regulations will inform providers of the review process and their rights of appeal. The proposal also describes the audit functions of SURS, the audit manager, and audit committee. The proposal will provide clarity for providers and DHSS staff.

Implementation of the new MMIS has been delayed due to a contract dispute. DHSS hopes to reissue an RFP for the MMIS in June 2006. The new MMIS will improve internal controls for the Medicaid program.

Report: **02-40004-04**
Finding Number: **25**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Prior Audit Finding:

DHSS' Division of Health Care Services director and the Department of Education and Early Development's (DEED) Division of Teaching and Learning Support director should work together to improve procedures for claiming reimbursement of Medicaid school-based administrative costs to ensure costs are claimed in accordance with federal law.

Federal Agency: **USDHHS**
State Agency: **DHSS & DEED**
CFDA: 93.778
Questioned Costs: \$6,480,333

Status/corrective action planned/reasons for no further action:

This finding has been partially implemented. DHSS has ceased the partnership with DEED for School based Administrative claiming and is solely continuing the implementation of changes as required by CMS 2003 guidance. DHSS worked with CMS and Division of Cost Allocation to understand their needs and has submitted an implementation plan to CMS. DHSS is waiting for a CMS response to the implementation plan.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2005 Audit

Report: **02-40004-04**
Finding Number: **26**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: \$860,700

Prior Audit Finding:

The Division of Health Care Services (DHCS) director should ensure that disproportionate share hospital (DSH) payments are made in accordance with federal guidelines

Status/corrective action planned/reasons for no further action:

This finding is not resolved. DHSS believes it was in compliance with federal regulations because the payment was made prior to CMS issuance of clarifying guidance prohibiting this type of payment. DHSS has ceased payments for prisoner care and is currently working with CMS Region X representatives regarding this audit finding. Recently, CMS has promulgated regulations for auditing DSH payments and calculations. Once finalized DHSS will follow those regulations and configure our DSH payments and processes to be compliant.

Report: **02-40004-04**
Finding Number: **27**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: \$792,830

Prior Audit Finding:

DHSS' director of the Division of Health Care Services (DHCS) should take action to improve controls over the processing and payment of personal care service claims.

Status/corrective action planned/reasons for no further action:

This audit finding has been partially implemented. During the 2005 Legislative session, the personal care attendant (PCA) program was discussed. Directions were given to DHSS on changes to be made. Regulations to implement those changes have been through the public comment period. DHSS estimates that the regulations will be transmitted to the Department of Law, on November 30, 2005 for final review.

Report: **02-40004-04**
Finding Number: **28**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs:
\$10,360,692

Prior Audit Finding:

We recommend the DHCS director improve procedures over the calculation of the Medicaid upper payment limit.

Status/corrective action planned/reasons for no further action:

Please see response to item 02-40005-05 #20.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2005 Audit

Report: **02-40004-04**
Finding Number: **34**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Federal Agency: **EPA**
State Agency: **DEC**
CFDA: **66.606**
Questioned Costs: \$1,166,051

Prior Audit Finding:

The DEC finance officer should implement procedures to ensure personal services expenditures charged to the EPA infrastructure grants comply with federal cost principles.

Status/corrective action planned/reasons for no further action:

The Department has implemented processes to ensure the requirements of OMB Circular A-87 are met. Those employees solely dedicated to a particular federal grant are required to complete the appropriate certifications, and for those employees whose salaries are chargeable to more than one cost objective, actual hours worked on each cost objective are reflected on the employee timesheet.

Report: **02-40004-04**
Finding Number: **35**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Federal Agency: **EPA**
State Agency: **DEC**
CFDA: **66.606**
Questioned Costs: None

Prior Audit Finding:

The VSW program manager should work with project engineers to strengthen internal controls over the VSW procurement process.

Status/corrective action planned/reasons for no further action:

We consider this recommendation resolved in accordance with OMB Circular A-133_.315.

Report: **02-40005-05**
Finding Number: **6**
Fiscal Year: **2004**
Initial Finding Year: **2003**

Federal Agency: **USDOE**
State Agency: **DEED**
CFDA: **84.367**
Questioned Costs: None

Prior Audit Finding:

The director of TLS should establish procedures to ensure private school participation in the Improving Teacher Quality State Grants (ITQSG) program is provided in accordance with federal requirements.

Status/corrective action planned/reasons for no further action:

This audit finding is resolved in accordance with OMB Circular A-133 ____.315.

Report: **02-40005-05**
Finding Number: **7**
Fiscal Year: **2004**
Initial Finding Year: **2003**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: \$236,317

Prior Audit Finding:

The Department of Health and Social Services (DHSS) finance officer should improve the controls over categorization and allocation of allowable claims.

Status/corrective action planned/reasons for no further action:

This finding has been resolved in accordance with OMB Circular A-133____.315. A duplicate adjustment was processed for quarter ending March 31, 2004. A decreasing claim adjustment totaling \$236,317 was processed on the quarter ending March 31, 2005 Medicaid federal financial report.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2005 Audit

Report: **02-40005-05**
Finding Number: **8**
Fiscal Year: **2004**
Initial Finding Year: **2002**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: \$22,672
CFDA: **93.659**
Questioned Costs: \$35,179
CFDA: **93.658**
Questioned Costs: \$2,791

Prior Audit Finding:

DHSS assistant commissioner responsible for finance and management services should ensure staff provides accurate and reliable information for implementing the cost allocation plan and information is obtained in compliance with federal requirements.

Status/corrective action planned/reasons for no further action:

This audit finding partially implemented. Federal Division of Cost Allocation has approved DHSS' amended Public Assistance Cost Allocation Plan (PACAP), with an effective date of July 1, 2003 removing the reference to the 4 quarter averaging of OCS's RMTS quarterly results. Furthermore, due to the change in Department of Law's billing methodology, DHSS is no longer including the guardianship legal expenditures in its Title IV E Foster Care, Adoption Assistance, and Social Services block grant methodology.

DHSS will process the remaining questioned costs totaling \$3,001 when requested by the federal granting agency.

Report: **02-40005-05**
Finding Number: **9**
Fiscal Year: **2004**
Initial Finding Year: **2004**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.913**
Questioned Costs: \$20,000
CFDA: **93.283**
Questioned Costs: \$7,044

Prior Audit Finding:

The DHSS assistant commissioner responsible for finance and management services should ensure that expenditures are charged in compliance with state law.

Status/corrective action planned/reasons for no further action:

This finding is not resolved. DHSS does not concur with the questioned costs cited in the audit finding. The referenced federal programs include funding for IT related expenditures. In addition, DHSS has not been requested to reimburse the questioned costs by the federal granting agency.

Report: **02-40005-05**
Finding Number: **10**
Fiscal Year: **2004**
Initial Finding Year: **2003**

Federal Agency: **USDA, USDHHS, Denali Commission**
State Agency: **DHSS**
CFDA: **Various**
Questioned Costs: None

Prior Audit Finding:

The internal auditor should implement procedures to ensure subrecipient information provided to the Office of the Governor, Office of Management and Budget (AOMB) is accurate and that federal single audit reports are reviewed timely.

Status/corrective action planned/reasons for no further action:

This audit finding has been resolved in accordance with OMB Circular A-133___.315. Subrecipient information is now compiled from eGrants (electronic grant database) and reconciled, on a test basis, to AKSAS before submitting to the Single Audit Coordinator in the Department of Administration. Prior year grant files are now archived in the FMS Audit Section office. This, along with eGrants, has reduced the effort required to assemble grant data and has facilitated the timely review of federal single audits.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2005 Audit

Report: **02-40005-05**
Finding Number: **11**
Fiscal Year: **2004**
Initial Finding Year: **2004**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.283**
Questioned Costs: \$181,079
CFDA: **93.575**
Questioned Costs: \$112,303
CFDA: **93.778**
Questioned Costs: \$21,094

Prior Audit Finding:

The DHSS assistant commissioner responsible for finance and management services should ensure personal services expenditures charged to federal programs comply with federal cost principals.

Status/corrective action planned/reasons for no further action:

This audit finding is not resolved. DHSS has implemented this requirement for all employees currently working on multiple benefiting programs. Furthermore, DHSS has not been contacted by the federal granting agencies requesting reimbursement. These questioned costs resulted from not having the A-87 federal certification on file at the time of the audit. However, the personal services were valid federal expenditures.

Report: **02-40005-05**
Finding Number: **13**
Fiscal Year: **2004**
Initial Finding Year: **2004**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.283**
Questioned Costs: None

Prior Audit Finding:

DHSS' finance officer should work with program staff to ensure financial status reports are accurate and adequately supported.

Status/corrective action planned/reasons for no further action:

This audit finding has been resolved in accordance with OMB Circular A-133___.315. The federal financial reports identified were revised and re-submitted to the federal granting agency.

Report: **02-40005-05**
Finding Number: **14**
Fiscal Year: **2004**
Initial Finding Year: **2004**

Federal Agency: **USDA, USDOE, USDHHS**
State Agency: **DHSS**
CFDA: **10.557**
CFDA: **84.181**
CFDA: **93.283**
CFDA: **93.658**
CFDA: **93.767**
CFDA: **93.778**
Questioned Costs: Previously Reported

Prior Audit Finding:

The DHSS finance officer should properly present the Summary of Prior Year Audit Findings to accurately reflect corrective action taken by the department.

Status/corrective action planned/reasons for no further action:

This finding is resolved in accordance with OMB Circular A-133___.315. Annually, we are requested by the U.S. Health and Human Services, Office of the Inspector General (OIG) to provide information on single audit findings. In addition, the OIG assigns the audit finding to specific federal agencies requesting resolution to any identified questioned costs. The resolution process does not always result in processing decreasing adjustments. As of the date the Summary of Prior Year Audit Findings was prepared, DHSS had processed all decreasing adjustments as requested by the federal agencies.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2005 Audit

Report: **02-40005-05**
Finding Number: **15**
Fiscal Year: **2004**
Initial Finding Year: **2004**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.575 & 93.596**
Questioned Costs: \$106,778

Prior Audit Finding:

We recommend DHSS' project manager for the child care program office improve internal controls over the review and approval of child care subsidy payments.

Status/corrective action planned/reasons for no further action:

This finding is partially implemented. The Division of Public Assistance has improved internal controls for invoice processing that should result in reducing the level of payment discrepancies of child care subsidy payments. Currently, all child care subsidy bills are reviewed by the local administrator grantees or Child Care Program office staff to ensure accuracy and completeness.

The federal granting agency has not yet requested reimbursement of the questioned costs.

Report: **02-40005-05**
Finding Number: **16**
Fiscal Year: **2004**
Initial Finding Year: **2004**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.575 & 93.596**
Questioned Costs: None

Prior Audit Finding:

We recommend DHSS' project manager for the child care program improve monitoring of subrecipients.

Status/corrective action planned/reasons for no further action:

This finding is partially implemented. The Child Care Program Office (CCPO) finalized the grantee monitoring guide and used the monitoring tool in July 2005. The CCPO has now completed seven on-site grantee reviews to evaluate grantee performance, document findings and initiate corrective actions as required. We believe DPA is in full compliance with the audit corrective action plan for grantee monitoring. DPA plans to be in full compliance with this audit finding by the June 30, 2006.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2005 Audit

Report: **02-40005-05**
Finding Number: **17**
Fiscal Year: **2004**
Initial Finding Year: **2004**

Prior Audit Finding:

The DHSS commissioner should emphasize strong internal controls over the Medicaid program.

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: None

Status/corrective action planned/reasons for no further action:

This audit finding has not been resolved in accordance with OMB Circular A-133___.315. In September 2005 CMS conducted a weeklong review of DHSS' utilization review and quality control processes and procedures. DHSS has not yet received the results of that review. DHSS will use the report to implement further improvements. Proposed regulations regarding audits and quality assurance are currently in process within DHSS. These regulations will inform providers of the review process and their rights of appeal. The proposal also describes the audit functions of SURS, the audit manager, and audit committee. The proposal will provide clarity for providers and DHSS staff.

DHSS has completed the PERM pilot project which highlighted areas for improving internal controls. DHSS continues to work towards improving PCA regulations. As DHSS evaluates its program integrity and utilization function, it will consider implementing best practices when possible.

Report: **02-40005-05**
Finding Number: **18**
Fiscal Year: **2004**
Initial Finding Year: **2003**

Prior Audit Finding:

DHSS' Division of Health Care Services director and the Department of Education and Early Development's (DEED) Division of Teaching and Learning Support director should work together to improve procedures for claiming reimbursement of Medicaid school-based administrative costs to ensure costs are claimed in accordance with federal law.

Federal Agency: **USDHHS**
State Agency: **DEED & DHSS**
CFDA: **93.778**
Questioned Costs: \$5,505,244

Status/corrective action planned/reasons for no further action:

Agency Response – Department of Health & Social Services

This finding has been partially implemented. DHSS has ceased the partnership with DEED for School based Administrative claiming and is solely continuing the implementation of changes as required by CMS 2003 guidance. DHSS worked with CMS and Division of Cost Allocation to understand their needs and has submitted an implementation plan to CMS. DHSS is waiting for a CMS response to the implementation plan. DHSS respectfully, disagrees with the questioned costs cited.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2005 Audit

Report: **02-40005-05**
Finding Number: **19**
Fiscal Year: **2004**
Initial Finding Year: **2004**

Prior Audit Finding:

The State Medicaid director should take action to improve the agency's utilization control and program integrity function.

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs:
Indeterminate
CFDA: **93.767**
Questioned Costs:
Indeterminate

Status/corrective action planned/reasons for no further action:

This audit finding has not been resolved in accordance with OMB Circular A-133 ____.315. In September 2005 CMS conducted a weeklong review of DHSS' utilization review and quality control processes and procedures. DHSS has not yet received the results of that review. DHSS will use the report to implement further improvements. Proposed regulations regarding audits and quality assurance are currently in process within DHSS. These regulations will inform providers of the review process and their rights of appeal. The proposal also describes the audit functions of SURS, the audit manager, and audit committee. The proposal will provide clarity for providers and DHSS staff.

Report: **02-40005-05**
Finding Number: **20**
Fiscal Year: **2004**
Initial Finding Year: **2003**

Prior Audit Finding:

We recommend the State Medicaid director improve procedures over the calculation of the Medicaid upper payment limit.

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs:
\$33,337,220

Status/corrective action planned/reasons for no further action:

This audit finding has been partially implemented in accordance with OMB Circular A-133 ____.315. We have recalculated 2003 and 2004 upper limits to correct the error noted in the 2003 audit report, and to address other legislative audit concerns. The original 2004 upper limit calculations, which included the same error noted in the 2003 audit, and related Medicaid payments were completed by the time the 2003 audit report was transmitted to DHSS.

DHSS continues to evaluate and improve the UPL process. CMS has not provided any additional guidance regarding the methodology that DHSS applied. DHSS views the upper limit process as a prospective estimate of future events while the legislative audit staff has the opinion that the process should follow a retrospective settlement scenario. This difference in philosophy, along with differences in the DHSS' understanding of the applicable approved state plan amendment, causes us to respectfully disagree with questioned costs outlined in the 2004 audit report. The Department will continue to improve the upper limit calculations based on legislative audit recommendations and other applicable information.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2005 Audit

Report: **02-40005-05**
Finding Number: **21**
Fiscal Year: **2004**
Initial Finding Year: **2004**

Prior Audit Finding:

We recommend the State Medicaid director improve internal controls over prescription drug payments.

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: \$1,155,982

Status/corrective action planned/reasons for no further action:

This finding is partially resolved. DHSS continues to strengthen controls in the pharmacy program. The Medicare Part D program will direct what DHSS on future processes.

Medicare Part D moves the pharmacy benefit from Medicaid to Medicare effective January 1, 2006. Major systems and program changes are in process to assure the success of this transfer. Pharmacy access for nursing home residents and Medicare eligibles in rural areas is a major concern that we are collaborating with CMS to understand. In addition the department continues to evaluate the "clawback calculations to insure we appropriately repay the federal government.

DHSS is tightening controls over MedPak usage and dispensing fees through changes to the Pharmacy POS system implemented April 27, 2005 and through clarifications published in the May 2005 revisions of the pharmacy billing manual. A provider letter was issued to further clarify policy in this area. DHSS plans to complete a survey of prescription dispensing costs before issuing new regulations and billing manual language. The survey will attempt to quantify the work and materials that go into filling a MedPak to determine whether to roll costs into the dispensing fee. The survey is scheduled to start December 2006. DHSS is currently recruiting for a new Medicaid pharmacist position that will provide additional pharmacy program oversight.

Report: **02-40005-05**
Finding Number: **22**
Fiscal Year: **2004**
Initial Finding Year: **2003**

Prior Audit Finding:

The DEC finance officer should implement procedures to ensure personal services expenditures charged to the Environmental Conservation Agency (EPA) infrastructure grants comply with federal cost principles.

Federal Agency: **EPA**
State Agency: **DEC**
CFDA: **66.606**
Questioned Costs: \$1,115,721

Status/corrective action planned/reasons for no further action:

The Department has implemented processes to ensure the requirements of OMB Circular A-87 are met. Those employees solely dedicated to a particular federal grant are required to complete the appropriate certifications, and for those employees whose salaries are chargeable to more than one cost objective, actual hours worked on each cost objective are reflected on the employee timesheet.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2005 Audit

Report: **02-40005-05**
Finding Number: **23**
Fiscal Year: **2004**
Initial Finding Year: **2003**

Prior Audit Finding:

The VSW program manager should work with project engineers to strengthen internal controls over the VSW procurement process.

Federal Agency: **EPA & USDA**
State Agency: **DEC**
CFDA: **66.606**
Questioned Costs: None
CFDA: **10.760**
Questioned Costs: None

Status/corrective action planned/reasons for no further action:

We consider this recommendation resolved in accordance with OMB Circular A-133_.315.

Report: **02-40005-05**
Finding Number: **24**
Fiscal Year: **2004**
Initial Finding Year: **2004**

Prior Audit Finding:

The DEC finance officer and Division of Water facility programs manager should implement procedures to ensure compliance with EPA grant requirements for small and disadvantaged business utilization.

Federal Agency: **EPA**
State Agency: **DEC**
CFDA: **66.606**
Questioned Costs: None

Status/corrective action planned/reasons for no further action:

We consider this recommendation resolved in accordance with OMB Circular A-133_.315.

Report: **02-40005-05**
Finding Number: **25**
Fiscal Year: **2004**
Initial Finding Year: **2004**

Prior Audit Finding:

The DEC finance officer and Division of Water facility programs manager should improve oversight of funds passed through to ANTHC.

Federal Agency: **EPA & USDA**
State Agency: **DEC**
CFDA: **66.606**
Questioned Costs: None
CFDA: **10.760**
Questioned Costs: None

Status/corrective action planned/reasons for no further action:

A legal review to determine whether or not the Alaska Native Tribal Health Consortium (ANTHC) is considered a subrecipient was completed. Using information from this review, the department developed and signed a new joint Memorandum of Understanding with the Environmental Protection Agency (EPA) and the US Department of Agriculture (USDA). There is also a new MOU in negotiation with the Indian Health Service (IHS). These memoranda explain the responsibilities of the parties involved.

With regard to improved oversight of the funds administered by ANTHC, starting in FY 2006, funds are no longer advanced to ANTHC. Expenditures are reimbursed instead. Also, the department receives and reviews quarterly progress reports showing financial information and construction progress for each project administered by ANTHC.

We consider this recommendation resolved in accordance with OMB Circular A-133_.315.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2005 Audit

U of A - Report: **02-40005-05**

Finding Number: 26

Fiscal Year: 2004

Federal Agency: USDOE

CFDA: 84.044

Condition found:

The University should make every effort to serve the number of Talent Search participants required by the program.

According to the Code of Federal Regulations, Title 34, Sections 643-10 and 643-7, at least two-thirds of the individuals served by a talent search project must be low-income individuals who are potential first-generation college students. For the program year 2002-2003, 63.5 percent of the University of Alaska Anchorage Talent Search Program participants were low-income individuals who were potential first-generation college students. For the program year 2002-2003, 12.2 percent of the University of Alaska Fairbanks (Bristol Bay region) Talent Search Program participants were low-income individuals who were potential first-generation college students.

Status: The University of Alaska Anchorage and University of Alaska Fairbanks (Bristol Bay region) Talent Search Programs had previously reported the percentage of participants served to the grantor in their annual performance reports for the program year 2002-2003.

During the program year 2002-2003, the University of Alaska Anchorage program had an ineffective database system and significant staff turnover, including the director. The director who supervised the talent search director over saw the program while a search was conducted for a replacement. For the program year 2003-2004, a new director was hired with 20 years TRIO experience and a new database system was implemented leading to the University of Alaska Anchorage program exceeding the two-thirds requirement.

The 2002-2003 program year was the first year of the University of Alaska Fairbanks (Bristol Bay Region) Talent Search Program, and the program faced significant cultural challenges in rural Alaska. There has been a continued hesitance by participants and families to provided needed financial information, thereby delaying verification of participant eligibility. As trust for the program has increased in the region, progress has been made. The program served 52 percent low-income and potential first-generation college students in 2003-2004. The program is on track to meet the two-thirds objective for the 2004-2005 program year.

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STATE OF ALASKA
CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2005

The State of Alaska is required by OMB Circular A-133 to submit a corrective action plan for the findings in the *Statewide Single Audit for the Fiscal Year Ended June 30, 2005*. The corrective action plan is incorporated in the agencies' responses to the auditor's recommendations in Section II – Recommendations and Questioned Costs. The agency response for each recommendation immediately follows the auditor's recommendation. A complete copy of each agency's response letter including attachments, if any, is also contained in Section IV – APPENDICES.

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STATE OF ALASKA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended June 30, 2005
 By State Agency

<u>CFDA Number</u>	<u>Grant or Other Identifying Number</u>	<u>Cluster</u>	<u>Federal Program Title</u>	<u>Federal Expenditures</u>
Alaska Aerospace Development Corporation				
12.400	DAHA51-99-2-3038		Military Construction, National Guard	\$ 13,953,602
Alaska Aerospace Development Corporation Total				13,953,602
Alaska Energy Authority				
10.672	05DG1110000204		Rural Development, Forestry, and Communities	8,231
12.unknown	US AIRFORCE MOU		Nikolski Powerhouse Clean-up	1,671,064
81.079	VARIOUS		Regional Biomass Energy Programs	68,080
81.087	VARIOUS		Renewable Energy Research and Development	1,923,950
81.unknown	Doc #271744		Sandia National Lab Grant	27,988
90.100	VARIOUS		Denali Commission Program	38,449,307
97.unknown			Bradley Lake 2002 Flood	293,170
Alaska Energy Authority Total				42,441,790
Alaska Housing Finance Corporation				
10.410			Very Low to Moderate Income Housing Loans	101,588
14.117			Mortgage Insurance - Homes	1,666,197
14.182		S8PBC	Lower Income Housing Assistance Program: Section 8 New Construction/Substantial Rehabilitation	2,268,102
14.195		S8PBC	Section 8 Housing Assistance Payments Program - Special Allocations	6,540,115
14.235			Supportive Housing Program	14,107
14.238			Shelter Plus Care	401,714
14.239			HOME Investment Partnerships Program	3,375,620
14.241			Housing Opportunities for Persons with AIDS	506,763
14.249		S8PBC	Section 8 Moderate Rehabilitation Single Room Occupancy	320,798
14.850			Public and Indian Housing	8,165,135
14.870			Resident Opportunity and Supportive Services	51,682
14.871			Section 8 Housing Choice Vouchers	28,873,671
14.872			Public Housing Capital Fund	1,840,915
14.901			Healthy Homes Demonstration Grants	225,016
64.114			Veterans Housing - Guaranteed and Insured Loans	703,244
81.041			State Energy Program	330,622
81.042			Weatherization Assistance for Low-Income Persons	1,572,759
81.117			Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	17,490
81.119			State Energy Program Special Projects	101,265
90.100			Denali Commission Program	1,272,183
93.048			Special Program for the Aging - Title IV and Title II - Discretionary Projects	144,637
93.568			Low-Income Home Energy Assistance	674,716
Alaska Housing Finance Corporation Total				59,168,339
Alaska Railroad Corporation				
12.999	DTRFDV-02-G-60035		Track Realignment - Elmendorf Air Force Base and Ft. Richardson 2002 (pass-through from FRA)	329,139
12.999	DTRFDV-03-G-60039		Track Realignment - Elmendorf Air Force Base and Ft. Richardson 2003 (pass-through from FRA)	1,883,941
12.999	DTRFDV-04-G-00006		Track Realignment - Elmendorf Air Force Base and Ft. Richardson 2004 (pass-through from FRA)	5,774,751
15.999	H.R. 4578		U.S. Department of Interior	181,894

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2005
By State Agency

<u>CFDA Number</u>	<u>Grant or Other Identifying Number</u>	<u>Cluster</u>	<u>Federal Program Title</u>	<u>Federal Expenditures</u>
15.FFA	DCN 70181-3-G236		U.S. Department of Fish and Wildlife Services	170,127
20.420	DTSA20-03-G-01069		U.S. Department of Homeland Security	353,658
20.500		FTC	Federal Transit - Capital Investment Grants	21,542,582
20.507		FTC	Federal Transit - Formula Grants	4,593,895
20.999	DTFRDV53-04-G-00007		Anchorage C Street Grade Crossing – 2004	149
20.999	DTFRDV-99-G-60005		Anchorage International Airport Rail Passenger Station - 1999	372,263
20.999	DTFRDV-03-G-60016		Grade Crossing Safety Improvements and Noise Reduction - 2003	158,075
20.999	DTFRDV-99-G-60004		Positive Train Control – 1999	555,280
20.999	DTFRDV-00-G-60028		Positive Train Control – 2000	2,252,513
20.999	DTFRDV-02-G-60032		Rail Safety and Infrastructure Improvements – 2002	1,048,992
20.999	DTFRDV-03-G-60040		Rail Safety and Infrastructure Improvements – 2003	7,232,696
20.999	DTFRDV-04-G-00005		Rail Safety and Infrastructure Improvements – 2004	14,234,645
20.999	DTFRDV-05-G-00007		Rail Safety and Infrastructure Improvements – 2005	357,526
20.999	DTFRDV-03-G-60015		Seward Loading Facility - 2003	497,113
20.999	DTFR53-04-H-00005		Track Integrity System – 2004	15,198
20.999	DTFRDV-01-G-60030		Track Rehab, Siding Access Improvements and Track Relocation - 2001	474,442
21.999	None		Taxpayer Relief Act of 1997 Amtrak Congressional Appropriation	2,638,106
83.544	1423-DR-AK		U.S. Department of Emergency Management	10,613
83.544	1445-DR-AK		U.S. Department of Emergency Management	9,931
83.544	1461-DR-AK		U.S. Department of Emergency Management	13,773
83.548	1445.00006		U.S. Department of Emergency Management	253,853
Alaska Railroad Corporation Total				64,955,155
Alaska Student Loan Corporation				
64.V101(223b)-P4401			Veteran's Administration Contract	18,648
84.032		SFAC	Federal Family Education Loans	2,642,063
Alaska Student Loan Corporation Total				2,660,711
Alaska Seafood Marketing Institute				
10.601			Market Access Program	4,672,605
10.999	Agreement #1		Quality Samples Program (QSP)	29,438
10.999	Agreement #67		Section 108 Program	152,601
Alaska Seafood Marketing Institute Total				4,854,644
Alaska Court System				
09.902000			Technology Initiative Grant Program	294
16.540			Juvenile Justice and Delinquency Prevention - Allocation to States	9,130
16.540	2003-MU-FX-K009		Juvenile Justice and Delinquency Prevention - Allocation to States	8,500
16.590	2002-WE-BX-0025		Grants to Encourage Arrest Policies and Enforcement of Protection Orders	156,156
16.590	2004-WE-AX-0013		Grants to Encourage Arrest Policies and Enforcement of Protection Orders	66,086
16.SJI-03-N-007			The Solutions Project	11,419
16.SJI-04-T-040			Technical Assistance to Improve Public Access to Court Records	15,273
16.SJI-04-T-119			Technical Assistance for Language Interpreter Development	5,935
20.600		HSC	State and Community Highway Safety	28,352
20.600		HSC	State and Community Highway Safety	12,954
93.586	G-0301AKSCIP		State Court Improvement Program	104,651
93.586	G-0201AKSCIP		State Court Improvement Program	5,089
Alaska Court System Total				423,839
Department of Commerce, Community and Economic Development				
10.664			Cooperative Forestry Assistance	184,387

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2005
By State Agency

<u>CFDA Number</u>	<u>Grant or Other Identifying Number</u>	<u>Cluster</u>	<u>Federal Program Title</u>	<u>Federal Expenditures</u>
10.665		SRC	Schools and Roads - Grants to States	8,738,850
10.672			Rural Development, Forestry, and Communities	199,322
10.766			Community Facilities Loans and Grants	1,252,227
11.307		PWEDC	Economic Adjustment Assistance	60,745
11.419			Coastal Zone Management Administration Awards	2,424,114
11.438			Pacific Coast Salmon Recovery - Pacific Salmon Treaty Program	4,022,368
11.452			Unallied Industry Projects	10,041,697
11.477			Fisheries Disaster Relief	19,500
12.999			Delta Junction Missile Defense Test Bed Facilities Impact	11,879,238
14.228			Community Development Block Grants/State's Program	2,846,280
14.231			Emergency Shelter Grants Program	113,791
15.226			Payments in Lieu of Taxes	6,146,858
20.205		HPCC	Highway Planning and Construction	(15,000)
21.999			Jobs and Growth Tax Relief Reconciliation Act of 2002	1,327,000
66.606			Surveys, Studies, Investigations and Special Purpose Grants	917,671
90.100			Denali Commission Program	6,198,134
93.569			Community Services Block Grant	2,713,146
93.571			Community Services Block Grant Discretionary Awards: Community Food and Nutrition Programs	7,928
94.003			State Commissions	85,724
94.004			Learn and Serve America - School and Community Based Programs	51,761
94.006			AmeriCorps	1,169,856
94.007			Planning and Program Development Grants	2,943
94.009			Training and Technical Assistance	76,847
94.013			Volunteers in Service to America	9,120
97.023			Community Assistance Program: State Support Services Element (CAP-SSSE)	77,974
97.029			Flood Mitigation Assistance	54,172
97.070			Map Modernization Management Support	41,379
98.118-G-00-C	118-G-00-00-115		USAID Alaska-Sakhalin Working Group	338,695
Department of Commerce, Community and Economic Development Total				60,986,727
Department of Environmental Conservation				
10.025			Plant and Animal Disease, Pest Control and Animal Care	5,021
10.04-9702-1218-CA			Johne's Disease	47,234
10.04-9702-1339-CA			Foreign Animal Disease Surveillance	12,298
10.04-9702-1346-CA			Scrapie Disease Cooperative Agreement	35
10.12-25-A-4251			Cooperative Pesticide Recordkeeping Program	96
10.12-25-A-4340			Cooperative Pesticide Recordkeeping Program	6,008
10.43-0109-4-0380			Regulatory oversight of Contaminated Sites cleanup	13,831
10.760			Water and Waste Disposal Systems for Rural Communities	9,927,209
11.45ABNA0N0252			Miscellaneous Inspection Service	11,847
11.469			Congressionally Identified Awards and Projects	200,000
11.50ABNC100055			Regulatory Oversight, Pribilof Islands, Alaska	27,694
12.113			State Memorandum of Agreement Program for the Reimbursement of Technical Services	1,785,247
12.DTFAAL-04-X-0000			Clean up contaminated Sites in Alaska	56,226
12.USAF Elmendorf Site cleanup			USAF Elmendorf Site Cleanup	7,802
66.001			Air Pollution Control Program Support	79,221
66.034			Surveys Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act.	332,406
66.419			Water Pollution Control State and Interstate Program Support	52,589

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66.424			Surveys, Studies, Demonstrations and Special Purpose Grants - Section 1442 of the Safe Drinking Water Act	56,300
66.432			State Public Water System Supervision	2,281,520
66.436			Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act	193,613
66.454			Water Quality Management Planning	112,436
66.458			Capitalization Grants for Clean Water State Revolving Funds	12,280,411
66.463			Water Quality Cooperative Agreements	162,318
66.467			Wastewater Operator Training Grant Program (Technical Assistance)	21,306
66.468			Capitalization Grants for Drinking Water State Revolving Fund	7,050,238
66.471			State Grants to Reimburse Operators of Small Water for Training and Certification Costs	93,943
66.472			Beach Monitoring and Notification Program Implementation Grants	50,672
66.474			Water Protection Grants to the States	89,728
66.500			Environmental Protection - Comprehensive Research	33,543
66.511			Office of Research and Development, Consolidated Research/Training	187,266
66.605			Performance Partnership Grants	6,399,434
66.606			Surveys, Studies, Investigations and Special Purpose Grants	28,794,878
66.608			Environmental Information Exchange network Grant Program and Related Assistance	268,975
66.804			State and Tribal Underground Storage Tanks Program	192,526
66.805			Leaking Underground Storage Tank Trust Fund Program	477,735
66.809			Superfund State and Indian Tribe Core Program Cooperative Agreements	213,088
66.817			State and Tribal Response Program Grants	474,030
66.LUST Trust Cost Recovery			LUST Trust Cost Recovery	45,385
81.DE-FC03-02EH02039			Amchitka Medical Screening Program	396,950
81.DE-FG08-99NV13763			Amchitka Oversight/NEUNET	55,932
93.223-03-4037			Food Sanitation Inspections	473
93.223-04-4037			Food Sanitation Inspections	410,671
93.FD-R-0022425-01			Food Safety Systems	936
93.FD-R-002475-01			Food Safety Systems	16,767
Department of Environmental Conservation Total				72,925,838
Department of Education and Early Development				
10.550			Food Donation	2,443,330
10.553	17131	CNC	School Breakfast Program	4,213,305
10.555	17132	CNC	National School Lunch Program	20,729,811
10.556	17133	CNC	Special Milk Program for Children	8,943
10.558	17134		Child and Adult Care Food Program	7,989,072
10.559	17137	CNC	Summer Food Service Program for Children	449,790
10.560	17135		State Administrative Expenses for Child Nutrition	505,733
10.568	17138	EFAC	Emergency Food Assistance Program (Administrative Costs)	134,091
10.574	17400		Team Nutrition Grants	14,377
12.999			Troops to Teachers	161,532
17.249	17205		School to Work	13,414
21.999			Jobs and Growth Tax Relief Reconciliation Act of 2002	3,997,463
45.025	17335		Promotion of the Arts - Partnership Agreements	539,740
45.149	17110		Promotion of the Humanities - Division of Preservation and Access	625
45.310	17336		State Library Program	785,345

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84.010	17126		Title I Grants to Local Educational Agencies	33,963,202
84.011	17127		Migrant Education - State Grant Program	7,549,583
84.013	17129		Title I Program for Neglected and Delinquent Children	301,453
84.027	17232	SEC	Special Education - Grants to States	31,782,754
84.041	17238		Impact Aid	32,993,477
84.048	17244		Vocational Education - Basic Grants to States	3,932,802
84.116	17351		Fund for the Improvement of Postsecondary Education	72,168
84.161	17152		Rehabilitation Services - Client Assistance Program	24,347
84.173	17242	SEC	Special Education - Preschool Grants	1,358,042
84.184	17220		Safe and Drug-Free Schools and Communities - National Programs	307,709
84.185	17254		Byrd Honors Scholarships	118,500
84.186	17255		Safe and Drug-Free Schools and Communities - State Grants	2,103,782
84.196	17257		Education for Homeless Children and Youth	163,592
84.213	17264		Even Start - State Educational Agencies	1,147,257
84.215	17231		Fund for the Improvement of Education	3,733,134
84.243	17246		Tech-Prep Education	99,375
84.282	17247		Charter Schools	1,094,296
84.287	17271		Twenty-first Century Community Learning Centers	4,243,021
84.298	17267		State Grants for Innovative Program	1,544,679
84.318	17241		Education Technology State Grants	3,234,602
84.323	17159		Special Education - State Personnel Development	339,126
84.326	17347		Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	146,530
84.330	17122		Advanced Placement Program	8,627
84.332	17256		Comprehensive School Reform Demonstration	1,077,313
84.334	17250		Gaining Early Awareness and Readiness for Undergraduate Programs	1,413,384
84.338	17233		Reading Excellence	737,076
84.352	17275		School Renovation Grants	306,975
84.357	17273		Reading First State grants	3,703,616
84.358	17373		Rural Education	25,724
84.365	17175		English Language Acquisition Grants	821,330
84.366	17252		Mathematics and Science Partnership	398,995
84.367	17172		Improving Teacher Quality State Grants	11,684,868
84.369	17171		Grants for State Assessments and Related Activities	2,397,720
84.999	17300		Consolidated Programs IASA Admin	1,176,058
89.003	17141		National Historical Publications and Records Grants	15,535
93.230	17349		Consolidated Knowledge Development and Application (KDandA) Program	436,780
93.600	17330		Head Start	172,517
93.778	17309	MC	Medical Assistance Program	1,263,637
93.938	17308		Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	205,564
94.004	17344		Learn and Serve America - School and Community Based Programs	9,318
Department of Education and Early Development Total				198,095,039
Department of Fish and Game				
10.025			Plant and Animal Disease, Pest Control and Animal Care	55,815
10.999			Miscellaneous U.S. Forest Service	951,129
11.405			Anadromous Fish Conservation Act Program	326,632
11.407			Interjurisdictional Fisheries Act of 1986	138,920
11.417			Sea Grant Support	235,055

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<u>CFDA Number</u>	<u>Grant or Other Identifying Number</u>	<u>Cluster</u>	<u>Federal Program Title</u>	<u>Federal Expenditures</u>
11.420			Coastal Zone Management Estuarine Research Reserves	675,874
11.437			Pacific Fisheries Data Program	4,210,628
11.438			Pacific Coast Salmon Recovery - Pacific Salmon Treaty Program	17,854,065
11.439			Marine Mammal Data Program	3,078,694
11.463			Habitat Conservation	205,454
11.473			Coastal Services Center	834,967
11.477			Fisheries Disaster Relief	1,019,155
11.999			Miscellaneous NOAA	3,137,403
12.999			Miscellaneous Army	139,136
15.222			Cooperative Inspection Agreements With States and Tribes	38,637
15.605		F&WC	Sport Fish Restoration	14,703,171
15.608			Fish and Wildlife Management Assistance	1,107,094
15.611		F&WC	Wildlife Restoration	9,380,866
15.614			Coastal Wetlands Planning, Protection and Restoration Act	2,267,581
15.615			Cooperative Endangered Species Conservation Fund	278,430
15.616			Clean Vessel Act	21,926
15.625			Wildlife Conservation and Restoration	249,142
15.626			Hunter Education and Safety Program	138,779
15.630			Coastal Program	15,009
15.633			Landowner Incentive	59,758
15.634			State Wildlife Grants	2,449,148
15.636			Alaska Subsistence Management	1,389,876
15.999			Miscellaneous Bureau of Indian Affairs	40,000
15.999			Miscellaneous Bureau of Land Management	384,902
15.999			Miscellaneous National Park Service	266,976
15.999			Miscellaneous U.S. Fish and Wildlife Service	1,965,242
66.461			Regional Wetland Program Development Grants	44,969
97.999			Miscellaneous U.S. Coast Guard	8,027
Department of Fish and Game Total				67,672,460
Department of Health and Social Services				
10.551		FSC	Food Stamps	77,726,876
10.557			Special Supplemental Nutrition Program for Women, Infants, and Children	23,042,575
10.561		FSC	State Administrative Matching Grants for Food Stamp Program	8,463,060
16.202			Offender Reentry Program	424,422
16.523			Juvenile Accountability Incentive Block Grants	431,108
16.540			Juvenile Justice and Delinquency Prevention - Allocation to States	1,006,268
16.541			Developing, Testing and Demonstrating Promising New Programs	315,102
16.548			Title V - Delinquency Prevention Program	74,862
16.549			Part E - State Challenge Activities	150,838
16.727			Enforcing Underage Drinking Laws Program	540,499
19.S-LMAQM-01-M4627			Arctic Human Health and Environmental Contaminants	(3,618)
66.032			State Indoor Radon Grants	60,983
84.181			Special Education - Grants for Infants and Families with Disabilities	2,244,067
84.989			Systems Change Project to Expand Employment Opportunities for Individuals with Mental or Physical Disabilities, or Both, Who Receive Public Support	(13,927)
90.0022-DC-2001-14			Alaska Rural Primary Health Care Needs Assessment - Phase II	35,868
90.100			Denali Commission Program	2,552,083
90.A-2002-06			Health Facilities "Pre-Award" Support Services	(15,331)
93.003			Public Health and Social Services Emergency Fund	1,968,445
93.030178D4D-CDC			Adult Lead Surveillance Data	16,056

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93.042			Special Programs for the Aging - Title VII Chapter 2 - Long Term Care Ombudsman Services for Individuals	150,341
93.043			Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	68,047
93.044		AC	Special Program for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	2,598,137
93.045		AC	Special Program for the Aging - Title III, Part C - Nutrition Services	2,519,517
93.048			Special Program for the Aging - Title IV and Title II - Discretionary Projects	124,672
93.051			Alzheimer's Disease Demonstration Grants to States	(4,588)
93.052			National Family Caregiver Support	968,632
93.053			Nutrition Services Incentive	277,944
93.110			Maternal and Child Health Federal Consolidated Programs	131,099
93.116			Project Grants and Cooperative Agreements for Tuberculosis Control Programs	513,496
93.127			Emergency Medical Services for Children	113,617
93.130			Primary Care Services Resource Coordination and Development	679,130
93.136			Injury Prevention and Control Research and State and Community Based Programs	478,366
93.150			Projects for Assistance in Transition from Homelessness (PATH)	297,403
93.200-2000-07201			NCHS Contract	141,692
93.217			Family Planning - Services	393,208
93.223-03-4401			Mammography Inspection	28,254
93.230			Consolidated Knowledge Development and Application (KDandA) Program	5,331,590
93.230-BHPR-034(03)			National Health Services Corp - Student/Resident Experiences and Rotations in Community Health (SEARCH)	(18,105)
93.234			Traumatic Brain Injury: State Demonstration Grant Program	196,686
93.238			Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	30,476
93.240			State Capacity Building	50,786
93.241			State Rural Hospital Flexibility Program	584,020
93.243			Substance Abuse and Mental Health Services - Projects of Regional and National Significance	1,329,997
93.243-03-1045			NIOSH Trauma Registry	71,793
93.251			Universal Newborn Hearing Screening	77,942
93.259			Rural Access to Emergency Devices Grant	140,040
93.268			Immunization Grants	7,919,978
93.276			Drug-Free Communities Support Program Grants	1,173,010
93.283			Centers for Disease Control and Prevention: Investigations and Technical Assistance	11,555,075
93.301			Small Rural Hospital Improvement Grant Program	124,179
93.556			Promoting Safe and Stable Families	1,109,741
93.558			Temporary Assistance for Needy Families	32,354,730
93.568			Low-Income Home Energy Assistance	7,606,173
93.575		CCC	Child Care and Development Block Grant	20,103,808
93.590			Community-Based Child Abuse Prevention Grants	477,002
93.596		CCC	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	6,824,911
93.599			Chafee Education and Training Vouchers Program (ETV)	143,590
93.630			Developmental Disabilities Basic Support and Advocacy Grants	614,292
93.631			Developmental Disabilities Projects of National Significance	1,220
93.643			Children's Justice Grants to States	111,037

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<u>CFDA Number</u>	<u>Grant or Other Identifying Number</u>	<u>Cluster</u>	<u>Federal Program Title</u>	<u>Federal Expenditures</u>
93.645			Child Welfare Services - State Grants	326,593
93.658			Foster Care - Title IV-E	15,740,654
93.659			Adoption Assistance	7,554,321
93.667			Social Services Block Grant	6,818,752
93.670			Child Abuse and Neglect Discretionary Activities	2,783,366
93.674			Chafee Foster Care Independence Program	473,022
93.752-3-939519			Healthy Start Grow Smart Program	(8,760)
93.767			State Children's Insurance Program	23,104,322
93.768			Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities	778,749
93.773			Medicare - Hospital Insurance	687,442
93.777		MC	State Survey and Certification of Health Care Providers and Suppliers	226,891
93.778		MC	Medical Assistance Program	641,564,432
93.779			Centers for Medicare and Medicaid Service (CMS) Research, Demonstrations and Evaluations	1,301,945
93.887			Health Care and Other Facilities	110,707
93.912			Rural Health Care Services Outreach and Rural Health Network Development Program Pass-through from University of Washington	103,409
93.913			Grants to States for Operation of Offices of Rural Health	100,414
93.917			HIV Care Formula Grants	1,001,180
93.940			HIV Prevention Activities - Health Department Based	1,474,137
93.944			Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	106,577
93.945			Assistance Programs for Chronic Disease Prevention and Control	367,714
93.952			Trauma Care systems Planning and Development	37,458
93.958			Block Grant for Community Mental Health Services	1,405,612
93.959			Block Grants for Prevention and Treatment of Substance Abuse	6,185,524
93.977			Preventive Health Services - Sexually Transmitted Diseases Control Grants	475,635
93.988			Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	402,454
93.991			Preventive Health and Health Services Block Grant	385,525
93.994			Maternal and Child Health Services Block Grant to the States	1,208,883
Department of Health and Social Services Total				941,130,132
Department of Labor and Workforce Development				
10.561		FSC	State Administrative Matching Grants for Food Stamp Program	304,405
14.227			Community Development Block Grants/Technical Assistance Program	6,075
17.002			Labor Force Statistics	852,917
17.005			Compensation and Working Conditions	91,123
17.203			Labor Certification for Alien Workers	65,081
17.207		ESC	Employment Service	8,407,269
17.225			Unemployment Insurance	175,507,895
17.235			Senior Community Service Employment Program	1,762,168
17.245			Trade Adjustment Assistance - Workers	695,645
17.258		WIAC	WIA Adult Program	3,475,787
17.259		WIAC	WIA Youth Activities	3,649,651
17.260		WIAC	WIA Dislocated Workers	10,192,891
17.503			Occupational Safety and Health - State Program	1,311,806
17.504			Consultation Agreements	593,098

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17.720			Disability Employment Policy Development	1,541,362
17.801		ESC	Disabled Veterans' Outreach Program (DVOP)	267,835
17.804		ESC	Local Veterans' Employment Representative Program	282,162
17.807			Transition Assistance Program	30,850
84.002			Adult Education - State Grant Program	1,129,489
84.063		SFAC	Federal Pell Grant Program	222,968
84.126			Rehabilitation Services - Vocational Rehabilitation Grants to States	8,542,480
84.169			Independent Living - State Grants	310,415
84.177			Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	215,712
84.187			Supported Employment Services for Individuals with Severe Disabilities	355,363
84.224			Assistive Technology	356,065
84.265			Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	31,030
84.346			Vocational Education - Occupational and Employment Information State Grants	105,516
90.100			Denali Commission Program	3,829,542
93.558			Temporary Assistance for Needy Families	2,901,844
96.001		DISSIC	Social Security - Disability Insurance	3,810,833
96.006		DISSIC	Supplemental Security Income	767,174
Department of Labor and Workforce Development Total				231,616,451
Department of Military and Veterans' Affairs				
11.419			Coastal Zone Management Administration Awards	29,919
12.400			Military Construction, National Guard	6,178,179
12.401			National Guard Military Operations and Maintenance (OandM) Projects	11,373,382
12.404			National Guard Civilian Youth Opportunities	2,207,987
12.999			Various Programs	69,907
16.A98-229-CV			Counterdrug Support Program-Asset Forfeiture	37,368
20.703			Interagency Hazardous Materials Public Sector Training and Planning Grants	91,889
43.002			Technology Transfer	2,633,728
97.004		HLSC	State Domestic Preparedness Equipment Support Program	14,319,934
97.026			Emergency Management Institute - Training Assistance	8,557
97.036			Public Assistance Grants	3,714,814
97.039			Hazard Mitigation Grant	151,942
97.042		HLSC	Emergency Management Performance Grants	1,231,100
97.047			Pre-Disaster Mitigation	140,750
97.051			State and Local All Hazards Emergency Operations Planning	106,654
97.053		HLSC	Citizen Corps	1,758
97.054			Community Emergency Response Teams	199,962
97.074		HLSC	Law Enforcement Terrorism Prevention Program (LETPP)	25,169
Department of Military and Veteran's Affairs Total				42,522,999
Department of Natural Resources				
10.001			Agricultural Research - Basic and Applied Research	40,026
10.025			Plant and Animal Disease, Pest Control and Animal Care	2,400,162
10.156			Federal-State Marketing Improvement Program	9,483
10.162			Inspection Grading and Standardization	3,181

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10.163			Market Protection and Promotion	81,318
10.664			Cooperative Forestry Assistance	3,089,427
10.676			Forest Legacy	15,059
10.677			Forest Land Enhancement Program	315,526
10.905			Plant Materials for Conservation	578,617
10.L83008			Calendar Year 2003 Fire Suppression	5,702
10.L83008			Calendar Year 2004 Fire Suppression	253,264
10.L83008			Calendar Year 2005 USFS Fire Suppression	14,509
10.L83008			CY 04 Miscellaneous USFS Fire Billings	13,553
10.Other			Agricultural Economic Assistance	4,445
10.Other	GR39847:43-0120-4-0169		Spot Revegetation(purchase order)	9,530
11.419			Coastal Zone Management Administration Awards	2,972,587
11.Other			Kuroshima Evaluation of Vegetation	3,383
12.999			Kulak Bay Lease	7,500
12.999			Stewart River Revegetation	2,713
15.1422L953A98-0009			Development of an Electronic Access for Digital Mineral and Land Records	5,527
15.222			Cooperative Inspection Agreements with States and Tribes	332,250
15.224			Cultural Resource Management	1,161,682
15.228			National Fire Plan - Wildland Urban Interface Community Fire Assistance	36,236
15.250			Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	182,418
15.252			Abandoned Mine Land Reclamation (AMLR) Program	857,682
15.608			Fish and Wildlife Management Assistance	25,000
15.701813M757			Togiak Refuge Maps	5,299
15.7018M176			Comprehensive Conservation Plans	11,163
15.808			U.S. Geological Survey - Research and Data Collection	1,605,961
15.810			National Cooperative Geologic Mapping Program	553,106
15.904			Historic Preservation Fund Grants-In-Aid	807,192
15.916			Outdoor Recreation - Acquisition, Development and Planning	382,744
15.9911040018			NPS Planning Assistance	9,186
15.AAI	0203ML1302		Wickersham House	19,000
15.AAN	H9915040004		NPS Fire Program Analysis	1,187
15.CA-02-02-06			Independence Mine	444,606
15.CA9910-8-0050/99-01			Denali National Park Interpretative Services	5,000
15.DDD	LAA-02-0005		Cadastral Project	186,117
15.H9910030005			Stampede Road Alignment	34,779
15.LAA040005			Calendar Year 2004 Fire Suppression	6,428,658
15.LAA040005			Calendar Year 2005 BLM Fire Suppression	2,133,996
15.Other			CY04 Miscellaneous USFWS Fire Billings	6,446
15.Other	P9911050003		NPS Anilca Assistance	26,665
15.Other			Onshore Compliance	162,404
15.Other	H9837041015		South Denali Implementation	84,515
15.Other			South Denali Recon Survey	8,215
15.Other	0204CA25505		Survey GIS Coverage	14,195
15.Other			Toklat/Eielson Survey	6,095
20.219			Recreational Trails Program	338,560
21.999			Jobs and Growth Tax Relief Reconciliation Act of 2002	222,183
43.NAG1301010			Remote Sensing	393,880
43.NAG1301011			Remote Sensing	63,137
47.076			Education and Human Resources	52,112
81.089			Fossil Energy Research and Development	471,838
97.012			Boating Safety Financial Assistance	653,341

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<u>CFDA Number</u>	<u>Grant or Other Identifying Number</u>	<u>Cluster</u>	<u>Federal Program Title</u>	<u>Federal Expenditures</u>
97.013			State Access to the Oil Spill Liability Trust Fund	7,770
97.041			National Dam Safety Program	17,629
97.046			Fire Management Assistance Grant	18,713,101
Department of Natural Resources Total				46,290,860
Department of Administration				
16.541	OPA		Developing, Testing and Demonstrating Promising New Programs	50,000
16.576	VCCB		Crime Victim Compensation	409,379
16.710	ETS		Public Safety Partnership and Community Policing Grants	1,866,486
20.217	DMV		Motor Carrier Safety	217,060
21.999	APOC		Electronic Filing of Public Official and Legislative Financial Disclosure	98,821
21.999	LR		Labor Contract Negotiations and Arbitration Costs	68,096
39.003	GS		Donation of Federal Surplus Personal Property	1,080,900
66.433	AOGCC		State Underground Water Source Protection	126,000
Department of Administration Total				3,916,742
Department of Corrections				
16.999	2002-RG-CX-0012		Offender Tracking System	369,591
16.999	2002-RE-CX-0014		Serious and Violent Offender Reentry Initiative	251,264
84.203	R203F990010-01		Star Schools	374
84.331	V331A010032		Grants to States for Incarcerated Youth Offenders	33,547
Department of Corrections Total				654,776
Department of Revenue				
93.563			Child Support Enforcement	15,432,683
93.597			Grants to States for Access and Visitation Programs	104,998
Department of Revenue Total				15,537,681
Department of Transportation and Public Facilities				
10.665		SRC	Schools and Roads - Grants to States	170,000
10.999	PO 43-0109-3-0356		Acquisition of right of way on section of Coffman Cove Rd costs reimb by USDA AK DOT Pj # 68690	60,106
11.999	Lease of space no Fed Agreement #		Lease of terminal space and land rental at international airports	41,608
11.999	Lease of space no Fed Agreement #		Space leased by National Weather Service at DOTPF facility in Slana and Ernestine	1,480
12.999	N6871104MDC4010		Funding from US Navy for Adak Airport Operations	646,024
12.DACA85-5-69-8			Rental by Dept of Army of space at TSAIA for Air National Guard base and other military uses.	215,876
12.F65501-95C0017			Maintain Galena Airport to USAF Safety Standards	397,932
12.F65501-96C0006			Maintain King Salmon Airport to USAF Safety Standards	321,298
15.999			Bridge Design - Selected Alaska Communities AK DOT Pj#74975	11,074
16.585			Drug Court Discretionary Grant Program	25,579
20.106			Airport Improvement Program	141,936,450
20.205		HPCC	Highway Planning and Construction	319,529,835
20.218			National Motor Carrier Safety	1,139,773
20.500		FTC	Federal Transit - Capital Investment Grants	12,785,488
20.505			Federal Transit - Metropolitan Planning Grants	292,483
20.509			Formula Grants for Other Than Urbanized Areas	4,804,696
20.513			Capital Assistance Program for Elderly Persons and Persons with Disabilities	379,002
20.515			State Planning and Research	78,381
20.516			Job Access - Reverse Commute	9,767
20.600		HSC	State and Community Highway Safety	199,306

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20.601		HSC	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	1,543,719
20.602		HSC	Occupant Protection	566,327
20.603		HSC	Federal Highway Safety Data Improvements Incentive Grants	347,657
20.604		HSC	Safety Incentive Grants for Use of Seatbelts	92,550
20.605		HSC	Safety Incentives to Prevent Operation of Motor Vehicles By Intoxicated Persons	681,818
20.999	Lease of space no Fed Agreement #		Rental by FAA of terminal space at FIA.	26,755
20.DTFA-03-X-02057			Rural Airport Lighting install at various airports. Pj#57794	688,460
20.DTFA04-00-L-42873			Rental by FAA of terminal space at TSAIA.	25,336
20.DTFA04-81-F-81018			Pay Half of Electric Billed Through Shared Meter at Kodiak Airport	11,492
20.DTFA04-92-89229			Prorated Share of Utilities and Repair/maintenance Cost FAA ARFF Deadhorse Combined Facility	42,168
20.DTFA04-92-L-89210			Rental by FAA of terminal space at FIA.	225,844
20.DTFA04-99-1-17624			Rental by FAA land space at TSAIA.	9,713
20.DTFA-04-A-00003			FAA agreement for installation of lighting at Chenega airport. Pj#57884	66,894
20.DTFA-AAL03P-45013			FAA agreement to install Precision Approach Path Indicator (PAPI) and Runway End Identifier Lights (REIL) at various airports. Pj#62315	222,887
20.DTFAWA-02-X-44090			Runway End Identifier Lighting (REIL) at various airports. Pj#62462	105,824
20.DTFAWA-03-X-02009			FAA agreement to install Precision Approach Path Indicator (PAPI) and Runway End Identifier Lights (REIL) at various airports. Various Pj#s	745,656
20-00-AK PFH 44-1(1) and AK PFH 2-1(1)			Projects contracted by Western Federal Public Lands Division. Pj#68096 and 67667	383,068
90.100			Denali Commission Program	175,923
97.056			Port Security Grant Program	1,737,897
97.067		HLSC	Homeland Security Grant Program	640,517
97.072			National Explosives Detection Canine Team Program	118,360
97.999	Lease of space no Fed Agreement #		Rental of terminal space ar TSAIA by GSA for TSA.	67,478
97.DTCG89-96-L-J-DL-027			Rental of land space at TSAIA by US Coast Guard	3,141
Department of Transportation and Public Facilities Total				491,575,642
Department of Public Safety				
10.02CA-111001-039			Cooperative Law Enforcement Agreement	62,803
11.02 and 03-NMFS-JEA			National Marine Fisheries Joint Enforcement Agreement	1,043,347
16.04-02 and CY05			Marijuana Eradication	97,934
16.527			Supervised Visitation, Safe Havens for Children	162,111
16.554			National Criminal History Improvement Program (NCHIP)	1,145,140
16.560			National Institute of Justice Research, Evaluation, and Development Project Grants	29,805
16.560			National Institute of Justice Research, Evaluation, and Development Project Grants	118,277
16.560			National Institute of Justice Research, Evaluation, and Development Project Grants	2,202,663
16.564			Crime Laboratory Improvement - Combined Offender DNA Index System Backlog Reduction	215,599
16.575			Crime Victim Assistance	1,659,731
16.579			Byrne Formula Grant Program	2,240,862

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16.580			Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	1,781,648
16.580			Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	1,524,791
16.588			Violence Against Women Formula Grants	735,405
16.589			Rural Domestic Violence and Child Victimization Enforcement Grant Program	23,621
16.590			Grants to Encourage Arrest Policies and Enforcement of Protection Orders	149,002
16.592			Local Law Enforcement Block Grants Program	157,332
16.593			Residential Substance Abuse Treatment for State Prisoners	541,521
16.609			Community Prosecution and Project Safe Neighborhoods	87,410
16.710			Public Safety Partnership and Community Policing Grants	2,946,976
21.999			Jobs and Growth Tax Relief Reconciliation Act of 2002	879,204
83.009			National Fire Academy	22,279
83.554			Alaska Home Fire Safety Inspection Project	387,236
90.100			Denali Commission Program	418,350
93.671			Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	891,364
97.043			State Fire Training Systems Grants	5,508
Department of Public Safety Total				19,529,919
Department of Law				
16.579	2002GPCX0190		Byrne Formula Grant Program	100,528
93.775		MC	State Medicaid Fraud Control Units	440,314
Department of Law Total				540,842
Office of the Governor				
11.452			Unallied Industry Projects	670,034
30.002			Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	59,493
39.011			Election Reform Payments	263,392
Office of the Governor Total				992,919
University of Alaska				
10.001		R&DC	Agricultural Research - Basic and Applied Research	1,204,954
10.001			Agricultural Research - Basic and Applied Research	1,118,431
10.200		R&DC	Grants for Agricultural Research, Special Research Grants	2,838,448
10.200			Grants for Agricultural Research, Special Research Grants	1,364,833
10.206		R&DC	Grants for Agricultural Research - Competitive Research Grants	818
10.206	00-RA2416-AK	R&DC	Grants for Agricultural Research - Competitive Research Grants Pass-through University of California, Davis	3,850
10.206			Grants for Agricultural Research - Competitive Research Grants	61,830
10.228			Alaska Native Serving and Native Hawaiian Serving Institutions Education Grants	555,258
10.302	RCUH LTR JAN 1, 02		Economic Development - Support for Planning Organizations Pass-through University of Hawaii, Hilo	18,825
10.303		R&DC	Integrated Programs	239,956
10.303	40534-6898	R&DC	Integrated Programs Pass-through Cornell University	6,170
10.303			Integrated Programs	8,574

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10.303	K009607-AK AMEND 2		Integrated Programs Pass-through University of California, Davis	36,363
10.303	BJKE27-UA (PO013815)		Integrated Programs Pass-through University of Idaho	88,011
10.457			Commodity Partnerships for Risk Management Education	68,705
10.500		R&DC	Cooperative Extension Service	323,707
10.500	K007797-02	R&DC	Cooperative Extension Service Pass-through University of California, Davis	40,022
10.500			Cooperative Extension Service	2,643,251
10.500	S05043		Cooperative Extension Service Pass-through Kansas State University	3,448
10.500	SUB-GRANT 03/03/03		Cooperative Extension Service Pass-through Nat'l 4H Council	12,430
10.500	UTSTUNV6160:6128STATE		Cooperative Extension Service Pass-through University of Wyoming	3,304
10.500	WSU-WE-TAA-SAL		Cooperative Extension Service Pass-through University of Washington	276,228
10.652		R&DC	Forestry Research	43,277
10.664		R&DC	Cooperative Forestry Assistance	164,532
10.664			Cooperative Forestry Assistance	72,194
10.769			Rural Business Enterprise Grants	46,576
10.901		R&DC	Resource Conservation and Development	22,274
10.999	ADN 1058068	R&DC	Miscellaneous	481,111
10.999			Miscellaneous	125,826
11.300	F0414	PWEDC	Grants for Public Works and Economic Development Facilities	60,559
11.303		R&DC	Economic Development - Technical Assistance	100,194
11.303			Economic Development - Technical Assistance	(4)
11.307		PWEDC	Economic Adjustment Assistance	113,810
11.400	H2004-00		Geodetic Surveys and Services (Geodesy and Applications of the National Geodetic Reference System)	49,997
11.417			Sea Grant Support	2,319,199
11.420		R&DC	Coastal Zone Management Estuarine Research Reserves	2,989
11.427		R&DC	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	16,323
11.430		R&DC	Undersea Research	1,753,113
11.432		R&DC	Office of Oceanic and Atmospheric Research (OAR) Joint and Cooperative Institutes	3,048,015
11.439	RSA EN 1145095	R&DC	Marine Mammal Data Program	1,040,674
11.439	AWARD LTR 6/17/03	R&DC	Marine Mammal Data Program Pass-through Aleutians East Borough	2,037
11.439	SUB. NA16FX2629 #35	R&DC	Marine Mammal Data Program Pass-through North Pacific Marine Science Foundation	18,048
11.439	R1713-01	R&DC	Marine Mammal Data Program Pass through Seward Assoc for Advancement of Science	27,276
11.439			Marine Mammal Data Program	82,874
11.460		R&DC	Special Oceanic and Atmospheric Projects	290,997
11.460	A 100388	R&DC	Special Oceanic and Atmospheric Projects Pass-through Woods Hole Oceanographic Institution	29,920
11.472	AGRMT 7/9/02; NPRB #39 R-1	R&DC	Unallied Science Program Pass-through North Pacific Research Board	379,783
11.472	R0326		Unallied Science Program	29,663
11.473		R&DC	Coastal Services Center	9,046
11.473	UA/AOOS MOA		Coastal Services Center Pass-through Alaska Ocean Observing System	72,471

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11.478		R&DC	Center for Sponsored Coastal Ocean Research - Coastal Ocean Program	55,689
11.480			National Ocean Service Intern Program	39,990
11.550			Public Telecommunications Facilities Planning and Construction	(68,069)
11.552			Technology Opportunities Program	27,305
11.999	1145374	R&DC	Miscellaneous	613,186
11.999			Miscellaneous	152,495
11.999	CONTRACT DTD 6/8/04	R&DC	Miscellaneous Pass-through from ALMA Latin Association of Women in Alaska	15,000
11.999	LETTER 11-19-04 CK# 3412		Miscellaneous Pass-through from Consortium for Oceanographic Research and Education	14,834
11.999	JHT04P1133	R&DC	Miscellaneous Pass-through from Jardon and Howard Tech., Inc.	58,209
11.999	NA16FX2629-#41A #14	R&DC	Miscellaneous Pass-through from North Pacific Marine Science Foundation	69,228
11.999	AGREEMENT	R&DC	Miscellaneous Pass-through from North Pacific Research Board	472,064
11.999	R1991-01	R&DC	Miscellaneous Pass-through from Seward Assoc for Advancement of Science (SAAMS)	78,941
12.002			Procurement Technical Assistance for Business Firms	298,418
12.106			Flood Control Projects	949
12.114	270 1031743 28459 PO# R316894		Collaborative Research and Development	13,248
12.114	UAF-03-01	R&DC	Collaborative Research and Development Pass-through Chenega Technology Services Corporation	2,425
12.114	UM02-09-029	R&DC	Collaborative Research and Development Pass-through University of Mississippi	279,874
12.300		R&DC	Basic and Applied Scientific Research	5,613,626
12.300	885010	R&DC	Basic and Applied Scientific Research Pass-through John Hopkins University	790,337
12.300	INDEX# 332520 PO426688	R&DC	Basic and Applied Scientific Research Pass-through Wayne State University	124,552
12.300			Basic and Applied Scientific Research	91,686
12.420		R&DC	Military Medical Research and Development	369,839
12.420			Military Medical Research and Development	48,793
12.431			Basic Scientific Research	29,203
12.630		R&DC	Basic, Applied, and Advanced Research in Science and Engineering	94,170
12.800	PROLOGIC-LAK03-1019	R&DC	Air Force Defense Research Sciences Program	56,702
12.999	TRACKING# 14540-05-01	R&DC	Miscellaneous	1,717,794
12.999	ADN 1155101		Miscellaneous	6,477
12.999	885205	R&DC	Miscellaneous Pass-through from John Hopkins University	1,125,902
12.999	C40628	R&DC	Miscellaneous Pass-through from New Mexico State University	79,510
12.999	CATT03-UAA-03		Miscellaneous Pass-through from Oklahoma State University	(1,172)
12.999	M00010	R&DC	Miscellaneous Pass-through from University of Michigan	348,130
14.246			Community Development Block Grants / Brownfields Economic Development Initiative	593,328
14.515			Alaska Native/Native Hawaiian Institutions Assisting Communities	1,620,490
14.999			Miscellaneous	19,669
15.034		R&DC	Agriculture on Indian Lands	13,656
15.034			Agriculture on Indian Lands	2,959
15.043		R&DC	Indian Child and Family Education	3,002
15.224		R&DC	Cultural Resource Management	(388)

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15.224			Cultural Resource Management	35,196
15.600			Anadromous Fish Conservation	1,332
15.608		R&DC	Fish and Wildlife Management Assistance	39,928
15.630		R&DC	Coastal Program	56,592
15.631			Partners for Fish and Wildlife	4,514
15.805		R&DC	Assistance to State Water Resources Research Institutes	80,853
15.807		R&DC	Earthquake Hazards Reduction Program	554,145
15.808	ADN # 1056014	R&DC	U.S. Geological Survey - Research and Data Collection	3,808,047
15.808	AV04-AK01	R&DC	U.S. Geological Survey - Research and Data Collection Pass-through America View, Inc	108,829
15.812		R&DC	Cooperative Research Units Program	206,120
15.900		R&DC	Disposal of Surplus Wildlife	94,044
15.900			Disposal of Surplus Wildlife	7,329
15.999		R&DC	Miscellaneous	2,418,843
15.999			Miscellaneous	1,318,871
15.999	MEMORANDUM OF AGREEMENT 3/1/		Miscellaneous Pass-through from Association of Village Council Presidents	46,929
15.999	AC-279	R&DC	Miscellaneous Pass-through from Bering Sea Fisherman's Association	14,437
15.999	AGRMT 1-1-04	R&DC	Miscellaneous Pass-through from C and C Technologies	49,097
15.999	2326-04-UAA-001	R&DC	Miscellaneous Pass-through from Chenega Technology Services Corporation	3,438
15.999	02TO85279 01100B		Miscellaneous Pass-through from MBC Applied Environmental Sciences	2,452
15.999	2003-0029-011	R&DC	Miscellaneous Pass-through from National Fish and Wildlife Foundation	15,130
15.999	AGRMT 7/9/02	R&DC	Miscellaneous Pass-through from Seward Assoc for Advancement of Science (SAAMS)	(4,810)
15.DDD			AK Resource Library Info Svc ARLIS	90,128
16.550		R&DC	State Justice Statistics Program for Statistical Analysis Centers	56,943
16.560		R&DC	National Institute of Justice Research, Evaluation, and Development Project Grants	102,845
16.595	SUBCONTRACT 2001-WS-Q)	R&DC	Community Capacity Development Office	1,123
16.609		R&DC	Community Prosecution and Project Safe Neighborhoods	36,188
16.999		R&DC	Miscellaneous	18,208
16.999			Miscellaneous	22,514
17.260	EN 750000	WIAC	WIA Dislocated Workers	267
17.600		R&DC	Mine Health and Safety Grants	23,881
19.999			Miscellaneous	22,821
20.108			Aviation Research Grants	163,897
20.108	01-C-GA-ERAU AMEND#55		Aviation Research Grants Pass-through Embry-Riddle Aeronautical University	2,199
20.215	P502251 MOD # 2		Highway Training and Education	40,736
20.999	PROJECT 210672	R&DC	Miscellaneous Pass-through from Construction Technology Labs	24,775
20.999	01-C-GA-ERAU-02		Miscellaneous Pass-through from Embry-Riddle Aeronautical University	(122)
39.009		R&DC	Federal Citizen Information Center	13,409,280
39.009			Federal Citizen Information Center	288,375
39.999			Miscellaneous	1,985
43.001		R&DC	Aerospace Education Services Program	903,925

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43.001	SUBCONTRACT NO. 99-1235	R&DC	Aerospace Education Services Program Pass-through Arizona State University	(9,725)
43.001	478959	R&DC	Aerospace Education Services Program Pass-through University of Washington	23,208
43.999	RSA EN 1026006	R&DC	Miscellaneous	10,598,916
43.999	SUBC #03-12	R&DC	Miscellaneous Pass-through from Hampton University	112,449
43.999	LT-04-1054	R&DC	Miscellaneous Pass-through from Lightning Technologies, Inc.	29,993
43.999	04CK65A-002	R&DC	Miscellaneous Pass-through from SETI Institute	20,001
43.999	0965 G FB372	R&DC	Miscellaneous Pass-through from University of California, Los Angeles	1,251
43.999	PO 3012590 PRIME NAG13-0	R&DC	Miscellaneous Pass-through from University of Massachusetts, Dartmouth	377,194
43.999	PG-6617-03		Miscellaneous Pass-through from University of Montana	25,655
43.999	402256	R&DC	Miscellaneous Pass-through from University of Pittsburgh	7,394
45.004			Promotion of the Arts-Literature	(4,233)
45.027			Promotion of the Arts - Grants to Organizations and Individuals	60,504
45.129	GRANT 17-02	R&DC	Promotion of the Humanities - Federal/State Partnership Pass-through Alaska Humanities Forum	(172)
45.129	GRANT 17-02		Promotion of the Humanities - Federal/State Partnership Pass-through Alaska Humanities Forum	2,434
45.149			Promotion of the Humanities - Division of Preservation and Access	126,769
45.301			Museum for America Grants	96,585
45.999			Miscellaneous	17,739
45.999	AGREEMENT DTD 5/2004	R&DC	Miscellaneous Pass-through from Alaska Humanities Forum	42,539
47.041		R&DC	Engineering Grants	345,898
47.041			Engineering Grants	240,860
47.049		R&DC	Mathematical and Physical Sciences	242,274
47.049	SUBAWARD NO. 30891-A	R&DC	Mathematical and Physical Sciences Pass-through Stanford University	5,987
47.050	SUBCONTRACT PG-5616-02	R&DC	Geosciences Pass-through University of Montana	15,211
47.050	#892069	R&DC	Geosciences Pass-through University of Washington	4,396
47.050	SUBCONTRACT C029979	R&DC	Geosciences Pass-through Utah State University	15,116
47.050		R&DC	Geosciences	3,711,197
47.050	MBL SUBCONTRACT #10705	R&DC	Geosciences Pass-through Marine Biological Laboratory	23,602
47.050	PO# 0313498	R&DC	Geosciences - Pass-through Monterey Bay Aquarium Research Inst	29,148
47.050	53-000045	R&DC	Geosciences Pass-through SRI Int'l	16,734
47.050	S02-39004	R&DC	Geosciences Pass-through UCAR Office Programs	13,171
47.050	SUBAWARD EAR-0318549-0	R&DC	Geosciences Pass-through UNAVCO, Inc	12,033
47.050	UNR-02-72 P.O.12GC000007	R&DC	Geosciences Pass-through University of Nevada, Reno	62,541
47.050	AGRMT #010429-1	R&DC	Geosciences University of Pittsburgh	471
47.050			Geosciences	157,119
47.070	EDUCAUSE AGREEMENT		Computer and Information Science and Engineering Pass-through EDUCAUSE	58,080
47.070		R&DC	Computer and Information Science and Engineering	525,962
47.070			Computer and Information Science and Engineering	101,500
47.074		R&DC	Biological Sciences	2,007,548
47.074	99221642	R&DC	Biological Sciences Pass-through Marine Biological Laboratory	18,934
47.074	527144-01	R&DC	Biological Sciences Pass-through Stevens Institute of Technology	26,680
47.074	UF02018	R&DC	Biological Sciences Pass-through University of Florida	598

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47.074			Biological Sciences	77,366
47.075		R&DC	Social, Behavioral, and Economic Sciences	72,462
47.076	40257-00-01N		Education and Human Resources Pass-through Northeastern Illinois University	4,329
47.076		R&DC	Education and Human Resources	3,665,576
47.076	LETTER 2/28/02 - MOD6/03;1	R&DC	Education and Human Resources Pass-through Alaska Federation of Natives, Inc	442,299
47.076			Education and Human Resources	2,029,347
47.078	WIRE 03/23/05	R&DC	Polar Programs	10,500,577
47.078	ARCUS CONTRACT8.26.04	R&DC	Polar Programs Pass-through Arctic Research Consortium of the U.S. (ARCUS)	44,044
47.078	03-2214	R&DC	Polar Programs Pass-through Idaho State University	34,653
47.078	3872	R&DC	Polar Programs Pass-through University of Delaware	24,309
47.078	250234	R&DC	Polar Programs Pass-through University of Washington	3,532
47.078	A100253 MOD 2	R&DC	Polar Programs Pass-through Woods Hole Oceanographic Institution	24,568
47.078	CONTRACT 7/29/03		Polar Programs Pass-through Arctic Research Consortium of the U.S. (ARCUS)	3,666
47.078			Polar Programs	1,564,951
47.999		R&DC	Miscellaneous	1,276,904
47.999			Miscellaneous	85,491
47.999	AGREEMENT 7/1/02		Miscellaneous Pass-through from Alaska Federation of Natives Inc.	(134)
47.999	MOA 3-10-05		Miscellaneous Pass-through from Bristol Bay Native Assoc.	48,379
47.999	JSA 5-09	R&DC	Miscellaneous Pass-through from Joint Oceanographic Institutes, Inc.	1,107
47.999	JSA 5-05		Miscellaneous Pass-through from Joint Oceanographic Institutes, Inc.	6,454
47.999	AGREEMENT AVDONIN 2003		Miscellaneous Pass-through from National Academy of Sciences	4,464
47.999	UTA04-171	R&DC	Miscellaneous Pass-through from The University of Texas at Austin	41,225
59.007			7(j) Technical Assistance	55,180
59.037			Small Business Development Center	447,654
66.468			Capitalization Grants for Drinking Water State Revolving Funds	1,515
66.500		R&DC	Environmental Protection - Comprehensive Research	61,808
66.500	G-5817-3	R&DC	Environmental Protection - Comprehensive Research Pass-through from Colorado State University	23,785
66.606	EN 1840503	R&DC	Surveys, Studies, Investigations and Special Purpose Grants	46,507
66.606			Surveys, Studies, Investigations and Special Purpose Grants	427,646
66.606	CONTRACT S00005568 PO#	R&DC	Surveys, Studies, Investigations and Special Purpose Grants Pass-through Fairbanks North Star Borough	39,782
66.708		R&DC	Pollution Prevention Grants Program	41,591
66.951		R&DC	Environmental Education Grants	9,115
66.999			Miscellaneous	62,571
81.049		R&DC	Office of Science Financial Assistance Program	68,306
81.049	DOELOC2284::2285AKUNV	R&DC	Office of Science Financial Assistance Program Pass-through University of Wyoming	42,201
81.089		R&DC	Fossil Energy Research and Development	82,736
81.089	17839	R&DC	Fossil Energy Research and Development Pass-through Sandia National Laboratories	147,228
81.104	SUB1 UCD-W/GEC 03-019 PC	R&DC	Office of Environmental Cleanup and Acceleration	30,594

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2005
By State Agency

<u>CFDA Number</u>	<u>Grant or Other Identifying Number</u>	<u>Cluster</u>	<u>Federal Program Title</u>	<u>Federal Expenditures</u>
81.113	CONTRACT 409909-A-R8		Defense Nuclear Nonproliferation Research	(2,574)
81.113	UM03-02-074	R&DC	Defense Nuclear Nonproliferation Research Pass-through University of Mississippi	232,383
81.113	SUBC GI04-88	R&DC	Defense Nuclear Nonproliferation Research Pass-through Weston Geophysical Corporation	1,086
81.999		R&DC	Miscellaneous	2,947,333
81.999			Miscellaneous	5,623
81.999	DE-FC02-02EH02039 AMENC	R&DC	Miscellaneous Pass-through from Alaska State Dist. Council of Laborers	41,695
81.999	NO. 9064	R&DC	Miscellaneous Pass-through from Battelle Pacific Northwest Lab	82,705
81.999	G-3928-1 SUBAWARD AMEN	R&DC	Miscellaneous Pass-through from Colorado State University	20,509
81.999	60-4005		Miscellaneous Pass-through from Inland Northwest Research Alliance	196,185
81.999	CRESP II	R&DC	Miscellaneous Pass-through from Institute for Responsible Management, Inc.	204,876
81.999	65520-001-03 97	R&DC	Miscellaneous Pass-through from University of California	62,998
81.999	AGREEMENT 234041A	R&DC	Miscellaneous Pass-through from University of Oregon	71,305
84.007		SFAC	Federal Supplemental Educational Opportunity Grants	250,942
84.007		SFAC	Federal Supplemental Educational Opportunity Grants	250,843
84.016			Undergraduate International Studies and Foreign Language Programs	54,778
84.024			Early Education for Children with Disabilities	(9,630)
84.031			Higher Education - Institutional Aid	4,797,237
84.032		SFAC	Federal Family Education Loans	36,909,461
84.033		SFAC	Federal Work - Study Program	634,287
84.042		TRIOC	TRIO - Student Support Services	207,834
84.044		TRIOC	TRIO - Talent Search	975,995
84.047		TRIOC	TRIO - Upward Bound	1,319,101
84.063		SFAC	Federal Pell Grant Program	9,037,075
84.066		TRIOC	TRIO - Educational Opportunity Centers	543,535
84.116			Fund for the Improvement of Postsecondary Education	881,509
84.195			Bilingual Education - Professional Development	268,032
84.215	PO 4P15661		Fund for the Improvement of Education Pass-through Anchorage School District	2,500
84.215	RSA EN# 0550625		Fund for the Improvement of Education	2,129,632
84.295	AGREEMENT 8/2003		Ready-to-Learn Television	3,431
84.297		R&DC	Native Hawaiian Curriculum Development, Teacher Training and Recruitment	31,591
84.299			Indian Education-Special Programs	272,052
84.306		R&DC	National Institute on the Education of At-Risk Students	483,138
84.320			Alaska Native Educational Planning, Curriculum Development, Teacher Training, and Recruitment Program	(9,109)
84.325	SUBCONTRACT H325S9900:	R&DC	Special Education - Personnel Preparation to Improve Services and Results for Children with Disabilities	(1)
84.325			Special Education - Personnel Preparation to Improve Services and Results for Children with Disabilities	150,791
84.336			Teacher Quality Enhancement Grants	1,358,727
84.342			Preparing Tomorrow's Teachers to Use Technology	435,461
84.342	CONTRACT DTD 07/2003	R&DC	Preparing Tomorrow's Teachers to Use Technology Pass-through from International Society for Technology in Education	45,815
84.350			Transition to Teaching	455,712

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2005
By State Agency

<u>CFDA Number</u>	<u>Grant or Other Identifying Number</u>	<u>Cluster</u>	<u>Federal Program Title</u>	<u>Federal Expenditures</u>
84.356		R&DC	Alaska Native Educational Programs	289,307
84.356	AGREEMENT DTD 1/21/2005	R&DC	Alaska Native Educational Programs Pass-through Alaska Humanities Forum	24,539
84.356	SUBAWARD DTD 4/9/05	R&DC	Alaska Native Educational Programs Pass-through Copper River Native Association	66,263
84.356			Alaska Native Educational Programs	3,045,220
84.362	S362A030013	R&DC	Native Hawaiian Education	221,047
84.363			School Leadership	698,236
84.999	LETTER DATED APRIL 28,02		Miscellaneous Pass-through from Association of American Colleges and Universities	267
84.999	R303A980236-01		Miscellaneous Pass-through from Chugach School District	12,753
84.999	92 -AK01		Miscellaneous Pass-through from National Writing Project Corporation	69,737
84.999	LETTER NOV. 2004		Miscellaneous Pass-through from Public Broadcasting Service	11,244
89.003			National Historical Publications and Records Grants	54,224
90.100	075006		Denali Commission Program	751,625
93.001		R&DC	Civil Rights and Privacy Rule Compliance Activities	376,056
93.048		R&DC	Special Program for the Aging - Title IV and Title II - Discretionary Projects	399,845
93.107	SUBCONTRACT 919481	R&DC	Model State-Supported Area Health Education Centers	38,200
93.110			Maternal and Child Health Federal Consolidated Programs	14,863
93.113		R&DC	Biological Response to Environmental Health Hazards	75,934
93.189	NO. 749428		Health Education and Training Centers	29,313
93.211	ANTHC-03-C-5239		Telehealth Network Grants	39,195
93.230	241-23622G-3101	R&DC	Consolidated Knowledge Development and Application (KDandA) Program Pass-through Municipality of Anchorage	10,714
93.230	AGREEMENT	R&DC	Consolidated Knowledge Development and Application (KDandA) Program Pass-through Yukon Kuskokwim Health Corporation	(6,079)
93.230	CONTRACT 11-27-01		Consolidated Knowledge Development and Application (KDandA) Program Pass-through Fairbanks Native Association	1,428
93.242	FY04.001.022 ALASKA	R&DC	Mental Health Research Grants	86,616
93.243	1 H79 T116092-01	R&DC	Substance Abuse and Mental Health Services - Projects of Regional and National Significance Pass-through Cook Inlet Council on Alcohol & Drug Abuse	15,081
93.243	CONTRACT DTD 12/2004	R&DC	Substance Abuse and Mental Health Services - Projects of Regional and National Significance Pass-through Municipality of Anchorage	34,704
93.243	CONTRACT FOR SVCS DTD 3/24/05		Substance Abuse and Mental Health Services - Projects of Regional and National Significance Pass-through Fairbanks Native Association	22,285
93.247	SUBAWARD GSONO0130A B		Advanced Education Nursing Grant Program	37,667
93.273		R&DC	Alcohol Research Programs	81,227
93.279		R&DC	Drug Abuse and Addiction Research Programs	54,134
93.279	PHS R01 DA013139 PO71084	R&DC	Drug Abuse and Addiction Research Programs Pass-through Medical College of Wisconsin	70,061
93.279	SUBCONTRACT #320020	R&DC	Drug Abuse and Addiction Research Programs Pass-through Pacific Inst for Research & Evaluation Louisville Center	8,967
93.279	SUB 4-12804-7810/PO895126	R&DC	Drug Abuse and Addiction Research Programs Pass-through University of New Mexico Health Science Center	385
93.358			Advanced Education Nursing Traineeships	60,747
93.361	#717794	R&DC	Nursing Research	1,852

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2005
By State Agency

<u>CFDA Number</u>	<u>Grant or Other Identifying Number</u>	<u>Cluster</u>	<u>Federal Program Title</u>	<u>Federal Expenditures</u>
93.375		R&DC	Minority Biomedical Research Support	321,709
93.389		R&DC	National Center for Research Resources	7,408,926
93.390		R&DC	Academic Research Enhancement Award	28,026
93.570	NYSPPF: 03-298		Community Services Block Grant - Discretionary Awards	37,905
93.632			University Centers for Excellence in Developmental Disabilities Education, Research, and Service	486,694
93.647		R&DC	Social Services Research and Demonstration	352,394
93.648			Child Welfare Services Training Grants	55,204
93.822			Health Careers Opportunity Program	252,833
93.822	SUBCONTRACT 933805		Health Careers Opportunity Program Pass-through University of Washington	74,986
93.824	PO 611555	R&DC	Basic / Core Area Health Education Centers	1
93.848	PO#29995F MOD#5	R&DC	Digestive Diseases and Nutrition Research	14,346
93.853		R&DC	Extramural Research Programs in the Neurosciences and Neurological Disorders	132,824
93.854		R&DC	Biological Basis Research in the Neurosciences	1,356,669
93.856	NO. 968134	R&DC	Microbiology and Infectious Diseases Research	135,071
93.912	0640194		Rural Health Care Services Outreach and Rural Health Network Development Program Pass-through from University of Washington	1,045,090
93.912	P0072828 DTD 10/19/04	R&DC	Rural Health Care Services Outreach and Rural Health Network Development Program Pass-through from University of Washington	66,643
93.912	CONTRACT #737711		Rural Health Care Services Outreach and Rural Health Network Development Program Pass-through from University of Washington	11,986
93.928	ANTHC-03-U-6877 MOD 002	R&DC	Special Projects of National Significance	61,416
93.969		R&DC	Geriatric Education Centers	469,010
93.999	ADN# 640361 / EN643185	R&DC	Miscellaneous	39,070
93.999			Miscellaneous	85,355
93.999	236-01-0003 SUB.		Miscellaneous Pass-through from Ak Native Tribal Health Consortium	672,936
93.999	# 1 H79 TI15381-01-1	R&DC	Miscellaneous Pass-through from Cook Inlet Council on Alcohol and Drug Abuse	15
93.999	CONTRACT 12/16/02		Miscellaneous Pass-through from Fairbanks Native Association	371,588
93.999	#701901	R&DC	Miscellaneous Pass-through from University of Washington	24,007
94.005		R&DC	Learn and Serve America - Higher Education	14,176
94.005			Learn and Serve America - Higher Education	14,766
96.008			Social Security - Benefits Planning, Assistance, and Outreach Program	59,272
97.021			Hazardous Materials Assistance Program	(127)
98.999		R&DC	Alaska Chukotka Development Project	1,038,315
98.999			Alaska Chukotka Development Project	1,002,860
University of Alaska Total				188,647,360
Total Federal Program Assistance				\$ 2,571,094,467

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STATEWIDE ABBREVIATIONS

A

AAC	Alaska Administrative Code
AADC	Alaska Aerospace Development Corporation
AAL	Actuarial Accrued Liabilities
AAM	Alaska Administrative Manual
ABA	Alaska Bar Association
ACS	Alaska Court System
ACOA	Alaska Commission on the Aging
AEA	Alaska Energy Authority
AHFC	Alaska Housing Finance Corporation
AIDEA	Alaska Industrial Development and Export Authority
AIDS	Acquired Immunodeficiency Virus Syndrome
AIGA	Alaska Insurance Guarantee Association
AJE	Adjusting Journal Entries
AK	Alaska
AKPAY	Alaska State Payroll System
AKSAS	Alaska State Accounting System
AMBBA	Alaska Municipal Bond Bank Authority
AMHT	Alaska Mental Health Trust
AMHTA	Alaska Mental Health Trust Authority
AMLR	Abandoned Mine Land Reclamation
ANGDA	Alaska Natural Gas Development Authority
ANTHC	Alaska Native Tribal Health Consortium
AOMB	Alaska Office of the Governor, Office of Management and Budget
APBF	Alaska Public Building Fund
APFC	Alaska Permanent Fund Corporation
AR	Accounts Receivable
ARFF	Aircraft Rescue and Firefighting
ARLIS	Alaska Resources Library and Information Services
ARRC	Alaska Railroad Corporation
AS	Alaska Statute
ASLC	Alaska Student Loan Program
ASMI	Alaska Seafood Marketing Institute
ASPIB	Alaska State Pension Investment Board
AST	Alaska State Troopers
ASTF	Alaska Science and Technology Foundation

B

BLM	U.S. Bureau of Land Management
BMA	Bond Market Association

C

CAFR	Comprehensive Annual Financial Report
CAP-SSSE	Community Assistance Program: State Support Services Element
CATG	Council of Athabascan Tribal Governments
CBRF	Constitutional Budget Reserve Fund
CCC	Child Care Cluster
CCDBG	Child Care and Development Block Grant
CCDF	Child Care Development Fund
CCMMF	Child Care Mandatory and Matching Funds
CCPO	Child Care Program Office
CDC	Center for Disease Control
CDVSA	Council on Domestic Violence and Sexual Assault
CFDA	Catalog of Federal Domestic Assistance
CFR	Code of Federal Regulations
CIP	Capital Improvement Projects
CMH	Community Mental Health
CMIA	Cash Management Improvement Act of 1990
CMS	Centers for Medicare and Medicaid Services
COA	Chart of Accounts
COP	Certificates of Participation
CPA	Certified Public Accountant
CSED	Child Support Enforcement Division
CWD	Children with Disabilities

D

DAS	Division of Administrative Services
DC	Denali Commission
DCCED	Department of Commerce, Community, and Economic Development (Alaska)
DCP	Deferred Compensation Plan
DCRA	Department of Community and Regional Affairs (Alaska)
DEC	Department of Environmental Conservation (Alaska)
DED	Division of Early Development (see Early Development)
DEED	Department of Education and Early Development (Alaska)
DES	Division of Emergency Services
DFG	Department of Fish and Game (Alaska)
DFYS	Division of Family and Youth Services
DGS	Division of General Services
DHCS	Division of Health Care Services

DHSS	Department of Health and Social Services (Alaska)
DLWD	Department of Labor and Workforce Development (Alaska)
DMA	Division of Medical Assistance
DMHDD	Division of Mental Health and Developmental Disabilities
DMVA	Department of Military and Veterans Affairs (Alaska)
DNR	Department of Natural Resources (Alaska)
DOA	Department of Administration (Alaska)
DOC	Department of Corrections (Alaska)
DOF	Division of Finance
DOL	Department of Law (Alaska)
DOR	Department of Revenue (Alaska)
DOTPF	Department of Transportation and Public Facilities (Alaska)
DPA	Division of Public Assistance
DPH	Division of Public Health
DPS	Department of Public Safety
DRB	Division of Retirement and Benefits
DSDS	Division of Senior and Disability Services
DSH	Disproportionate Share Hospital
DSS	Division of Senior Services
DUA	Disaster Unemployment Assistance
DUR	Drug Utilization Review
DVOP	Disabled Veterans' Outreach Program

E

ED	Early Development (see Division of Early Development)
eGrants	Electronic Grants database
EMGF	Emerging Markets Growth Fund
EMS	Emergency Medical Services
ENERGY	U.S. Department of Energy
EPA	U.S. Environmental Protection Agency
EPORS	Elected Public Officers' Retirement System
ESEA	Elementary and Secondary Education Act
ESS	Education Support Services
ETS	Enterprise Technology Services
ETV	Education and Training Vouchers

F

F&M	Facilities and Maintenance
FAA	Federal Aviation Administration
FASB	Financial Accounting Standards Board
FE	Funding Excess
FEMA	Federal Emergency Management Agency
FFELP	Federal Family Education Loan Program
FFY	Federal Fiscal Year

FHSC	First Health Services Corporation
FHWA	Federal Highway Administration
FIA	Fairbanks International Airport
FIFO	First in, first out
FMS	Finance and Management Services
FSSLA	First Special Session Law of Alaska
FVPSP	Family Violence Prevention and Services Program
FY	Fiscal Year

G

GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GCU	Grants and Contracts Unit
GEAR-UP	Gaining Early Awareness and Readiness for Undergraduate Programs
GeFONSI	General Fund and Other Non-Segregated Investments
GF	General Fund
GNMA	Government National Mortgage Association
GSA	General Services Administration

H

HCB	Home and Community-Based Agency
HCS	Health Care Services
HIPAA	Health Insurance Portability and Accountability Act
HIV	Human Immunodeficiency Virus
HUD	U.S. Department of Housing and Urban Development

I

IASA	Improving America's Schools Act of 1994
IEVS	Income Eligibility and Verification System
IHS	Indian Health Service
ILP	Infant Learning Program
IRS	Internal Revenue System
IT	Information Technology
ITBE	International Trade and Business Endowment
ITQSG	Improving Teacher Quality State Grants

J

JGTRRA	Job Growth Relief Reconciliation Act
JRS	Judicial Retirement System
JUCE	Juneau Claims Eligibility

K

KABTA	Knik Arm Bridge and Toll Authority
KD&A	Knowledge, Development and Application Program
KLC	Kodiak Launch Complex

L

LAs	Local Administrators
LBA	Legislative Budget and Audit Committee (Alaska)
LC	Library of Congress
LEA	Local Education Agencies
LIBOR	London Interbank Offered Rate
LIHEAP	Low-Income Home Energy Assistance
LUST	Leaking Underground Storage Tanks

M

MBE/WBE	Program for the Utilization of Small, Minority, and Women's Business Enterprises
MD&A	Management's Discussion and Analysis
MEBA	Marine Engineers' Beneficial Association (Pension Plan)
Medicaid	Medical Assistance Program
MEHS	Mt. Edgecumbe High School
MIS	Management Information System
MMIS	Medicaid Management Information Systems
MOA	Memorandum of Agreement
MOE	Maintenance of Effort
MOU	Memorandum of Understanding
MRDD	Mentally Retarded/Developmentally Disabled
MSA	Master Settlement Agreement and Final Judgment

N

NARA	National Archives and Records Administration
NASA	National Aeronautics and Space Administration
NBCC	National Breast and Cervical Cancer
NCCCP	National Comprehensive Cancer Control Program
NCHIP	National Criminal History Improvement Program
NCLB	No Child Left Behind
NFAH	National Foundation on the Arts and the Humanities
NGA	Notice of Grant Award
NGNMRS	Alaska National Guard and Alaska Naval Militia Retirement System
NICU	Neonatal Intensive Care Unit
NMRT	Northwest Marine Retirement Trust
NOAA	National Oceanic and Atmospheric Administration
NOICC	National Occupational Information Coordinating Committee

NPCR	National Program of Cancer Registries
NPI	National Provider Identification
NPO	Net pension obligation
NPR	National Petroleum Reserve
NRSRO	Nationally Recognized Statistical Rating Organization
NSF	National Science Foundation
NTS	Nutrition, Transportation, and Support Services program
NTSC	Northern Tobacco Securitization Corporation

O

O&M	Operations and Maintenance
OAR	Oceanic and Atmospheric Research
OCS	Office of Children's Services
OG	Office of the Governor (Alaska)
OIG	Office of Inspector General
OMB	U.S. Office of Management and Budget
OPA	Office of Public Advocacy

P

PA	Prior Authorization
PACAP	Public Assistance Cost Allocation Plan
PAPI	Precision Approach Path Indicator
PATH	Projects for Assistance in Transition from Homelessness
PCA	Personal Care Assistant
PERM	payment error rate measurement
PERS	Public Employees' Retirement System
POS	point of sell
PPA	Prior period adjustments
PVE	Petroleum Violation Escrow

Q

QSP	Quality Sample Program – Forest Service
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R

RD	Responsibility/Distribution codes
REIL	Runway End Identifier Lights
REIT	Real Estate Investment Trust
REOMB	Recipient Explanations of Medical Benefits
RHF	Retiree Health Fund
RFP	Request for Proposal
RICR	Restricted Indirect Cost Rate
RMTS	Random Motion Time Study
RPL	Revised Program/Legislative
RSA	Reimbursable Services Agreement

S

SAAMS	Seward Association for Advancement of Science
SBA	Small Business Administration
SBJPA	Small Business Job Protection Act of 1996
SBS	Supplemental Benefits System (Alaska)
SCHIP	State Children's Insurance Program
SEA	State Education Agency
SEARCH	Student/Resident Experiences and Rotations in Community Health
SEP	Senior Employment Program
SF	Division of School Finance
SFY	State Fiscal Year
SIR	Self-Insured Retention
SLA	Session Laws of Alaska
SOP	Standard Operating Procedures
SPCS	State Property Control System
SSA	Social Security Administration
SSD	Support Services Division
SSSLA	Second Special Session Law of Alaska
SUR	Surveillance and Utilization Review
SWSA	Statewide Single Audit

T

TA	Travel Authorization
TANF	Temporary Assistance for Needy Families
TLS	Teaching and Learning Support
TRS	Teachers' Retirement System
TSR	Tobacco Settlement Revenues

U

UAAL	Unfunded Actuarial Accrued Liabilities
UCF	Unitized Cash Fund
UI	Unemployment Insurance
UofA	University of Alaska
UPL	Upper Payment Limit
USAF	U.S. Department of the Air Force
USAID	U.S. Agency for International Development
USCNCs	U.S. Corporation for National and Community Services
USDA	U.S. Department of Agriculture
USDHHS	U.S. Department of Health and Human Services
USDOC	U.S. Department of Commerce
USDOD	U.S. Department of Defense
USDOE	U.S. Department of Education

USDOJ	U.S. Department of Justice
USDOL	U.S. Department of Labor
USDOS	U.S. Department of State
USDOT	U.S. Department of Transportation
USDVA	U.S. Department of Veterans Affairs
USEEOC	U.S. Equal Employment Opportunity Commission
USGSA	U.S. General Services Administrator
USIA	U.S. Information Agency
USTREAS	U.S. Treasury

V

VAWA	Violence Against Women Act
VSW	Village Safe Water

W

WAFD	Western Alaska Fisheries Disaster
WIA	Workforce Investment Act
WIC	Women, Infants, and Children Special Supplemental Nutrition Program

Y

Y2K	Year 2000
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STATE OF ALASKA

FRANK H. MURKOWSKI, GOVERNOR

DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

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

July 6, 2006

Ms. Pat Davidson
Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

Re: State of Alaska, Statewide Single Audit for the Fiscal Year Ended June 30, 2005

Dear Ms. Davidson:

Thank you for the opportunity to reply to the preliminary audit report on the State of Alaska, Single Audit for the Fiscal Year ended June 30, 2005, for the Department of Administration.

Recommendation No. 1

The Department of Administration, Division of Finance should strengthen its written policies and criteria for how negative fund balances in General Fund sub-funds effect the year-end Constitutional Budget Reserve (CBRF) calculations.

Calculating the amount to borrow from or repay the CBRF each year is a complex accounting exercise. It is not widely understood outside of the few individuals who actual perform or audit the work. For these reasons, it is the subject of intense discussions between accountants and auditors every year as the Comprehensive Annual Financial Report (CAFR) is finalized.

For the first time in FY05, we saw material negative balances in some sub-funds as outlined in your finding. Members of the Division of Finance and the Division of Legislative Audit met in December 2005 to determine the method for handling these over-obligated sub-funds in the CAFR, and the decisions made during that meeting were implemented. The discussion notes from that meeting served as our written policy on the subject.

Subsequently both auditors and accountants are questioning if that course of action was most appropriate. The essence of the question is "do we borrow from the CBRF for negative balances in sub-funds of the General Fund like we do for the operating general fund 11100?" We did not for FY05.

We concur that legal advice on this question is a sensible recommendation, and will submit a request to the Department of Law. The response from our attorneys will form the basis for our written policies on calculating CBRF year-end borrowing and repayments.

Recommendation No. 2

The State Medicaid director should work with the administrative manager for the Department of Administration (DOA), Division of Administrative Services to ensure Medicaid administrative costs incurred by DOA's Office of Public Advocacy (OPA) are claimed in accordance with federal guidelines.

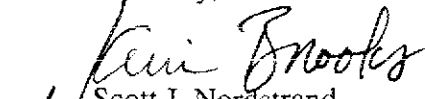
The Department of Administration (DOA) concurs with this recommendation. The Office of Public Advocacy (OPA) has been providing these Medicaid services since the beginning of fiscal year 1994. The OPA has been operating under a Medicaid Reimbursement Policy established between OPA and the Division of Medical Assistance (DMA) that does not adhere to federal guidelines.

The FY06 Medicaid funding followed the same guidelines as the FY05 guidelines and will not be allowable in FY06. The OPA will not be seeking reimbursement for expenditures made on behalf of Medicaid eligible guardianships. The office requested and received supplemental funding from the legislature for FY06 to cover the shortfall.

The OPA has contacted the State's federal cost negotiator who provided several options that would ensure compliance with OMB A-87. DOA has also had several meetings with Department of Health and Social Services (DHSS) staff. The DHSS demonstrated a time study program to DOA and the OPA anticipates incorporating the system into their timekeeping process for the Public Guardians. The OPA is developing a timesheet to be used with the process and will be developing procedures to ensure federal compliance. DHSS has agreed to work with OPA in developing these procedures and assist OPA staff with training to ensure compliance with the Medicaid program.

Thank you again for the opportunity to respond to this preliminary audit for the fiscal year ended June 30, 2005.

Sincerely,


Scott J. Nordstrand
for Commissioner

cc: Kevin Brooks
Deputy Commissioner

Melanie Millhorn, Director
Division of Retirement and Benefits

Eric Swanson, Director
Division of Administrative Services

Kim Gamero, Director
Division of Finance

Josh Fink, Director
Office of Public Advocacy

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Department of Education & Early Development
Office of the Commissioner

*Goldbelt Place
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(907) 465-2800
(907) 465-4156 Fax*

October 3, 2006

Pat Davidson, Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

Dear Ms. Davidson:

The Department of Education & Early Development (EED) appreciates the opportunity to respond to the audit recommendations in the FY2005 Statewide Single Audit report.

Recommendation No. 3

The director of School Finance should strengthen review procedures to ensure data, specifically the number of eligible children, is reported accurately on the Impact Aid funding application.

The department agrees with Recommendation No. 3 and has taken steps to strengthen review procedures to ensure all data on the application is properly and accurately reported. The department communicated with the USDOE Impact Aid office on this finding and at the request of USDOE the department submitted corrections to the Impact Aid application. USDOE deducted the over payment from the EED Impact Aid voucher number 109378 2006-1 dated April 10, 2006.

Recommendation No. 4

The director of TLS and the director of School Finance should take measures to resolve revenue shortfalls.

The department agrees with Recommendation No. 4 and is in the process of resolving these potential revenue shortfalls. A supplemental appropriation or ratification will be requested for any amounts determined to be uncollectible.

Recommendation No. 5

The School Finance Director for the DEED should correct its procedures to ensure all expenditures are recorded in the proper chart of accounts (COA) year.

The department agrees with Recommendation No. 5 and will correct our procedures to ensure all expenditures are recorded in the proper COA year.

Sincerely,



Roger Sampson
Commissioner

(Intentionally left blank)

October 24, 2006

Pat Davidson, CPA
Legislative Auditor
Legislative Audit
P.O. 113300
Juneau, AK 99811-3300

RE: Preliminary FY 05 Statewide Single Audit, Department of
Health and Social Services (DHSS)

Dear Ms. Davidson:

Thank you for the opportunity to respond to the Preliminary Statewide Single Audit for Fiscal Year ending June 30, 2005. Our response to the recommendations contained within the preliminary audit report is as follows:

Recommendation No. 6

The DHSS assistant commissioner responsible for finance and management services should obtain legislative approval prior to transfer of excess statewide indirect revenue.

The department partially concurs with the recommendation. DHSS disagrees that redirection of indirect cost recovery funds to the Division of Juvenile Justice (DJJ) violated AS 37.07.080(h). The department budgets federal receipt authorization for various direct and indirect federal receipts in various appropriations in the department. These budget requests go through the legislative budget process and ultimately result in an appropriation of federal receipt authorization. The indirect cost recovery receipts were within the appropriated federal receipts approved by the legislature. There is no need to use AS 37.07.080(h) for this purpose because sufficient federal authority for these kind of collections already exist, thus there was no violation.

The department will continue its practice to budget for estimated indirect cost recovery from federal agency reimbursements throughout department appropriations. However, to

ensure revenues are managed appropriately, the department will change our practice and only post this type of revenue in those appropriations where it is specifically budgeted.

The department will cease the practice of transferring excess indirect cost revenues from one operating appropriation to another.

Recommendation No. 7

The DHSS finance officer should take measures to resolve revenue shortfall issues.

The department concurs with the recommendation. DHSS's position and actions are the following:

AR 22930-05 Health Care Services -- The revenue shortfall is indicated due to timing differences between the recording of expenditures and revenue collections. DHSS will request ratification during the 2007 Legislative Session if additional revenues are not collected.

AR 22910-05 Behavioral Health -- The revenue shortfall is indicated due to timing differences between the recording of expenditures and revenue collections. DHSS will request a ratification during the 2007 Legislative Session if additional revenues are not collected.

Recommendation No. 8

The DHSS finance officer should ensure that sufficient supporting documentation exists for the transfer of revenues and expenditures between legal appropriations.

The department concurs with the recommendation. In the future, DHSS will ensure that OMB approval is obtained prior to transferring expenditures between operating and capital appropriations. In addition, supporting documentation will be improved to support the adjusting journal entries processed.

Recommendation No. 9

DHSS' assistant commissioner, responsible for finance and management services, should continue to ensure personal service expenditures charged to federal programs comply with federal cost principles.

The department partially concurs with the recommendation. The Office of Children's Services has established procedures to ensure compliance with federal OMB Circular A-87. Specifically, if the personal service costs related to a position are fully covered by the

grant award, the DHSS Federal Program Employee Certification form is sent to the appropriate personnel. The date of the employee certification is noted on the monthly federal grant management report. One month prior to the month in which the next semi-annual Federal Program Employee Certification is due, a new certification form is emailed with the monthly reports. The certification is logged into the federal grant management report upon receipt from the applicable employee(s) and a hard copy is retained in the central office.

The Division of Behavior Health implemented a positive time keeping system during SFY 06. All employees were provided with training on how to complete their timesheets for their time and effort to multiple benefiting programs.

DHSS does not concur with the question costs cited in the management letter for CFDA #93.658. The personal service costs are valid to the federal program.

Recommendation No. 10

DHSS' finance officer should ensure the cost allocation plan (CAP) methodologies are properly updated and new methodologies are submitted for federal approval.

The department concurs with the recommendation. Quarterly, all DHSS divisions are submitting updated FTE counts that are used to allocate indirect costs. In addition, the department is currently working on updating its Public Assistance Cost allocation plan. The update includes the Denali Kid Care allocation methodology.

Recommendation No. 11

The DHSS program manager for the Temporary Assistance for Needy Families (TANF) program should improve documentation controls for work participation data.

DHSS concurs with the recommendation. The Division of Public Assistance (DPA) regularly monitors and conducts site reviews of Work Services contactors and has identified the need for documentation controls for work participation data. DPA will develop procedures and internal controls necessary to meet federal mandates and expectations, using the guidance provided in the upcoming federal regulations. DPA documentation requirements will be incorporated into all Work Services contracts, monitoring guidelines, and the division's Work Services Handbook.

A Government Accountability Office (GAO) report issued in August of 2005 recommended that the federal Department of Health and Human Services (DHHS) exercise broader oversight of states to ensure that TANF work participation is measured consistently and accurately. In response to the GAO report, the Deficit Reduction Act of 2006, which reauthorized TANF, directed the Secretary of DHHS to promulgate

regulations that, in part, establish uniform methods of reporting hours of participation in countable work activities and the type of documentation needed to verify the reported hours of work activities. These regulations must be issued by June 30, 2006, and states will be required to develop procedures and internal controls by September 30, 2006. States may be penalized up to five percent of their TANF block grants for failure to meet these new federal requirements. DPA will comply with this DHHS requirement.

Recommendation No. 12

The DHSS program manager for TANF should ensure expenditures are charged in accordance with federal cost principles.

DHSS concurs with this recommendation. DPA firmly believes that the development of integrated service strategies clearly benefit Temporary Assistance families with multiple needs, and enables them to stay together and become self-sufficient (TANF purpose 1 & 2). DPA's experience with integrated services through its family-centered services pilot project demonstrates that needy families often represent a common service population for multiple agencies within DHSS.

In the future, DPA will work closely with DHSS' Financial Management Services to develop a cost allocation methodology that ensures all proposed service strategies that meet any purpose of the TANF program and involve multiple agencies are reviewed and assessed in accordance with departmental procedures, federal guidance, and the cost principals outlined in OMB Circular A-87.

The internal cost allocation process will include parameters for defining needy families (as required under the first and second purposes of the TANF program) and methods for estimating the percentage of needy families likely to benefit from service strategies involving multiple programs. This process relies on the guidance provided by the Administration of Children and Families on funding services for children and families through the TANF Program.

DPA, in conjunction with Finance and Management Services (FMS), will determine an allocation methodology that represents the population served and will incorporate appropriate federal reporting adjustments on the quarter ending March 31, 2006 federal reports.

Recommendation No. 13

The director of Division of Public Assistance (DPA) should implement procedures to ensure the Income Eligibility and Verification System (IEVS) requirement is met for all programs funded with Temporary Assistance to Needy Families (TANF) monies.

The department concurs with the recommendation. The Child Care Program Office, Systems Operations Unit, and the Program and Policy Unit are looking at ways to implement this requirement in conjunction with the rollout of our new statewide child care information system.

Recommendation No. 14

We recommend DHSS' project manager for the child care program continues to improve monitoring of subrecipients.

The department concurs with this recommendation. Two major actions that are currently being undertaken to improve monitoring of grantees are the hiring of a quality assurance person for the Child Care Program Office and the implementation of a new computer system for use by all grantees. Prior to this, grantees were using different computer systems which were not integrated with each other. Having one computer system will allow the CCPO to access family and payment records for monitoring purposes much more efficiently.

During FY05, three key program staff moved to different jobs, leaving a major resource deficit in the Child Care Program Office. The design and development of the new computer system also contributed to a lack of resources. Because of this, the CCPO was not able to conduct monitoring visits to grantees as anticipated. However, an in-depth monitoring instrument was designed and piloted that provided a much more extensive review of the grantee than had ever been done before.

Currently, monitoring visits, which are very extensive, are being scheduled on an annual basis. In addition, the CCDF state plan for FFY06 and FFY07 was written to reflect annual monitoring of grantees, rather than twice a year monitoring.

Recommendation No. 15

DHSS' foster care staff should implement procedures to adjust financial records for retroactive effects when eligibility changes are made to the On-line Resources for the Children of Alaska (ORCA) information management system.

The department concurs with the recommendation. Procedures have been established to adjust financial records for retroactive effects of eligibility changes and an upgrade to the Online Resources for the Children of Alaska (ORCA) system occurred in June 2006. Included in this release is a process to provide an exception report to be used to identify retroactive adjustments and correct claiming. Changes to the reports are being developed, and should be implemented by July 15, 2006. A detailed explanation of this reconciliation process has been provided to the auditors.

Recommendation No. 16

The DHSS commissioner should emphasize strong internal controls over the Medicaid program.

The department concurs that strong internal controls are a requirement and is committed to improving in this area.

Legislative Audit provides two examples of weak internal controls identified in FY05. The first example relates to internal control issues concerning the Personal Care program. Several improvements have occurred since July 1, 2005 in this area, including establishment of a separate Personal Care Attendant (PCA) section in the Division of Senior & Disability Services and a major effort to staff that unit appropriately; and development and adoption of PCA regulations that will control the use of services and provide many controls over the program. The second example relates to detection and reporting of Medicaid overpayments. DHSS has adopted an audit flow-chart and policy on how and when Medicaid overpayments will be reported on the CMS-64. That policy was in place for quarter ending March 31, 2006.

DHSS also acknowledges that the old and aging current Medicaid Management Information System (MMIS) does not have the modern capability for desired internal control features and that replacement of the system is two to three years away. However, we are committed to securing a new MMIS in a reasonable manner in the most cost effective means for the State.

Recommendation No. 17

The State Medicaid director and the DHSS commissioner should take action to improve the agency's utilization control and program integrity function.

The department concurs with the recommendation.

The department acknowledges past problems in quality assurance and program integrity management. As a result, the department has created a new vision for overall quality improvement. The new plan creates a centralized department-wide unit, based in the Commissioner's Office and autonomous in action. The unit is headed by a quality improvement manager who is responsible directly to the Deputy Commissioner for the Office of Program Review. The manager coordinates all department quality improvement efforts. Those efforts include program integrity, defined as fraud control and program abuse investigations; quality assurance, defined as audit activity and the oversight of provider compliance with regulations; and quality enhancement, defined as training and technical assistance for staff and Medicaid providers to enhance overall quality in program administration. The manager position is currently being recruited.

In addition, the department participated in the pilot Payment Error Rate Measurement (PERM) project in calendar 2005. The project was an eye opener for the department,

which discovered, in brief, many deficiencies in training and technical administrative expertise among Alaska's Medicaid providers and among DHSS staff providing technical assistance to those providers. The result of that project has been a plan to create eight new quality assurance and audit positions under the manager. These positions are a redirection of resources previously dedicated to the PERM project by the Legislature. These resources have been redirected to the area of greatest need with the consent of the Legislature. Those positions will be submitted to the Department of Administration for approval shortly and will be posted immediately thereafter.

To enhance the operating environment of our future quality assurance staff and current audit activity, DHSS and the Department of Law have completely redrafted the Medicaid audit regulations and appeals procedures. This effort, part of a larger project to update all of 43 AAC, represents a substantial undertaking to modernize the regulations and codify best practices in this area. For the first time a provider who emerges from an audit with substantial compliance issues will be encouraged to submit a corrective action plan. Audit results and corrective actions plans will be reviewed by the newly formed audit committee who will recommend further action to department executives, including provider sanctions or provider referral to the Medicaid Fraud Control Unit (MFCU) at the Department of Law.

Finally, one of the aforementioned eight positions is a research analyst whose job will be to provide the manager and quality assurance personnel with the data they need to understand where the Medicaid program and its providers are experiencing problems. Another position will be an investigator to provide assistance to MFCU in fact development where audit activity or complaints indicate a provider is committing fraud.

Additional activities undertaken during FY06 which will improve the entire quality improvement program are:

1. Establishment of a department audit committee, which regularly meets to improve the quality integrity program and to review audit issues; and
2. The department contracted with Meyers and Stauffer to perform and complete 80 Year 1 audits and begin Year 2 audits under the requirements of AS 47.05.200.

The department is committed to continuous improvement and the enhancement of quality in the administration of its programs. The new quality improvement unit will help further that effort as well as our efforts at fraud control and compliance monitoring.

Recommendation No. 18

We recommend the State Medicaid director improve payment procedures for the Medicaid upper payment limit (UPL).

The department partially concurs. DHSS believes that the UPL calculation should be performed in accordance with the approved Medicaid state plan and relevant federal

regulations with proshare payments not exceeding the maximum allowable per the UPL calculation.

DHSS anticipates proshare payments in 2006 will not exceed the 2006 UPL calculation. As outlined in the 2004 audit response, DHSS is unaware of a requirement in the approved state plan amendment or in federal regulation which requires the DHSS to make payments under the 2005 UPL calculation before the end of state fiscal year 2005. In fact, the Medicaid State Plan states in Attachment 4.19-A that “*PHPS payments shall be paid annually on or before September 30th during each federal fiscal year. The state may make one additional payment per year, if needed to reconcile the federal fiscal year with state fiscal year expenditures. State fiscal year payments require money from two federal fiscal years. The second payment may be held until the next federal fiscal year monies are available.*”

This difference in understanding between DHSS and Legislative Audit regarding applicable provisions of the approved state plan and relevant federal regulations causes DHSS to respectfully disagree with questioned costs cited in this recommendation.

Recommendation No. 19

The DHSS finance officer and the State Medicaid director should work together to develop policies and procedures that ensure provider overpayments are identified, reported accurately, and decreasing adjustments are processed within federal time requirements.

The department concurs with this recommendation. The department will implement the following:

- 1) The Division of Health Care Services (DHCS) in conjunction with Finance and Management Services will develop written policies to address the tracking of provider overpayments. This policy will address criteria for including a provider overpayment in the department’s tracking spreadsheet, coordinating audits with DHCS, Division of Senior and Disability Services, and Division of Behavioral Health, and ensure overpayment amounts and discovery dates are recorded in the tracking spreadsheet.
- 2) The amounts identified in the DHSS spreadsheet of overpayments should represent the amount as discovered in the final audit. This will be addressed in the policies being developed, and will be reflected in the overpayment spreadsheet maintained by the department.
- 3) The overpayments identified as a result of audit activity are identified and tracked with relative ease. However, as stated in the recommendation, DHSS has

no way to identify claim adjustments which may or may not represent a recovery. DHSS will consider this in the procurement of a new MMIS system.

Recommendation No. 20

We recommend the DBH administrative manager ensure personal services expenditures charged to the SAPT program comply with federal requirements.

The department concurs. The Division of Behavioral Health (DBH) has worked in partnership with the FMS Grants and Contracts section to more carefully allocate funding for community grantees, based on the parameters and federal requirements for the expenditure of the federal Substance Abuse Prevention and Treatment (SAPT) block grant. DBH program staff, FMS grants management staff, and FMS administrative and fiscal staff have all received clarification regarding the allowable and required expenditures for the SAPT block grant, including maintenance of effort (MOE) for Women and Children's treatment programs, 20% prevention funding, and 5% administrative funding. All annual funding allocations will be determined based on the required federal SAPT block grant allocations.

For SFY06, the director of DBH has given instructions to the Administrative Manager to reallocate the funds used for a reimbursable services agreement (RSA) with the Department of Corrections to grants. We will utilize general fund dollars to provide mental health services to inmates. In the future, the director of DBH, in conjunction with FMS Grants & Contracts section, will ensure that SAPT grant funds are used in accordance with federal requirements.

Recommendation No. 21

The Director of DBH should ensure that SAPT grant funds which pass through to other state agencies are used in accordance with federal requirements.

The department concurs. DBH has worked in partnership with the FMS Grants and Contracts section to more carefully allocate funding for community grantees, based on the parameters and federal requirements for the expenditure of the federal SAPT Block Grant. DBH Program staff, FMS Grants Management staff, and FMS Administrative and Fiscal staff have all received clarification regarding the allowable and required expenditures for the SAPT Block Grant, including MOE for Women and Children's treatment programs, 20% prevention funding, and 5% administrative funding. All annual funding allocations will be determined based on the required federal SAPT Block Grant allocations.

For SFY 06, the Director of DBH has given instructions to the Administrative Manager to reallocate the funds used for an RSA with Corrections to grants. We will utilize general fund dollars to provide Mental Health services to inmates. In future, the director

of DBH, in conjunction with FMS/Grants and Contracts, will ensure that SAPT grant funds are used in accordance with federal requirements.

Recommendation No. 22

The Director of DBH should develop procedures with finance and management services (FMS) grants and contracts section to ensure that grant recipients are informed when grants are provided with federal funds.

The department concurs. Standard grant award procedures for the DHSS require that grantees are informed of the source of the funding they receive (federal or state). In the situations the audit found, where this notification did not occur, it was due to changes in the allocation formulas after the grant awards had been made. Unfortunately, all the necessary staff was not informed of these reallocations, and the notification of fund source changes were not made to the grantees. In the future, any reallocation of funds will be made, with notification going to both the FMS grants staff and the DBH program staff to guarantee appropriate notification.

The Director of DBH has requested that the Administrative Manager work with the FMS Grants and Contracts Manager to develop a protocol so that sub-grantees have accurate, up-to-date information on what portion of funding to their agency is federal.

Recommendation No. 23

The Director of DBH should establish a methodology for tracking and documenting expenditures that support the SAPT maintenance of effort (MOE) and earmarking requirements.

The department concurs. The Director of DBH has requested that the Administrative Manager develop a tracking and documentation system in conjunction with FMS Grants and Contracts section to verify that all SAPT MOE and earmarking requirements are met.

Recommendation No. 24

Division of Behavioral Health (DBH) staff responsible for management of the federal substance abuse prevention and treatment (SAPT) block grant should develop procedures to document independent peer reviews to comply with the federal requirements.

The department partially concurs. DBH has located a copy of the Site Review that included a peer reviewer. That document was sent to you with the response to Management Letter No. 4.

DBH will develop a new procedure to comply with the federal requirement. To maintain independence for the peer review per 45CFR 93.136, we will have peer reviewers go out

in a team of two without DBH staff. The peer review team will also use a review tool that is different from the certification tool that is currently used by DBH Program Integrity staff.

Recommendation No. 25

The Division of Public Health (DPH) administrative manager should ensure that personal service expenditures charged to the immunization program comply with federal cost principals.

The department concurs with the recommendation. It is unfortunate the Public Health program staff did not follow the prescribed methodology to reflect time spent on the immunization grant. In April 2005, positive timekeeping was implemented on a department-wide basis with detailed instructions provided to effected staff. Since this time, we are confident that our timekeeping is being handled appropriately and is in compliance with OMB Circular A-87.

The department has taken the necessary steps to reiterate positive timekeeping for personal services expenditures against the Immunization Grants. As a reinforcement compliance measure, comprehensive timesheet instructions are being written for each section within the Division of Public Health. These instructions will reinforce the department's timekeeping requirements and provide additional program-specific guidelines.

If you have any questions concerning this letter, please feel free to contact Kevin Worley at 465-1690 or by email Kevin_Worley@health.state.ak.us.

Sincerely,

Karleen Jackson, Ph.D.,
Commissioner
Department of Health and Social Services

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DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT

Division of Administrative Services

Frank H. Murkowski, Governor
William C. Noll, Commissioner
Samuel Thomas, Director

RECEIVED

OCT 04 2006

LEGISLATIVE AUDIT

October 4, 2006

Ms. Pat Davidson
Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, Alaska 99811-3300

Dear Ms. Davidson:

I have reviewed the Preliminary FY05 Statewide Single Audit and appreciate the opportunity to respond. The one recommendation states that the finance officer for the Department of Commerce, Community and Economic Development (DCCED) should ensure that all expenditures are recorded in the correct chart of accounts (COA) year.

The recommendation results from staff's long term practice (since 1986) of not distinguishing between the current and prior COA years (2005 versus 2006) when recording expenses to continuing capital appropriations. Based on Legislative Audit's recommendation, DCCED will now make the COA year distinction on expenditures posted to capital appropriation in July and August in the same manner as expenditures posted to terminating operating appropriations.

Thank you for the opportunity to respond. If you have any questions regarding this response please contact Philiciann (Phil) Bennett, Finance Officer at 465-5445.

Sincerely,


Sam Thomas, Director
Director

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STATE OF ALASKA

FRANK H. MURKOWSKI
GOVERNOR

DEPARTMENT OF FISH AND GAME

OFFICE OF THE COMMISSIONER

P.O. BOX 115526
JUNEAU, AK 99811-5526
PHONE: (907) 465-4100
FAX: (907) 465-2332

October 20, 2006

Ms. Pat Davidson, Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

Dear Ms. Davidson:

The following is the department's response to Recommendation No. 27 in the preliminary report for the Statewide Single Audit for the Fiscal Year Ended June 30, 2005.

Recommendation No. 27

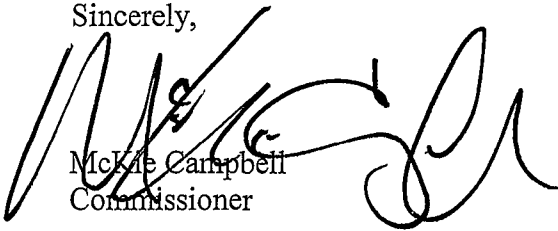
We recommend the finance officer for the Department of Fish and Game (DFG) ensure that expenditures are charged in compliance with state law and revenue shortfalls are resolved.

The Department concurs with the recommendation. Additional controls have been implemented to prevent the transfer of expenditures between appropriations that are not in compliance with state law. All appropriations that are terminating are monitored to identify possible revenue shortfalls and initiate corrective action.

The inappropriate transfer of expenditures and federal revenue from AR 43446-05 to AR 43588-08 has been corrected. The expenditures and related federal revenue were moved from AR 43588-08 to AR 43405-07 Public Access Development (effective FY 98) and to AR 43482-07 Sport Fishing and Recreational Boating Public Access and Facility Development (effective FY 00) on June 1, 2006. Both receiving ARs had sufficient legal authority to cover the transferred project costs; were effective at the time the expenditures were incurred; and have a budgetary purpose similar to AR 43446-05.

Thank you for the opportunity to respond to the preliminary audit report. If you have any questions regarding the department's response or require additional information, please contact me.

Sincerely,



McKie Campbell
Commissioner

cc: Kelly Hepler, Director, Sport Fish Division
Tom Lawson, Director, Administrative Services Division

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State of Alaska
Department of
Public Safety

Frank H. Murkowski, Governor
William Tandeske, Commissioner

June 23, 2006

RECEIVED
JUN 30 2006
LEGISLATIVE AUDIT

Pat Davidson
Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

RE: Statewide Single Audit for Fiscal Year Ending June 30, 2005

Dear Ms. Davidson:

Thank you for the opportunity to comment on this draft audit. It has no recommendations or findings specifically related to the Department of Public Safety, hence I have no comment on the audit.

Sincerely,

William Tandeske
Commissioner

cc: Dan Spencer, Director of Administrative Services

Office of the Commissioner

450 Whittier Street – Juneau, AK 99811 – Voice (907) 465-4322 – Fax (907) 465-4362

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STATE OF ALASKA

FRANK H. MURKOWSKI, GOVERNOR

DEPARTMENT OF CORRECTIONS *Commissioner's Office*

PO Box 112000
Juneau, AK 99811
PHONE: (907) 465-4652
FAX: (907) 465-3390

October 19, 2006

To: Pat Davidson
Legislative Auditor
Division of Legislative Audit
P. O. Box 113300
Juneau, AK 99811-3300

RECEIVED
OCT 24 2006
LEGISLATIVE AUDIT

Re: State of Alaska Single Audit, for Fiscal Year Ended June 30,2005

Dear Ms. Davidson,

Thank you for the opportunity to comment on the preliminary audit report.

Given that there are no findings or recommendations made to the Department of Corrections, we have no comment.

Sincerely,



Marc Antrim
Commissioner, Department of Corrections

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3132 CHANNEL DRIVE
PO Box 112500
JUNEAU, ALASKA 99811-2500

OFFICE OF THE COMMISSIONER

FAX: (907) 586-8365
PHONE: (907) 465-3900

September 29, 2006

Pat Davidson, Legislative Auditor
Legislative Budget and Audit Committee
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

Dear Ms. Davidson:

Thank you for allowing me to respond to the findings and recommendations contained in Statewide Single Audit for Fiscal Year Ending, June 30, 2005 pertaining to the Department of Transportation and Public Facilities. The following are our comments:

Recommendation 28

The Department of Transportation and Public Facilities' (DOTPF) Division of Administrative Services (DAS) finance officer should strengthen procedures to ensure all funds legally obligated at year-end are encumbered.

The department has encumbrance procedures in place for the various agreements with local governments and other legal entities. The Inter-island Ferry Authority (IFA) agreement was for a pass-through to a non-governmental agency. Typically these grant agreements are supposed to be encumbered at the time of grant execution for an amount up to the federal authority available. In the case of this IFA grant, the project was begun in Headquarters and handed off to a project manager in Southeast Region. Due to the confusion with this project, the funds apparently were not encumbered. This was an unusual situation and is not a reflection of a systemic problem.

The Administrative Services Division will provide guidance and additional training to assure that the regions properly encumber these pass-through funds.

Recommendation No. 29

The DOTPF finance officer should improve procedures to ensure that legislative approval is obtained prior to transferring excess revenues between legal appropriations.

DOTPF is working diligently to close old appropriations at the request of federal government agencies, the legislature and the Office of Management and Budget. In order to facilitate the closure process, the department often needs to make small adjustments to balance old projects. The funds used for these adjustments are a last resort and are tightly monitored.

The department believed that legislative approval was received for the use of these funds. Federal funds were received against an appropriation, Chapter 247, SLA 76, but the department was urged to remove that appropriation from AKSAS because of its own age. A new federal funded appropriation was requested from the legislature, Chapter 159, SLA 04. The department was unaware that the shifting of federal receipts from the one appropriation to another would change the flavor of the funds. Our only intent was to continue to use the funds to close out projects with what we thought were federal funds. Apparently since supporting documentation to the appropriation did not specifically state that the federal receipt revenue was from prior years, the Division of Legislative Audit is now questioning the transfer of those revenues. The department will establish a project with existing general fund authority to provide a mechanism to close these old projects.

If you have any questions, please contact Nancy Slagle at 465-8974.

Sincerely,

Mike Barton
Commissioner

cc: Gary Hogins, Chief Engineer, Division of Design and Engineering Services
Bob Janes, CPA, Internal Review Chief
John MacKinnon, Deputy Commissioner of Highways and Public Facilities
Nancy Slagle, Director, Division of Administrative Services

October 24, 2006

Members of the Legislative Budget
and Audit Committee:

Agency responses to audit recommendations have been incorporated into this report twice. First, agency responses appear in Section II with the audit recommendations themselves, then again in Section IV of this report. The responses for the Alaska Housing Finance Corporation and University of Alaska's recommendations are from a separately issued single audit report. Copies of those reports can be obtained directly from, either, the Alaska Housing Finance Corporation or the University of Alaska.

We have also reviewed the responses submitted by various agencies to the recommendations made in this report. Generally, the responses concur with the recommendations. There are, however, responses to three of these recommendations which we believe warrant further comments.

Recommendation No. 9

DHSS' assistant commissioner, responsible for finance and management services, should continue to ensure personal service expenditures charged to federal programs comply with federal cost principles.

We have reviewed DHSS' response and nothing contained in the response provided sufficient information to persuade us to revise or remove this recommendation. The questioned costs identified in the recommendation are for those personal services expenditures that were tested and did not have the supporting documentation required by OMB Circular A-87.

Recommendation No. 18

We recommend the State Medicaid director improve payment procedures for the Medicaid upper payment limit (UPL).

We have reviewed DHSS' response and nothing contained in the response provided sufficient information to persuade us to revise or remove this recommendation. The annual calculation of upper payment limits is based on a state fiscal year. Further, upper payments represent a ceiling on Medicaid payments for a category of providers above which the federal government will not share. Since the annual calculation is based on a state fiscal year, seeking additional federal participation for the prior UPL in the subsequent state fiscal year is not allowable. The section of the Medicaid State Plan Amendment cited in DHSS' response supports this position.

Recommendation No. 24

Division of Behavior Health (DBH) staff responsible for management of the federal substance abuse prevention and treatment (SAPT) block grant should develop procedures to document independent peer reviews to comply with the federal requirements.

We have reviewed DHSS' response and as a point of clarification the site review documentation, as referenced by DHSS, was dated December of 2005 which is not applicable to the FY 05 audit period. We reaffirm our recommendation.

In summary, we reaffirm the findings and recommendations presented in this report.



Pat Davidson, CPA
Legislative Auditor