

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, 2007

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 approximately \$2.64 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 2007, recommendations on financial and compliance matters, auditor's reports on internal controls and compliance, the Schedule of Expenditures of Federal Awards and the Summary of Prior Audit Findings.

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.

No draw from the Constitutional Budget Reserve Fund (CBRF) was authorized for FY 07. At the end of FY 07 over \$416 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. The report does contain recommendations regarding significant deficiencies in the State's internal control over financial statements and federal programs; none of the recommendations are considered material weaknesses.

FINDINGS AND RECOMMENDATIONS

This report contains 20 recommendations, of which seven are unresolved issues from last year. Also, two of the recommendations are made to component units: both recommendations 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.

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February 20, 2008

Honorable Members of the
Alaska State Legislature

The Honorable Sarah Palin
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, 2007. 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 2007, 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 2006 Single Audit contained 28 recommendations; this report presents 20 recommendations, seven of which were presented last year. Included in this year's recommendations are two made to the University of Alaska, whose audit was performed by other auditors. With your active support and encouragement, we hope to continue seeing improvement in the implementation of these recommendations 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 stroke at the end.

Pat Davidson, CPA
Legislative Auditor

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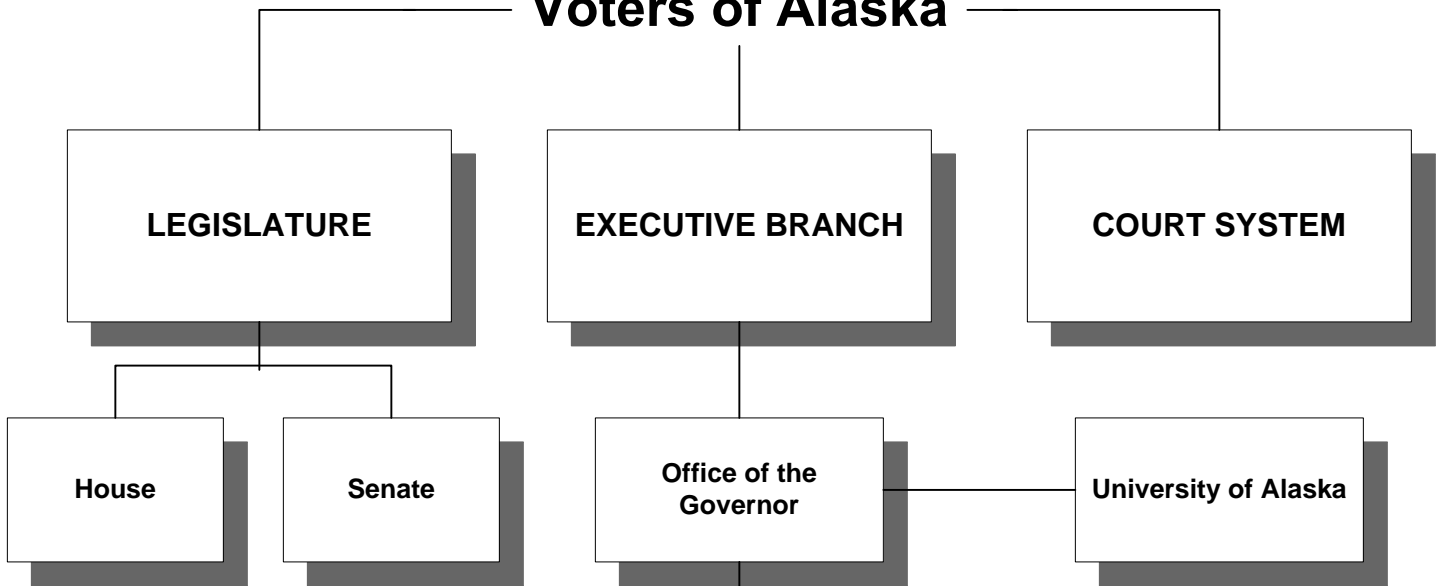
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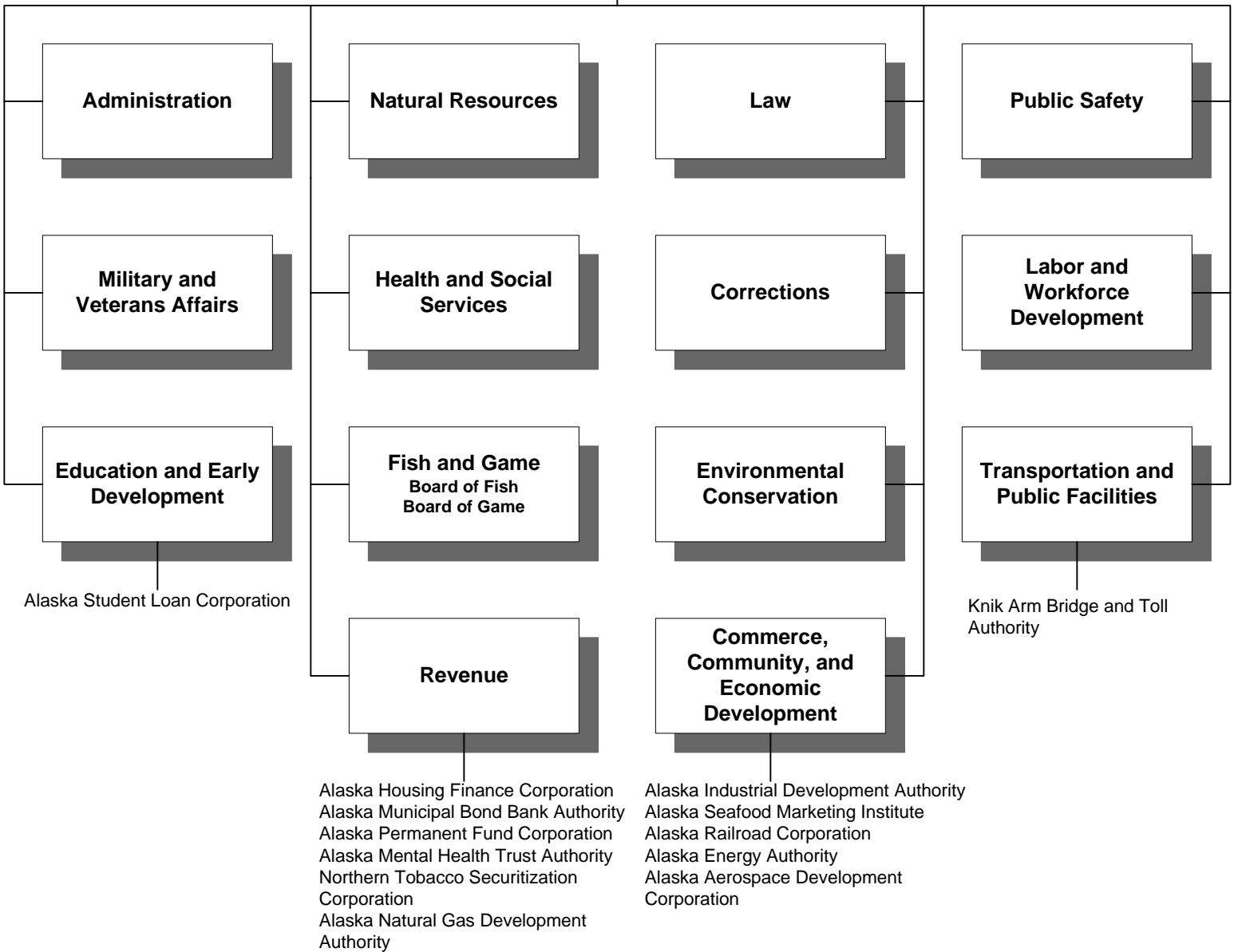
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Voters of Alaska



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, 2007, 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 except for Retiree Health and the Discretely Presented Component Units. Those financial statements reflect total assets, net assets and revenues of the indicated opinion units:

<u>Opinion Unit</u>	<u>Percent of Assets</u>	<u>Percent of Net Assets/ Fund Balance</u>	<u>Percent of Revenues</u>
Governmental Activities	76%	75%	42%
Aggregate Discretely Presented Component Units	100%	100%	100%
Major Funds:			
Alaska Permanent Fund	100%	100%	100%
Aggregate Remaining Fund Information:			
Fiduciary Funds	87%	89%	68%

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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. Certain entities of the State of Alaska were not audited in accordance with *Government Auditing Standards*. These entities include: the Alaska Permanent Fund (Major Fund) and Supplemental Benefit System, Public Employees Retirement System and Teachers Retirement System (Fiduciary Funds). An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the 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, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2007, on our consideration of the State's 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 table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and, accordingly, express no opinion on it.



Pat Davidson, CPA
Legislative Auditor

December 13, 2007

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, 2007. 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 07 by \$52.1 billion (net assets). Of this amount, \$5.6 billion is invested in capital assets, \$34.8 billion is restricted for various purposes (of which the Alaska Permanent Fund represents \$33.7 billion), and unrestricted net assets are \$11.7 billion. Unrestricted net assets may be used to meet the State's ongoing obligations to citizens and creditors.
- The State's total net assets increased by \$7.7 billion. This increase is primarily attributable to higher taxes from petroleum production and interest and investment income of the Alaska Permanent Fund. See page I-8 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 \$46.4 billion, with \$6.9 billion unreserved fund balance and a fund balance reserved for specific purposes of \$39.5 billion. The Alaska Permanent Fund principal is \$33.7 billion of the reserved fund balance, the Constitutional Budget Reserve Fund (CBRF, a subfund of the General Fund) is \$4.8 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 surplus of \$2.2 billion.

Long-term debt

- The State's total long-term debt increased by \$159 million (8 percent) during the current fiscal year. The key factors in this increase include the issuance of Northern Tobacco Securitization Corporation revenue bonds and the recognition of additional net pension obligation.

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 87.2 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 7.4 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 \$52.1 billion at the close of the most recent fiscal year (see table below). By far the largest portion of

the State's net assets (73 percent) reflects its investments held in the Alaska Permanent Fund. However, the majority of these assets are not available for future spending since the principal of the fund (\$33.7 billion) may not be spent.

The remainder of the State's net assets (27 percent) represents amounts invested in capital assets net of related debt (\$5.6 billion), resources that are subject to external restrictions of how they may be used (\$1.1 billion) and unrestricted net assets of \$11.7 billion, of which \$4.1 billion is within the Alaska Permanent Fund. The Alaska Permanent Fund unreserved fund balance for FY 07 is at the highest level ever, representing a 60 percent increase over the prior fiscal year.

Net Assets
 (Stated in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 07	FY 06	FY 07	FY 06	FY 07	FY 06
	Current and Other Noncurrent Assets	\$ 54,326	\$ 49,770	\$ 1,349	\$ 1,301	\$ 55,675
Capital Assets	5,394	5,147	915	840	6,309	5,987
Total Assets	59,720	54,917	2,264	2,141	61,984	57,058
Long-term Liabilities	1,598	1,433	648	656	2,246	2,089
Other Liabilities	7,527	10,452	73	81	7,600	10,533
Total Liabilities	9,125	11,885	721	737	9,846	12,622
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	4,968	4,721	597	536	5,565	5,257
Restricted	34,201	30,772	615	527	34,816	31,299
Unrestricted	11,426	7,539	331	341	11,757	7,880
Total Net Assets	\$ 50,595	\$ 43,032	\$ 1,543	\$ 1,404	\$ 52,138	\$ 44,436

The net assets of governmental activities increased \$7,563 million and business-type activities increased \$139 million. The increase for governmental activities is primarily due to higher petroleum revenues and interest and investment come in the Alaska Permanent Fund. The increase in business-type activities is primarily due to the increase in net assets of the International Airports Fund, and 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 07.

	Changes in Net Assets					
	(Stated in millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 07	FY 06	FY 07	FY 06	FY 07	FY 06
Revenues						
Program Revenues						
Charges for Services	\$ 2,529	\$ 2,725	\$ 294	\$ 282	\$ 2,823	\$ 3,007
Operating Grants	1,464	1,460	17	19	1,481	1,479
Capital Grants	633	619	80	74	713	693
General Revenues						
Taxes	3,378	2,417	-	-	3,378	2,417
Interest and Investment earnings	5,969	3,313	14	3	5,983	3,316
Payments In from Component Units	400	104	-	-	400	104
Other Revenues	53	81	1	1	54	82
Total Revenues	14,426	10,719	406	379	14,832	11,098
Expenses						
General Government	326	292	-	-	326	292
Alaska Permanent Fund Dividend	658	505	-	-	658	505
Education and University	1,685	1,523	-	-	1,685	1,523
Health and Human Services	1,828	1,769	-	-	1,828	1,769
Law and Justice	181	176	-	-	181	176
Public Protection	558	536	-	-	558	536
Natural Resources	286	264	-	-	286	264
Development	430	477	2	1	432	478
Transportation	812	711	-	-	812	711
Intergovernmental	62	58	-	-	62	58
Debt Service	-	-	-	-	-	-
Interest Expense	40	32	-	-	40	32
Loans	-	-	10	12	10	12
Unemployment Compensation	-	-	123	130	123	130
Airports	-	-	129	121	129	121
Total Expenses	6,866	6,343	264	264	7,130	6,607
Excess (Deficiency) of Revenues Over Expenditures	7,560	4,376	142	115	7,702	4,491
Transfers	3	5	(3)	(5)	-	-
Special Items:						
ITBE/ASTF Liquidation	-	-	-	-	-	-
Change in Net Assets	7,563	4,381	139	110	7,702	4,491
Net Assets - Beginning of Year	43,032	38,776	1,404	1,294	44,436	40,070
Prior Period Adjustment	-	(125)	-	-	-	(125)
Restatement for Historical Infrastructure	-	-	-	-	-	-
Net Assets - End of Year	\$ 50,595	\$ 43,032	\$ 1,543	\$ 1,404	\$ 52,138	\$ 44,436

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 \$46.4 billion, an increase of \$7,538 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 taxes. The unreserved fund balance, which is available for spending at the government's discretion was a balance of \$6.9 billion, consisting of \$2,249 million in the General Fund, \$4,132 million in the Alaska Permanent Fund (earnings reserve account), \$381 million in special revenue funds, and \$129 million in other governmental funds. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) for the Alaska Permanent Fund (\$33.7 billion), 2) for the Constitutional Budget Reserve Fund (\$4.8 billion), 3) to liquidate contracts and purchase orders of the prior period (\$593million), or 4) for a variety of other restricted purposes (\$443 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 \$2.2 billion, while total fund balance reached \$7.6 billion. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 33 percent of total General Fund expenditures, while total fund balance represents 113 percent of that same amount.

The fund balance of the State's General Fund increased by \$2,315 million during the current fiscal year, of which, \$249 million was appropriated to the Alaska Capital Income Fund. The key factors in this increase are higher oil prices and a revision to the oil tax structure resulting in increased taxes. There was no appropriated borrowing from the Constitutional Budget Reserve Fund, and \$50 million owed to the Constitutional Budget Reserve Fund was repaid by the General Fund. As of June 30, 2007, the ending balance owed by the General Fund to the Constitutional Budget Reserve Fund was \$4.8 billion.

General Fund revenues for FY 07 were \$7.9 billion, an increase of \$1.2 billion compared to revenues of \$6.7 billion for FY 06. Revenues by source for FY 07 are compared to FY 06 in the following schedule (in millions):

<u>Revenue Source</u>	<u>FY 07</u>	<u>Percent</u>	<u>FY 06</u>	<u>Percent</u>
Taxes	\$ 3,435.5	43.4%	\$ 2,333.9	34.7%
Rents and Royalties	1,606.8	20.3%	1,802.3	26.8%
Interest and Investment Income	431.2	5.4%	179.0	2.6%
Federal	1,993.0	25.2%	1,970.4	29.3%
Miscellaneous	447.4	5.7%	444.2	6.6%
Total Revenue	<u>\$ 7,913.9</u>	<u>100.0%</u>	<u>\$ 6,729.8</u>	<u>100.0%</u>

The primary components of this revenue increase are petroleum-related taxes (\$1,124 million), while oil and gas royalties dropped (\$188 million).

Alaska Permanent Fund

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

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

The fund is made up of two parts.

- **Reserved Fund Balances:** The reserved fund balances, or principal, include the contributions and appropriations, which are the main body of the trust. At June 30, 2007, this amounted to \$27.5 billion. The sources of contributions and appropriations of the fund, since inception, were as follows: \$9.7 billion in dedicated mineral revenues; \$10.8 billion of fund realized earnings transferred to principal for inflation proofing; and \$7.0 billion in additional deposits approved by special legislative appropriation.

Accumulated unrealized appreciation on invested assets is also part of the reserved fund balances (see 2003 Attorney General Opinion, June 18; 663-03-0153). The balance of the unrealized appreciation at the end of the fiscal year amounted to \$6.2 billion.

- **Unreserved Fund Balances:** The unreserved fund balances, which are available for legislative appropriation, consist of the realized earnings of the fund. From inception through June 30, 2007, realized earnings have amounted to \$35.0 billion. Of this amount \$15.4 billion has been paid out for dividends, \$10.8 billion has been transferred to principal for inflation proofing, \$4.3 billion has been added to principal by special appropriation, \$4 billion has been paid out to the General Fund, and \$4.1 billion remains in the fund at June 30, 2007 in the realized earnings account.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was a \$1.7 billion increase in appropriations (or 13.6 percent) and can be briefly summarized as follows:

- \$969.5 million allocated to education
- \$338.4 million allocated transportation
- \$129.9 million allocated to public protection
- The balance is allocated across several expenditure functions.

Of this increase in appropriated expenditures, \$281 million was to be funded out of an increase in interagency receipts, another \$91.3 million from federal grants in aid, with the balance coming from other financing sources.

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

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, 2007, amounts to \$5.6 billion. The table below displays total capital assets, net of accumulated depreciation. Depreciation charges for FY 07 totaled \$301 million for governmental activities and \$38 million for business-type activities.

Capital Assets
(net of depreciation, in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 07	FY 06	FY 07	FY 06	FY 07	FY 06
Land	\$ 731	\$ 690	\$ 30	\$ 30	\$ 761	\$ 720
Buildings	753	732	454	465	1,207	1,197
Equipment	414	387	12	13	426	400
Infrastructure	2,065	2,131	295	271	2,360	2,402
Construction in Progress	1,431	1,207	124	62	1,555	1,269
Total Capital Assets	\$ 5,394	\$ 5,147	\$ 915	\$ 841	\$ 6,309	\$ 5,988

In FY 07, construction in progress increased \$286 million. The FY 07 capital budget was a substantial increase from prior years, and an increase in construction in progress during the year was a direct result of this budgetary increase. 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 \$1,490 million. Of this amount, \$405 million was general obligation bonds, and \$452 million of revenue bonds payable is comprised of \$387 million issued by the Northern Tobacco Securitization Corporation (NTSC), and \$65 million of sport fishing revenue bonds. The general obligation bonds are secured by the full faith, credit, and resources of the State, whereas the NTSC bonds are secured by and payable solely from Tobacco Settlement Revenues (TSRs). Neither the State of Alaska, nor the Alaska Housing Finance Corporation (of which NTSC is a subsidiary) is liable for any debt issued by NTSC. The sport fishing revenue bonds are secured by the sport fishing facilities surcharge imposed under AS 16.05.340 and related federal revenues. The remaining \$633 million are International Airports revenue bonds secured solely by specified revenue sources. The general obligation, NTSC, and sport fishing bonds are reported as governmental activities debt, and the International Airports bonds are reported as business-type activities debt.

Long-term Debt
(Stated in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 07	FY 06	FY 07	FY 06	FY 07	FY 06
Revenue Bonds Payable	\$ 452	\$ 276	\$ 633	\$ 646	\$ 1,085	\$ 922
General Obligation Debt	405	434	-	-	405	434
Capital Leases Payable	130	141	-	-	130	141
Deferred Revenues and Advances	206	194	5	5	211	199
Certificates of Participation	65	75	-	-	65	75
Compensated Absences	126	125	-	-	126	125
Claims and Judgments	72	83	-	-	72	83
Other Noncurrent Liabilities	2	1	5	1	7	2
Net Pension Obligation	140	103	5	3	145	106
Total	\$ 1,598	\$ 1,432	\$ 648	\$ 655	\$ 2,246	\$ 2,087

The State's total debt increased by \$159 million (8 percent) during the current fiscal year. This increase is mainly attributable to the issuance of additional revenue bonds within the NTSC and recognition of the increasing Net Pension Obligation (NPO). Principal payments on the general obligation bonds and sport fishing revenue bonds were made during the year reducing the outstanding balance.

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

Significant Fact

FY 07 marks a turning point for the unreserved fund balance of the General Fund. As seen in Schedule A-4 of the Statistical Section of this report, the unreserved balance of the General Fund has been negative for more than ten years. This year, the General Fund has a positive unreserved balance of \$2.2 billion. The primary factor underlying this improvement in the unreserved balance of the General Fund is the \$1.1 billion increase in petroleum-related taxes. This increase is attributable to the combination of higher oil prices and changes to the petroleum profits tax (PPT) passed by the 24th Legislature in 2006.

Economic Factors and Next Year's Budgets and Rates

- The State's average unemployment rate for FY 07 was 6.3 percent, which compares favorably to the average unemployment rate for FY 06 of 6.9 percent. Alaska's five year average (2003 to 2007) was 7.1 percent. The United States unemployment rate at fiscal year end was 4.9 percent.

- The State's major source of unrestricted revenue for the General Fund is petroleum related, which accounted for just over 59 percent of total revenue, with federal revenue making up another 25 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 \$946 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 07 crude oil and natural gas liquids production for the Alaska North Slope and Cook Inlet averaged 756 thousand barrels per day. This is 113 thousand barrels per day less than in the prior year. FY 07 production, compared to peak production of 2.049 million barrels per day in FY 88, has declined by 63 percent.
- The State of Alaska FY 07 budgeted expenditures include certain items that are unique to Alaska, such as the Alaska Permanent Fund Dividend that is paid to each qualifying Alaskan (\$1,107/resident, total \$658 million in FY 07), 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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	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and Investments	\$ 47,506,300	\$ 614,418	\$ 48,120,718	\$ 1,766,370
Accounts Receivable - Net	800,981	20,867	821,848	48,696
Interest and Dividends Receivable	145,173	29,570	174,743	35,607
Internal Balances	41,199	(41,199)	0	
Due from Primary Government			0	13,724
Due from Component Units	18,176		18,176	2,073
Due from Other Governments	405,111	8,007	413,118	36,520
Loans, Notes, and Bonds Receivable	19,825	291,714	311,539	4,232,930
Inventories	15,343		15,343	24,607
Repossessed Property		1,459	1,459	
Net Investment in Direct Financing Leases			0	297,305
Investments in Projects, Partnerships, or Corporations		6,841	6,841	63,932
Securities Lending Collateral	5,318,282	52,954	5,371,236	86,264
Restricted Assets	28,657	361,677	390,334	2,580,195
Other Assets	26,759	2,499	29,258	179,477
Capital Assets:				
Equipment, Net of Depreciation	413,726	13,071	426,797	217,569
Buildings, Net of Depreciation	753,096	453,685	1,206,781	684,847
Infrastructure, Net of Depreciation	2,065,534	294,233	2,359,767	565,277
Land	730,762	29,738	760,500	64,144
Construction in Progress	1,431,268	124,298	1,555,566	273,592
Total Assets	59,720,192	2,263,832	61,984,024	11,173,129
LIABILITIES				
Accounts Payable and Accrued Liabilities	1,994,057	8,114	2,002,171	109,130
Obligations Under Securities Lending	5,318,282	52,954	5,371,236	86,264
Due to Primary Government			0	72,738
Due to Component Units	2,582		2,582	1,689
Due to Other Governments	133	3,081	3,214	
Interest Payable	10,635	7,789	18,424	34,831
Other Current Liabilities	201,605	1,088	202,693	156,368
Long-term Liabilities:				
Portion Due or Payable Within One Year:				
Claims, Judgments, and Compensated Absences	138,621	84	138,705	3,152
Unearned and Deferred Revenue	177,569	5,321	182,890	20,221
Notes, Bonds, and Leases Payable	57,702	15,515	73,217	197,174
Other Long-term Debt			0	6,200
Other Noncurrent Liabilities	1,196		1,196	3,644
Portion Due or Payable After One Year:				
Claims, Judgments, and Compensated Absences	59,357	22	59,379	1,467
Unearned and Deferred Revenue	28,846		28,846	414,379
Notes, Bonds, and Leases Payable	994,275	617,637	1,611,912	4,730,063
Other Long-term Debt			0	5,790
Other Noncurrent Liabilities	140,784	9,797	150,581	50,703
Total Liabilities	9,125,644	721,402	9,847,046	5,893,813
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	4,968,171	596,997	5,565,168	1,128,599
Restricted for:				
Permanent Funds				
Nonexpendable	34,052,419		34,052,419	385,654
Expendable	13,229		13,229	121,703
Education	14,135		14,135	473,351
Conservation, Environment, and Natural Resources	27,351		27,351	
Unemployment Compensation		290,388	290,388	
Health and Human Services		290,034	290,034	
Debt Service	38,891	19,605	58,496	634,707
Other Purposes	54,933	14,853	69,786	77,644
Unrestricted	11,425,419	330,553	11,755,972	2,457,658
Total Net Assets	\$ 50,594,548	\$ 1,542,430	\$ 52,136,978	\$ 5,279,316

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, 2007
(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	\$ 326,205	\$ 11,058	\$ 29,867	\$ 6,249
Alaska Permanent Fund Dividend	658,294			
Education	1,364,756	2,689	199,041	806
University	319,963		872	
Health and Human Services	1,827,623	39,144	950,465	51,171
Law and Justice	180,837	12,142	19,464	99
Public Protection	557,792	172,762	77,163	6,444
Natural Resources	286,236	2,207,217	86,887	35,223
Development	430,096	15,669	76,571	2,083
Transportation	812,686	68,042	5,618	521,459
Intergovernmental Revenue Sharing	62,082		15,709	
Debt Service	40,555		2,134	9,295
Total Governmental Activities	6,867,125	2,528,723	1,463,791	632,829
Business-type Activities:				
Loans	9,561	9,655	1,241	12,516
Unemployment Compensation	122,908	169,070	13,145	
Airports	129,074	115,490	739	58,984
Development	2,221		1,275	8,088
Total Business-type Activities	263,764	294,215	16,400	79,588
Total Primary Government	\$ 7,130,889	\$ 2,822,938	\$ 1,480,191	\$ 712,417
Component Units:				
University of Alaska	\$ 682,403	\$ 141,969	\$ 212,559	\$ 6,048
Alaska Housing Finance Corporation	650,549	202,016	45,339	17,704
Alaska Industrial Development and Export Authority	41,450	48,017	535	11,459
Nonmajor Component Units	325,474	217,096	91,595	50,509
Total Component Units	\$ 1,699,876	\$ 609,098	\$ 350,028	\$ 85,720

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
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
\$ (279,031)	\$	\$ (279,031)	\$
(658,294)		(658,294)	
(1,162,220)		(1,162,220)	
(319,091)		(319,091)	
(786,843)		(786,843)	
(149,132)		(149,132)	
(301,423)		(301,423)	
2,043,091		2,043,091	
(335,773)		(335,773)	
(217,567)		(217,567)	
(46,373)		(46,373)	
(29,126)		(29,126)	
<u>(2,241,782)</u>		<u>(2,241,782)</u>	
	13,851	13,851	
	59,307	59,307	
	46,139	46,139	
	7,142	7,142	
	<u>126,439</u>	<u>126,439</u>	
<u>(2,241,782)</u>	<u>126,439</u>	<u>(2,115,343)</u>	
			(321,827)
			(385,490)
			18,561
			33,726
			<u>(655,030)</u>
2,256,299		2,256,299	
233,788		233,788	
812,652		812,652	
65,692		65,692	
9,495		9,495	
5,968,976	14,155	5,983,131	257,687
21,247		21,247	
400,382		400,382	10,079
			497,765
32,295	1,215	33,510	3,916
3,028	(3,028)	0	
<u>9,803,854</u>	<u>12,342</u>	<u>9,816,196</u>	<u>769,447</u>
7,562,072	138,781	7,700,853	114,417
43,032,476	1,403,649	44,436,125	5,163,388
			1,511
<u>\$ 50,594,548</u>	<u>\$ 1,542,430</u>	<u>\$ 52,136,978</u>	<u>\$ 5,279,316</u>

STATE OF ALASKA
Balance Sheet
Governmental Funds
June 30, 2007
(Stated in Thousands)

STATEMENT 1.11

	General Fund	Alaska Permanent Fund	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 6,384,705	\$ 40,072,062	\$ 976,595	\$ 47,433,362
Accounts Receivable - Net	513,551	262,080	5,125	780,756
Interest and Dividends Receivable	11,736	132,168	1,510	145,414
Due from Other Funds	1,167,585		1,557	1,169,142
Due from Component Units	17,531		370	17,901
Due from Other Governments	398,307		6,096	404,403
Loans, Notes, and Bonds Receivable	19,751		74	19,825
Inventories	12,547			12,547
Securities Lending Collateral	350,210	4,881,893	76,741	5,308,844
Other Assets	20,137		42	20,179
Total Assets	<u>\$ 8,896,060</u>	<u>\$ 45,348,203</u>	<u>\$ 1,068,110</u>	<u>\$ 55,312,373</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 590,329	\$ 1,374,663	\$ 10,570	\$ 1,975,562
Obligations Under Securities Lending	350,210	4,881,893	76,741	5,308,844
Due to Other Funds	49,906	1,063,955	7,554	1,121,415
Due to Component Units	2,581		1	2,582
Due to Other Governments	133			133
Unearned and Deferred Revenue	263,803		835	264,638
Other Liabilities	1,201	201,596	357	203,154
Total Liabilities	<u>1,258,163</u>	<u>7,522,107</u>	<u>96,058</u>	<u>8,876,328</u>
Fund Balances:				
Reserved:				
Encumbrances	530,382		62,548	592,930
Nonliquid Assets	4,814,881			4,814,881
Debt Service			40,120	40,120
Other Purposes	43,560	33,694,475	358,856	34,096,891
Unreserved:				
General Fund	2,249,074			2,249,074
Special Revenue Funds			381,225	381,225
Capital Projects Funds			116,074	116,074
Permanent Funds		4,131,621	13,229	4,144,850
Total Fund Balances	<u>7,637,897</u>	<u>37,826,096</u>	<u>972,052</u>	<u>46,436,045</u>
Total Liabilities and Fund Balances	<u>\$ 8,896,060</u>	<u>\$ 45,348,203</u>	<u>\$ 1,068,110</u>	<u>\$ 55,312,373</u>

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

STATE OF ALASKA
 Reconciliation of the Balance Sheet to the Statement of Net Assets
 Governmental Funds
 June 30, 2007
 (Stated in Thousands)

STATEMENT 1.12

Total Fund Balances - Governmental Funds \$ 46,436,045

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (Note 5)

These assets consist of:

Equipment, net of depreciation	295,252	
Buildings, net of depreciation	706,062	
Infrastructure, net of depreciation	2,065,534	
Land	730,762	
Construction in progress	<u>1,415,827</u>	5,213,437

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. (See Statement 1.21)

261,630

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

67,158

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 6)

Capital lease obligations	(125,536)	
Compensated absences	(123,044)	
Claims and judgments (net of federal reimbursement)	(71,276)	
Pension benefit obligation	<u>(137,634)</u>	(457,490)

Long-term bonded debt is not due and payable in the current period and therefore is not reported in the funds. (Note 6)

Notes and bonds payable	(921,666)	
Unamortized costs of issuance	5,915	
Accrued interest receivable	154	
Accrued interest payable	<u>(10,635)</u>	(926,232)

Net Assets of Governmental Activities \$ 50,594,548

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, 2007
(Stated in Thousands)

STATEMENT 1.13

	General Fund	Alaska Permanent Fund	Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 3,435,465	\$	\$ 26,997	\$ 3,462,462
Licenses and Permits	108,660		33,544	142,204
Charges for Services	180,292		403	180,695
Fines and Forfeitures	32,047		320	32,367
Rents and Royalties	1,606,758	532,232	23,505	2,162,495
Premiums and Contributions	11,988		4,381	16,369
Interest and Investment Income	431,222	5,517,846	74,464	6,023,532
Federal Grants in Aid	1,993,028		28,386	2,021,414
Payments In from Component Units	99,806		300,576	400,382
Other Revenues	14,637		16,712	31,349
Total Revenues	<u>7,913,903</u>	<u>6,050,078</u>	<u>509,288</u>	<u>14,473,269</u>
EXPENDITURES				
Current:				
General Government	276,867	63,856	5,807	346,530
Alaska Permanent Fund Dividend	658,294			658,294
Education	1,303,482		55,931	1,359,413
University	310,173		10,065	320,238
Health and Human Services	1,815,070		4,014	1,819,084
Law and Justice	178,374	1,477		179,851
Public Protection	553,412			553,412
Natural Resources	233,359	4,462	59,589	297,410
Development	412,559		17,335	429,894
Transportation	960,638		28,219	988,857
Intergovernmental Revenue Sharing	61,925			61,925
Debt Service:				
Principal	9,495		29,615	39,110
Interest and Other Charges	3,652		38,601	42,253
Existing Monies to Bond Escrow Agent			27,009	27,009
Total Expenditures	<u>6,777,300</u>	<u>69,795</u>	<u>276,185</u>	<u>7,123,280</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,136,603</u>	<u>5,980,283</u>	<u>233,103</u>	<u>7,349,989</u>
OTHER FINANCING SOURCES (USES)				
Bonds Issued			218,938	218,938
Refunding Bonds Issued			193,050	193,050
Bond Discount			(11,180)	(11,180)
Other Debt Proceeds			(193,050)	(193,050)
Capital Leases	4,241			4,241
Transfers In from Other Funds	1,256,130	49	82,692	1,338,871
Transfers (Out to) Other Funds	(82,377)	(1,063,955)	(216,970)	(1,363,302)
Total Other Financing Sources and Uses	<u>1,177,994</u>	<u>(1,063,906)</u>	<u>73,480</u>	<u>187,568</u>
Net Change in Fund Balances	<u>2,314,597</u>	<u>4,916,377</u>	<u>306,583</u>	<u>7,537,557</u>
Fund Balances - Beginning of Year	5,323,300	32,909,719	665,469	38,898,488
Fund Balances - End of Year	<u>\$ 7,637,897</u>	<u>\$ 37,826,096</u>	<u>\$ 972,052</u>	<u>\$ 46,436,045</u>

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

STATE OF ALASKA
 Reconciliation of the Change in Fund Balances to the Statement of Activities
 Governmental Funds
 June 30, 2007
 (Stated in Thousands)

STATEMENT 1.14

Net Change in Fund Balances - Total Governmental Funds \$ 7,537,557

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Primarily this is the amount by which capital outlays exceeded depreciation in the current period (Note 5).

Equipment	5,060	
Buildings	12,387	
Infrastructure	(65,587)	
Land	40,452	
Construction in progress	215,185	
		207,497

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported in governmental activities in the Statement of Revenues, Expenses, and Changes in Fund Net Assets (Statement 1.22).

Net current year revenue 57,955

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund. (72,909)

Recognize loss per court decision to disallow certain federal revenue under appeal with the federal government that were recognized in prior years on the accrual basis of accounting. (20,063)

Bond and other debt proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Revenue bonds issued	(207,758)	
Accrued interest	1,937	
Repayment of bond principal	39,110	
Payment to refunded bond escrow agent	25,403	
Existing monies to bond escrow agent	1,606	
Amortization of bond issue costs	3,558	
		(136,144)

Some capital additions were financed through capital leases. In the governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. (4,241)

Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported on the Statement of Net Assets and have been eliminated from the Statement of Activities.

Claims and judgments	10,352	
Compensated absences	(1,041)	
Capital lease payments	18,867	
Pension benefit obligation	(35,758)	
		(7,580)

Change in Net Assets of Governmental Activities \$ 7,562,072

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

STATE OF ALASKA
Statement of Net Assets
Proprietary Funds
June 30, 2007
(Stated in Thousands)

STATEMENT 1.21

	Business-type Activities Enterprise Funds			Governmental Activities
	International Airports	Nonmajor Enterprise Funds	Total	Internal Service Funds
ASSETS				
Current Assets:				
Cash and Investments	\$ 140,044	\$ 474,374	\$ 614,418	\$ 101,200
Accounts Receivable - Net	14,238	6,629	20,867	708
Interest and Dividends Receivable		5,739	5,739	
Due from Other Funds		28,975	28,975	4,341
Due from Component Units				275
Due from Other Governments	7,767	240	8,007	
Loans, Notes, and Bonds Receivable		21,300	21,300	
Inventories				2,796
Securities Lending Collateral	29,407	23,547	52,954	9,438
Other Current Assets		9	9	665
Total Current Assets	191,456	560,813	752,269	119,423
Noncurrent Assets:				
Interest and Dividends Receivable		23,831	23,831	
Loans, Notes, and Bonds Receivable		270,414	270,414	
Reposessed Property		1,459	1,459	
Investment in Projects, Partnerships, or Corporations		6,841	6,841	
Restricted Assets	361,677		361,677	
Other Noncurrent Assets		2,490	2,490	
Capital Assets:				
Equipment, Net of Depreciation	13,071		13,071	118,474
Buildings, Net of Depreciation	453,685		453,685	47,034
Infrastructure, Net of Depreciation	294,233		294,233	
Land	29,738		29,738	
Construction in Progress	93,389	30,909	124,298	15,441
Total Noncurrent Assets	1,245,793	335,944	1,581,737	180,949
Total Assets	1,437,249	896,757	2,334,006	300,372
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	2,846	5,268	8,114	18,495
Obligations Under Securities Lending	29,407	23,547	52,954	9,438
Due to Other Funds	38,922	31,252	70,174	287
Due to Other Governments		3,081	3,081	
Interest Payable	7,789		7,789	
Claims, Judgments, and Compensated Absences		84	84	2,289
Unearned and Deferred Revenue	5,321		5,321	
Notes, Bonds, and Leases Payable	15,515		15,515	927
Other Current Liabilities		1,088	1,088	
Total Current Liabilities	99,800	64,320	164,120	31,436
Noncurrent Liabilities:				
Claims, Judgments, and Compensated Absences		22	22	661
Notes, Bonds, and Leases Payable	617,637		617,637	3,848
Other Noncurrent Liabilities	9,624	173	9,797	2,797
Total Noncurrent Liabilities	627,261	195	627,456	7,306
Total Liabilities	727,061	64,515	791,576	38,742
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	566,089	30,908	596,997	176,954
Restricted for:				
Unemployment Compensation		290,388	290,388	
Health and Human Services		290,034	290,034	
Debt Service	19,605		19,605	
Other Purposes	14,658	195	14,853	
Unrestricted	109,836	220,717	330,553	84,676
Total Net Assets	\$ 710,188	\$ 832,242	\$ 1,542,430	\$ 261,630

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, 2007
(Stated in Thousands)

STATEMENT 1.22

	Business-type Activities Enterprise Funds			Governmental Activities
	International Airports	Nonmajor Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES				
Premiums and Contributions	\$	\$	\$	\$
Charges for Goods and Services	112,620	169,070	169,070	70,023
Interest and Investment Income		872	113,492	80,728
Allowance for Uncollectible Interest		9,235	9,235	
Fines and Forfeitures		144	144	
Federal Grants in Aid		58	58	
Other Operating Revenues		676	676	
	2,870		2,870	1,178
Total Operating Revenues	115,490	180,055	295,545	151,929
OPERATING EXPENSES				
Benefits		122,908	122,908	61,859
Operating	70,609	7,406	78,015	68,276
Depreciation	37,651	36	37,687	18,068
Provision for Loan Losses and Forgiveness		1,474	1,474	
Other Operating Expenses		225	225	
Total Operating Expenses	108,260	132,049	240,309	148,203
Operating Income (Loss)	7,230	48,006	55,236	3,726
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Income	7,945	19,355	27,300	2,749
Interest and Investment Expense	(14,650)	(826)	(15,476)	(390)
Gain (Loss) on Disposal of Capital Assets		(540)	(540)	(1,249)
Other Nonoperating Revenues (Expenses)	(5,425)	1,126	(4,299)	(68)
Total Nonoperating Revenues (Expenses)	(12,130)	19,115	6,985	1,042
Income Before Capital Contributions and Transfers	(4,900)	67,121	62,221	4,768
Capital Contributions	58,984	20,604	79,588	17,729
Transfers In from Other Funds		30,671	30,671	35,458
Transfers (Out to) Other Funds		(33,699)	(33,699)	
Change in Net Assets	54,084	84,697	138,781	57,955
Total Net Assets - Beginning of Year	656,104	747,545	1,403,649	203,675
Total Net Assets - End of Year	\$ 710,188	\$ 832,242	\$ 1,542,430	\$ 261,630

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, 2007
(Stated in Thousands)

STATEMENT 1.23

	Business-type Activities Enterprise Funds			Governmental Activities
	International Airports	Nonmajor Enterprise Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Other Governments	\$	\$ 677	\$ 677	\$ 185
Receipts from Customers	114,991	1,317	116,308	83,026
Receipt of Principal from Loan Recipients		32,372	32,372	
Receipt of Interest and Fees from Loan Recipients		9,053	9,053	
Receipts from Insured		167,952	167,952	69,992
Payments to Employees	(36,735)	(1,307)	(38,042)	(24,491)
Payments to Suppliers	(32,135)	(1,653)	(33,788)	(39,125)
Payments to Other Governments		(2,945)	(2,945)	
Payments to Loan Recipients		(34,611)	(34,611)	
Claims Paid	10,859	(123,450)	(112,591)	(59,540)
Interfund Services Used		(4,186)	(4,186)	
Other Receipts		3,473	3,473	1,018
Other Payments		(2,108)	(2,108)	(2,270)
Net Cash Provided (Used) by Operating Activities	56,980	44,584	101,564	28,795
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Subsidies and Transfers (Out to) Other Funds		(4,566)	(4,566)	(544)
Operating Subsidies and Transfers In from Other Funds		772	772	35,458
Federal Grants		13,023	13,023	
Proceeds from Issuance of Short-term Debt		2,791	2,791	
Payments on Short-term Debt		(2,085)	(2,085)	
Interest and Fees Paid on Borrowing		(3)	(3)	
Net Cash Provided (Used) by Noncapital Financing Activities	0	9,932	9,932	34,914
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Sale of Capital Assets			0	1,094
Acquisition and Construction of Capital Assets	(103,873)	(9,389)	(113,262)	(44,760)
Proceeds from Capital Debt			0	4,629
Principal Paid on Capital Debt	(12,770)		(12,770)	(362)
Interest and Fees Paid on Capital Debt	(12,431)		(12,431)	(61)
Federal Grants	51,725	9,879	61,604	
Other Receipts (Payments)	10,331	(490)	9,841	115
Net Cash Provided (Used) by Capital and Related Financing Activities	(67,018)	0	(67,018)	(39,345)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sales/Maturities of Investments	33,744		33,744	
Income from Securities Lending Activities	1,396	830	2,226	
Expenses from Securities Lending Activities	(1,380)	(820)	(2,200)	
Purchase of Investments	(43,680)		(43,680)	
Interest and Dividends on Investments	2,536	19,418	21,954	2,421
Change in Restricted Cash and Investments	11,215		11,215	
Net Cash Provided (Used) by Investing Activities	3,831	19,428	23,259	2,421
Net Increase (Decrease) in Cash	(6,207)	73,944	67,737	26,785
Cash and Cash Equivalents - Beginning of Year	11,464	400,430	411,894	74,415
Cash and Cash Equivalents - End of Year	\$ 5,257	\$ 474,374	\$ 479,631	\$ 101,200

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, 2007
(Stated in Thousands)

STATEMENT 1.23

	Business-type Activities Enterprise Funds			Governmental Activities
	International Airports	Nonmajor Enterprise Funds	Total	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 7,230	\$ 48,006	\$ 55,236	\$ 3,726
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	37,652	36	37,688	18,068
Other Reconciling Items	1,090	(1,583)	(493)	
Net Changes in Assets and Liabilities:				
Accounts Receivable - Net	(878)	(2,331)	(3,209)	(273)
Due from Other Funds		446	446	2,571
Due from Component Units			0	36
Due from Other Governments		(21)	(21)	
Loans, Notes and Bonds Receivable - Net		(1,718)	(1,718)	
Reposessed Property		1,989	1,989	
Investment in Projects, Partnerships, or Corporations		918	918	
Securities Lending Collateral	12,503	(2,748)	9,755	
Interest and Dividends Receivable - Net		109	109	
Inventories			0	(55)
Other Assets		(221)	(221)	238
Due to Other Funds	10,859	731	11,590	275
Due to Other Governments		(2,325)	(2,325)	
Accounts Payable and Accrued Liabilities	648	(210)	438	2,458
Obligations Under Securities Lending	(12,503)	2,748	(9,755)	
Other Liabilities	379	758	1,137	1,751
Net Cash Provided (Used) by Operating Activities	<u>\$ 56,980</u>	<u>\$ 44,584</u>	<u>\$ 101,564</u>	<u>\$ 28,795</u>
Reconciliation of Cash to the Statement of Net Assets:				
Total Cash and Investments per the Statement of Net Assets	\$ 140,044	\$ 474,374	\$ 614,418	\$ 101,200
Less: Investments not Meeting the Definition of Cash or Cash Equivalents				
	(134,787)		(134,787)	
Cash, End of Year	<u>\$ 5,257</u>	<u>\$ 474,374</u>	<u>\$ 479,631</u>	<u>\$ 101,200</u>
Noncash Investing, Capital, and Financing Activities:				
Contributed Capital Assets				17,729
Transfers (Out to) Other Funds (Accrual)		(886)	(886)	

STATE OF ALASKA
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007
(Stated in Thousands)

STATEMENT 1.31

	Pension and Other Employee Benefit Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 165,847	\$ 90,021
Investments:		210,786
Short-Term Investments	53,760	
Commercial Paper	64,780	
U.S. Treasury	679,875	
U.S. Government Agency	324,155	
Municipal Bonds	1,853	
Foreign Government Bonds	176,336	
Mortgage-Backed	1,953,763	
Other Asset-Backed	251,080	
Corporate Bonds	1,154,002	
Yankees	143,346	
Fixed Income Pool	2,384	
Domestic Equity Pool	6,408,711	
International Equity Pool	2,765,222	
Emerging Markets Equity Pool	412,920	
Private Equity Pool	1,056,757	
Absolute Return Pool	615,545	
Other Investment Pool	620,867	
Real Estate Pool	1,732,948	
Participant-Directed	1,025,575	
Other Net Investments	(594,057)	
Investment Loss Trust Fund Assets	1,767	
Accounts Receivable - Net	5,134	3
Contributions Receivable	36,449	
Interest and Dividends Receivable	412	
Securities Lending Collateral	1,749,857	
Due from Other Funds	12,591	2,436
Other Assets	31	
Total Assets	<u>20,821,910</u>	<u>303,246</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	71,746	3,061
Obligations Under Securities Lending	1,749,857	
Trust Deposits Payable		300,129
Due to Other Funds	1,527	56
Total Liabilities	<u>1,823,130</u>	<u>303,246</u>
NET ASSETS		
Held in Trust for:		
Pension Benefits	11,364,503	
Postemployment Healthcare Benefits	4,919,339	
Individuals, Organizations, and Other Governments	2,714,938	
Total Net Assets	<u>\$ 18,998,780</u>	<u>\$ 0</u>

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

STATE OF ALASKA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2007
(Stated in Thousands)

STATEMENT 1.32

	Pension and Other Employee Benefit Trust Funds
ADDITIONS	
Premiums and Contributions:	
Employer	\$ 905,095
Member	328,465
Other	7,725
Total Premiums and Contributions	<u>1,241,285</u>
Investment Income:	
Net Appreciation (Depreciation) in Fair	
Value of Investments	2,270,536
Interest	210,040
Dividends	346,917
Total Investment Income	2,827,493
Less Investment Expense	33,345
Net Investment Income	<u>2,794,148</u>
Other Additions	3,998
Total Additions	<u>4,039,431</u>
DEDUCTIONS	
Benefits Paid	1,519,255
Insurance Premiums	4,897
Refunds of Premiums and Contributions	19,508
Administrative Expenses	25,343
Total Deductions	<u>1,569,003</u>
Net Increase (Decrease) in Net Assets Held in	
Trust for:	
Pension Benefits	1,280,532
Postemployment Healthcare Benefits	989,721
Individuals, Organizations, and Other Governments	200,175
Net Assets - Beginning of the Year	16,528,352
Net Assets - End of the Year	<u>\$ 18,998,780</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, 2007
(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	\$ 51,725	\$ 204,243	\$ 345,791	\$ 1,164,611	\$ 1,766,370
Accounts Receivable - Net	17,598			31,098	48,696
Interest and Dividends Receivable	185	19,340	5,959	10,123	35,607
Due from Primary Government	10,423	335	2,394	572	13,724
Due from Component Units	36	318	1,688	31	2,073
Due from Other Governments	28,952		2,436	5,132	36,520
Loans, Notes, and Bonds Receivable	6,747	3,357,754	385,590	482,839	4,232,930
Inventories	8,621			15,986	24,607
Net Investment in Direct Financing Leases		27,085	270,220		297,305
Investments in Projects, Partnerships, or Corporations			63,932		63,932
Securities Lending Collateral			506	85,758	86,264
Restricted Assets	322,391	1,116,265	109,261	1,032,278	2,580,195
Other Assets	118,515	52,817	5,946	2,199	179,477
Capital Assets:					
Equipment, Net of Depreciation	101,341	579		115,649	217,569
Buildings, Net of Depreciation	545,685	100,743	1,810	36,609	684,847
Infrastructure, Net of Depreciation	33,711			531,566	565,277
Land	27,969	13,753	600	21,822	64,144
Construction in Progress	28,188	3,668		241,736	273,592
Total Assets	1,302,087	4,896,900	1,196,133	3,778,009	11,173,129
LIABILITIES					
Accounts Payable and Accrued Liabilities	41,128	7,035	3,299	57,668	109,130
Obligations Under Securities Lending			506	85,758	86,264
Due to Primary Government		2,060	301	70,377	72,738
Due to Component Units				1,689	1,689
Interest Payable		14,847	3,620	16,364	34,831
Other Current Liabilities	35,734	119,726	125	783	156,368
Long-term Liabilities:					
Portion Due or Payable Within One Year:					
Claims, Judgments, and Compensated Absences		2,251		901	3,152
Unearned and Deferred Revenue	1,281			18,940	20,221
Notes, Bonds, and Leases Payable	6,278	51,221	11,490	128,185	197,174
Other Long-term Debt				6,200	6,200
Other Noncurrent Liabilities		3,644			3,644
Portion Due or Payable After One Year:					
Claims, Judgements, and Compensated Absences		1,432		35	1,467
Unearned and Deferred Revenue	13,679		5,028	395,672	414,379
Notes, Bonds, and Leases Payable	112,732	3,009,666	264,430	1,343,235	4,730,063
Other Long-term Debt				5,790	5,790
Other Noncurrent Liabilities	37,844	546	8,670	3,643	50,703
Total Liabilities	248,676	3,212,428	297,469	2,135,240	5,893,813
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	619,665	118,243	608	390,083	1,128,599
Restricted for:					
Permanent Funds					
Nonexpendable				385,654	385,654
Expendable				121,703	121,703
Education	325,526			147,825	473,351
Debt Service	3,528	582,782		48,397	634,707
Other Purposes		26,397	2,473	48,774	77,644
Unrestricted	104,692	957,050	895,583	500,333	2,457,658
Total Net Assets	\$ 1,053,411	\$ 1,684,472	\$ 898,664	\$ 1,642,769	\$ 5,279,316

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, 2007
(Stated in Thousands)

STATEMENT 1.42

FUNCTIONS/PROGRAMS Component Units:	Expenses	Program Revenues		
		Charges for Services, Royalties and Other Fees	Operating Grants and Contributions	Capital Grants and Contributions
University of Alaska	\$ 682,403	\$ 141,969	\$ 212,559	\$ 6,048
Alaska Housing Finance Corporation	650,549	202,016	45,339	17,704
Alaska Industrial Development and Export Authority	41,450	48,017	535	11,459
Nonmajor Component Units	325,474	217,096	91,595	50,509
Total Component Units	\$ 1,699,876	\$ 609,098	\$ 350,028	\$ 85,720

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.

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
\$ (321,827)	\$	\$	\$	\$ (321,827)
	(385,490)			(385,490)
		18,561		18,561
			33,726	33,726
<u>(321,827)</u>	<u>(385,490)</u>	<u>18,561</u>	<u>33,726</u>	<u>(655,030)</u>
62,651	78,845	21,501	94,690	257,687
7,064		3,015		10,079
314,765			183,000	497,765
2,831	1,085			3,916
<u>387,311</u>	<u>79,930</u>	<u>24,516</u>	<u>277,690</u>	<u>769,447</u>
65,484	(305,560)	43,077	311,416	114,417
987,927	1,990,032	855,587	1,329,842	5,163,388
			1,511	1,511
<u>\$ 1,053,411</u>	<u>\$ 1,684,472</u>	<u>\$ 898,664</u>	<u>\$ 1,642,769</u>	<u>\$ 5,279,316</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, 2007**

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. THE FINANCIAL REPORTING ENTITY

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

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

BLENDED COMPONENT UNITS

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

The **Alaska Permanent Fund Corporation** (APFC) is a public corporation and government instrumentality in the Department of Revenue (AS 37.13.040). A governor-appointed six-member board manages APFC. The legislature approves APFC's budget. The purpose of APFC is to manage and invest the assets of the Alaska Permanent Fund (fund) and other funds designated by law. The fund is a savings device, restricted as to usage, which belongs to all the people of Alaska. It was created in 1976 when the voters approved an amendment to the State Constitution. The beneficiaries of the fund are all present and future generations of Alaskans. The fund represents 83 percent of the total cash and investments and 73 percent of total government-wide net assets excluding discretely presented component units. The fund is reported as a permanent fund (a governmental fund type), and APFC operations are included in the fund statements. Separately issued financial statements may be obtained from the Alaska Permanent Fund Corporation, P.O. Box 115500, Juneau, AK 99811-5500, or from their web site at www.apfc.org.

The **Knik Arm Bridge and Toll Authority** (KABTA) is a public corporation and government instrumentality in the Department of Transportation and Public Facilities (AS 19.75.021). The authority has a separate and independent legal existence from the State. It is governed by a board of directors, including the commissioner of the Department of Transportation and Public Facilities, the commissioner of the Department of Revenue, three public members appointed by the governor, and two non-voting members: a member of the House of Representatives appointed by the speaker; and a member of the Senate appointed by the president. The purpose of the authority is to develop public transportation systems in the vicinity of Upper Cook Inlet with construction of a bridge to span Knik Arm and connect the Municipality of Anchorage with the Matanuska-Susitna Borough. KABTA financial statements are included in the Combining Fund section of this Comprehensive Annual Financial Report (CAFR) with the Nonmajor Enterprise Funds. Separately issued financial statements may be obtained from Knik Arm Bridge and Toll Authority, 550 W. 7th Avenue, Room 1850, Anchorage, AK 99501.

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

The purpose of NTSC is to purchase future rights, title, and interest in Tobacco Settlement Revenues (TSRs) from the State under the Master Settlement Agreement and Final 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's custodial trust accounts and a residual certificate assigned to the State.

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

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

The **Public Employees' Retirement System** (PERS) was established by Alaska Statute (AS) 39.35.010 (defined benefit), 39.35.700 (defined contribution), and 39.35.870, 14.25.470 and 39.30.300 (Public Employees' and Teachers' Retiree Major Medical Insurance Plan and Health Reimbursement Arrangement Plan). The Commissioner of the Department of Administration or the commissioner's designee is the administrator of the system. The administrator is responsible for the administration of PERS in accordance with state statutes. The Commissioner of the Department of Administration adopts regulations to govern the operation of the PERS. Hearings and rulings on the appeal of the decision of the administrator are in the jurisdiction of the Office of Administrative Hearings (OAH). The Alaska Retirement Management Board (ARMB) approves employers' rates. PERS costs, based upon actuarial valuations, are funded by the State, participating governmental employers, and participants. PERS defined benefit and defined contribution plan and the Public Employees' and Teachers' Retiree Major Medical Insurance Plan and Health Reimbursement Arrangement Plan are reported in the fiduciary fund types as pension (and other employee benefit) trust funds. The ARMB is the fiduciary of PERS. The governor appoints the majority of the ARMB.

The **Teachers' Retirement System** (TRS) was established by AS 14.25.010 (defined benefit), 14.25.310 (defined contribution), and 39.35.870, 14.25.470 and 39.30.300 (Public Employees' and Teachers' Retiree Major Medical Insurance Plan and Health Reimbursement Arrangement Plan). The Commissioner of the Department of Administration or the commissioner's designee is the administrator of the system. The administrator is responsible for the administration of TRS in accordance with state statutes. The Commissioner of the Department of Administration adopts regulations to govern the operation of the TRS. Hearings and rulings on the appeal of the decision of the administrator are in the jurisdiction of the OAH. The ARMB approves employers' rates. TRS costs, based upon actuarial valuations, are funded by the State, participating governmental employers, and participants. TRS defined benefit and defined contribution plan and the Public Employees' and Teachers' Retiree Major Medical Insurance Plan and Health Reimbursement Arrangement Plan are reported in the fiduciary fund types as pension (and other employee benefit) trust funds. The ARMB is the fiduciary of TRS. The governor appoints the majority of the ARMB.

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

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

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

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

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

DISCRETELY PRESENTED COMPONENT UNITS

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

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

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

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

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

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

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

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

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

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

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

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

The **Alaska Seafood Marketing Institute** (ASMI) is a public corporation of the State (AS 16.51.010). It is an instrumentality of the State with a legal existence independent of and separate from the State. ASMI is governed by a board

of directors appointed by the governor, and its budget is approved by the legislature. The purpose of ASMI is to promote all species of seafood and their by-products harvested in Alaska for sale, and to develop market-oriented quality specifications. Exercise of the powers conferred by statute to ASMI is an essential governmental function. Although ASMI has been determined to be a component unit required to be discretely presented, it is reported in the General Fund within the Department of Commerce, Community and Economic Development because its financial activities, which are immaterial, are currently accounted for in the state's General Fund. The ASMI fiscal year 2007 budget was approximately \$19.8 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; however, agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of

cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available to finance operations during the current year or to liquidate liabilities existing at the end of the year (collectible within 60 days of fiscal year end). Major revenues that are determined to be susceptible to accrual include federal, charges for services, investment income, and petroleum related taxes and royalties.

Expenditures are recognized when a liability is incurred. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded only when payment is due and payable.

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

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

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

D. FINANCIAL STATEMENT PRESENTATION

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

GOVERNMENTAL FUND TYPES

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

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

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

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

PROPRIETARY FUND TYPES

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

Internal service funds are used to report any activity that provides goods or services primarily to other funds or agencies of the State, rather than to the general public.

FIDUCIARY FUND TYPES

Pension (and other employee benefits) trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, and other postemployment benefit plans.

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

E. FISCAL YEAR ENDS

All funds and discretely presented component units of the State are reported using fiscal years, which end on June 30, except the Alaska Railroad Corporation and Deferred Compensation Fund fiscal years end on December 31, and the Alaska Supplemental Benefits System fiscal year ends on January 31.

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

CASH AND INVESTMENTS, CASH AND CASH EQUIVALENTS

The amounts shown on the statements of net assets and the balance sheets as Cash and Investments represent cash on deposit in banks, petty cash, cash invested in various short-term instruments, and other investments of the State and its component units. 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 most current stale price or based on a valuation provided by investment managers. The noninterest bearing deposits are reported at cost, which approximates fair value.

The 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.

The International equity index fund under the fiduciary responsibility of the Commissioner of Revenue is comprised of shares in the Morgan Stanley Capital International Europe, Australasia, and Far East (MSCI EAAFE) Common Trust Fund, 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 periodically by the general partners. Underlying private equity investments that are listed on a national exchange are valued using quoted market prices. Securities for which there are not market quotations available are initially carried at original cost and subsequently valued at fair value as determined by the general partners. In determining fair value, the financial condition, operating results and projected operating cash flow of the underlying portfolio companies, prices paid in private sales of such securities, the nature and duration of restrictions on disposition of the securities, the expenses and delay that would be involved in registration, the price and extent of public trading in similar securities, the existence of merger proposals or tender offers affecting securities, reports prepared by analysts are considered as appropriate. Because of the inherent uncertainty of valuations, however, these estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and these differences could be material.

Absolute return investments are carried at fair value as determined by the pro-rata interest in the net assets of the underlying investment funds. These investment funds are valued periodically by the general partners and the managers of the underlying investments. The net asset value represents the amount that would be expected to be received if it were to liquidate its

interests subject to liquidity or redemption restrictions. Because of the inherent uncertainty of valuations, however, these estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and these differences could be material.

The energy related investments in the Other Investments Pool consist primarily of loans and preferred stock that are valued at the lower of cost or fair value. The agricultural investments in the Other Investments Pool consist primarily of farmland investments that are stated at fair value based upon independent appraisals performed periodically. In years when an independent appraisal is not performed, the valuation is reviewed by an independent advisor. Because of the inherent uncertainty of valuations, however, these estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and these differences could be material.

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 at least 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 operates as demand deposit accounts, amounts invested in the pools are classified as cash and cash equivalents. At June 30, 2007, the assets of the GeFONSI pool were comprised of shares in the Short-term Fixed Income Pool and shares in the Intermediate-term Fixed Income Pool.

RECEIVABLES

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

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

INTER/INTRAFUND TRANSACTIONS

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

INVENTORIES

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

CAPITAL ASSETS

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

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

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

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

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

COMPENSATED ABSENCES

Regulations governing annual/personal leave (vacation pay) provide that state employees will receive time off, or pay, for hours accumulated. Consequently, a liability exists with respect to accumulated annual/personal leave at any given time. As of June 30, 2007, 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 \$126 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, 2007 (in thousands).

	General	Permanent	Special Revenue	Debt Service	Capital Projects
Reserved					
Encumbrances	\$ 530,382	\$ -	\$ 29,481	\$ -	\$ 33,067
Nonliquid Assets	4,814,881	-	-	-	-
Bonds	-	-	-	40,120	-
Other	43,560	34,052,419	912	-	-
Total Reserved	<u>5,388,823</u>	<u>34,052,419</u>	<u>30,393</u>	<u>40,120</u>	<u>33,067</u>
Unreserved					
Designated					
Continuing Appropriations	-	582	324,438	-	102,400
Other	2,249,074	4,131,621	4,038	-	-
Undesignated	-	12,647	52,749	-	13,674
Total Unreserved	<u>2,249,074</u>	<u>4,144,850</u>	<u>381,225</u>	<u>-</u>	<u>116,074</u>
Total Fund Balance	<u>\$ 7,637,897</u>	<u>\$ 38,197,269</u>	<u>\$ 411,618</u>	<u>\$ 40,120</u>	<u>\$ 149,141</u>

There are 12 subfunds within the General Fund that have fund balance reserved for other purposes. The other purposes include \$27,072 thousand for Certifications of Participation that pay debt service on state construction projects, \$8,874 thousand for purposes outlined in state statute, and \$7,614 thousand for purposes that accompany the receipt of federal funds.

There are two Permanent Funds that have fund balance amounts reserved for other purposes, Alaska Permanent Fund and the Public School Trust Fund. The Alaska Permanent Fund amount that is reserved for other purposes (\$33,694,475 thousand) is the principal balance of the fund. The State's Constitution specifically requires that the principal be invested in perpetuity. The Public School Trust Fund amount that is reserved for other purposes (\$357,944 thousand) is the principal of the fund and capital gains or losses realized on the principal are to be held in perpetuity per AS 37.14.110(c).

There is one Special Revenue Fund that has a fund balance amount reserved for other purposes, the Mine Reclamation Fund. The Mine Reclamation Fund reserved for other purposes (\$912 thousand) includes payments and deposits made by miners to satisfy the miners' reclamation bonding or financial assurance obligation required under AS 27.19.040 and AS 27.21.160.

RESTRICTED NET ASSETS

Permanent Funds

Restricted net assets for permanent funds are required to be identified as expendable or nonexpendable. All of the Alaska Permanent Fund restricted net assets (\$33,694 million), \$358 million of the Public School Trust Fund net assets, and \$386 million of the Alaska Mental Health Trust Authority (a discretely presented component unit) restricted net assets are nonexpendable. The remaining \$13 million (4 percent) of the Public School Trust Fund restricted net assets, and \$122 million (twenty-four percent) of the Alaska Mental Health Trust Authority restricted net assets are expendable.

Net Assets Restricted by Enabling Legislation

The government-wide statement of net assets reports \$34.8 billion of restricted net assets for the primary government, of which \$22.1 million is restricted by enabling legislation.

NOTE 2 – BUDGETING, BUDGETARY CONTROL, AND LEGAL COMPLIANCE

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

The budgetary process is used to establish a balancing of estimated revenues coming into a fund with requested appropriations for that fund. Except for capital project funds, which prepare only project-length budgets, annual operating

(and project-length) budgets are prepared for practically every fund and are submitted to the legislature for the enactment of appropriations. An appropriation is an authorization to spend money and to incur obligations. Each appropriation is limited as to purpose, time, and amount, and each of these limitations is legally binding. The legal level of budgetary control is maintained at the appropriation level as specified in the enabling legislation, which is generally at the program level within a department.

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

Expenditures of funds are made only upon properly approved requests for payment. The total of expenditures and encumbrances (obligations) may not exceed the appropriations to which they pertain. Transfers between appropriations are not authorized. Agencies faced with potential overexpenditure of appropriations must (1) reduce the rate of expenditures, (2) seek relief through supplemental appropriations, or (3) request necessary approvals to receive and expend additional funds. In order to provide sufficient funding for several programs during FY 07, supplemental appropriations of \$1.4 billion were required, of which \$1.3 billion 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 07, the Office of Management and Budget estimated the limit to be approximately \$7.7 billion. The FY 07 budget passed by the legislature and after vetoes was \$5.5 billion (unrestricted General Fund revenues only), or \$2.2 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 \$4.8 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)	(85,513,723)
Subtotal FY 05	<u>44,161,882</u>
Chapter 3, FSSLA 2005, section 61(a)	85,513,723
Chapter 6, SLA 2005, section 17(a)	24,060
Chapter 3, FSSLA 2005, section 61(c)	167,000
Article IX, section 17(d) Alaska Constitution (FY 06)	(156,696,777)
Subtotal FY 06	<u>(70,991,994)</u>
Chapter 82, SLA 2006, section 63(a)	156,696,777
Chapter 82, SLA 2006, section 63(b)	117,761
Chapter 30, SLA 2007, section 57	(50,000,000)
Article IX, section 17(d) Alaska Constitution (FY 07)	(416,165,110)
Subtotal FY 07	<u>(309,350,572)</u>
Total appropriated from the CBRF	<u><u>\$ 4,781,779,253</u></u>

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

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

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

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

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

The amounts transferred under article IX, section 17(d), were appropriated back to the funds from which transferred under chapter 94, SLA 1995, section 43(a) for FY 95, chapter 5, FSSLA 1996, section 1(a) for FY 96, chapter 98, SLA 1997, section 35(a) for FY 97, chapter 139, SLA 1998, section 42(a) for FY 98, chapter 84, SLA 1999, section 35(a) for FY 99, chapter 133, SLA 2000, section 11(a) for FY 00, chapter 61, SLA 2001, section 93(a) for FY 01, chapter 1, SSSLA 2002, section 94(a) for FY 02, chapter 159, SLA 2004, section 61(a) for FY03, chapter 159, SLA 2004, section 61(d) for FY 04, chapter 3, FSSLA 2005, section 61(a) for FY 05, chapter 82, SLA 2006, section 63(a) for FY 06 and chapter 28 SLA 2007, section 31 (a) for FY07 .

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

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

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

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

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

Chapter 30, SLA 2007, section 57 appropriated \$50,000,000 from the General Fund to the CBRF in FY07. This reduced the General Fund long-term liability to CBRF.

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

A change displayed as prior period adjustment in the fund financial statements is listed below.

- Alaska Natural Gas Development Authority discovered that costs related to development of the Right of Way lease should have been capitalized in prior periods as part of Construction in Progress. Construction in progress and Net Assets were understated by \$1,511 thousand. Adjustment related corrections to these errors resulted in an increase to Construction in Progress and Net Assets.

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 Student Loan Corporation, Alaska Retirement Management Board, Exxon Valdez Oil Spill Trustee Council, and the University of Alaska.

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

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

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 and International Equity Indexed Accounts. 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 <http://www.revenue.state.ak.us/treasury>.

Deposits and investments at June 30, 2007, are as follows:

Investment Type	Fair Value (in thousands)					
	Short-term Fixed Income Pool	Intermediate- term Fixed Income Pool	Broad Market Fixed Income Pool	Tobacco Revenue Fixed Income	Other	Total
Deposits	\$ -	\$ -	\$ -	\$ -	\$ 31,029	\$ 31,029
Overnight Sweep Account (LMCS)	23,683	-	-	-	-	23,683
Short-term Investment Fund	154,115	1,968	-	-	-	156,083
Governmental Short-term Investment Fund	-	429,052	-	-	-	429,052
Money Market	-	-	-	2,949	888,467	891,416
Commercial Paper	341,374	-	984	53,927	-	396,285
U.S. Treasury Notes	-	1,297,221	92,073	119,772	-	1,509,066
U.S. Treasury Bonds	-	-	54,582	-	-	54,582
U.S. Government Agency Discount Notes	-	1,133,365	64,789	-	-	1,198,154
U.S. Government Agency Mortgage-backed	-	-	24,205	-	-	24,205
Other Asset-backed	263,743	591,401	609,034	-	-	1,464,178
Corporate Bonds	1,895,086	158,955	57,572	-	-	2,111,613
Corporate Bonds	982,603	383,479	211,544	-	-	1,577,626
Yankees:						
Government	-	49,291	4,522	-	-	53,813
Corporate	207,263	129,965	24,469	-	-	361,697
Domestic Equity	-	-	-	-	738,157	738,157
International Equity	-	-	-	-	277,771	277,771
Total Invested Assets	3,867,867	4,174,697	1,143,774	176,648	1,935,424	11,298,410
Pool related net assets (liabilities)	(1,103)	(551,219)	(213,644)	1,534	(3,229)	(767,661)
Net Invested Assets before earnings distribution to participants	3,866,764	3,623,478	930,130	178,182	1,932,195	10,530,749
Earnings payable to participants	(16,460)	1,940	702	-	-	(13,818)
Other pool ownership	(605,046)	441,220	163,826	-	-	-
Other fiduciary responsibility:						
Alaska Retirement Management Board	(555,085)	-	-	-	-	(555,085)
Exxon Valdez Oil Spill Trustee Council	(4)	-	(71,415)	-	(38,107)	(109,526)
University of Alaska	(1)	-	-	-	-	(1)
Alaska Mental Health Trust Authority	(2,766)	-	(9,381)	-	(5,423)	(17,570)
Total Invested Assets	\$ 2,687,402	\$ 4,066,638	\$ 1,013,862	\$ 178,182	\$ 1,888,665	\$ 9,834,749

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, 2007, the expected average life of individual fixed rate securities ranged from three days to seven 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% 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, 2007, was 2.24 years.

Broad Market Fixed Income Pool - \pm 20% of the Lehman Brothers Aggregate Bond Index. The effective duration for the Lehman Brothers Aggregate Bond Index at June 30, 2007, was 4.70 years.

At June 30, 2007, the effective duration by investment type was as follows:

	Effective Duration (in years)	
	Intermediate-term Fixed Income Pool	Broad Market Fixed Income Pool
U.S. Treasury Notes	2.41	3.92
U.S. Treasury Bonds	-	11.26
US. Government and Agency Securities	1.76	5.79
Mortgage-Backed	3.10	4.22
Other Asset-Backed	1.56	5.53
Corporate Bonds	2.73	5.26
Yankees:		
Government	4.29	10.87
Corporate	3.58	5.84
Portfolio Effective Duration	1.93	4.06

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 accordingly 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 A-1 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 A-1 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 Baa3 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 Russell 3000 Index Common Trust Fund (Trust), a passively managed commingled index fund, may lend assets or transfer securities to broker agents or other entities for collateral in the form of cash or securities, and simultaneously agree to return the collateral for the same securities in the future. There is credit risk associated with the lending transactions. The risk

exists that an issuer or other counterparty to an investment will not fulfill its obligations and a loss results from counterparty failure or default on a loaned security.

The Morgan Stanley Capital International, Europe Australasia, and Far East, Index Common Trust Fund (Trust), a passively managed commingled index fund, may lend assets or transfer securities to broker agents or other entities for collateral in the form of cash or securities, and simultaneously agree to return the collateral for the same securities in the future. There is credit risk associated with the lending transactions. The risk exists that an issuer or other counterparty to an investment will not fulfill its obligations and a loss results from counterparty failure or default on a loaned security.

The bond indentures governing the investment of tobacco revenue related bond proceeds, limits the investment in commercial paper to only those securities rated A1 or equivalent.

At June 30, 2007, 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>Rating</u>	<u>Short-term Fixed Income Pool</u>	<u>Intermediate- term Fixed Income Pool</u>	<u>Broad Market Fixed Income Pool</u>
Overnight Sweep Account	Not Rated	0.61%	-	-
Short-term Investment		3.96%	-	-
Account	Not Rated	-	0.05%	-
Commercial Paper	AA	1.88%	-	-
Commercial Paper	A	3.09%	-	-
Commercial Paper	Not Rated	3.86%	-	0.11%
U. S. Government Agency				
Discount Notes	Not Rated	-	11.83%	6.96%
U. S. Government Agency	AAA	-	31.21%	1.82%
U. S. Government Agency	BBB	-	-	0.16%
U. S. Government Agency	Not Rated	-	0.05%	0.62%
Mortgage-backed	AAA	6.50%	14.75%	55.03%
Mortgage-backed	A	0.32%	-	-
Mortgage-backed (Agency)	Not Rated	-	1.57%	10.39%
Other Asset-backed	AAA	40.98%	2.46%	4.73%
Other Asset-backed	AA	0.91%	-	-
Other Asset-backed	A	6.34%	0.88%	0.09%
Other Asset-backed	BBB	-	0.29%	1.37%
Other Asset-backed	Not Rated	0.78%	0.76%	-
Corporate Bonds	AAA	1.97%	0.93%	2.14%
Corporate Bonds	AA	15.13%	4.01%	4.25%
Corporate Bonds	A	8.31%	2.98%	7.47%
Corporate Bonds	BBB	-	2.51%	7.57%
Corporate Bonds	Not Rated	-	0.14%	1.29%
Yankees:				
Government	AAA - BBB	-	1.36%	0.49%
Corporate	AAA	-	1.84%	0.26%
Corporate	AA	3.09%	1.21%	-
Corporate	A	1.75%	0.29%	1.45%
Corporate	BBB	-	0.25%	0.92%
Corporate	Not Rated	0.52%	-	-
No credit exposure		-	20.63%	-7.12%
		<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

At June 30, 2007, the Tobacco Revenue Fixed Income consisted of commercial paper rated A-1 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, 2007, the state had the following uncollateralized and uninsured deposits:

	Amount (in thousands)
Non-interest Bearing Deposits	\$ 7,832
International Equity Pool	91
	<u>\$ 7,923</u>

Concentration of Credit Risk

Treasury’s policy with regard to concentration of credit risk is to prohibit the purchase of more than five percent of a pool’s holdings in corporate bonds of any one company or affiliated group. Federal National Mortgage Association and Federal Home Loan Mortgage Corporation securities are not classified as corporate bonds. At June 30, 2007, more than five percent of investments were held in Federal Home Loan Mortgage Corporation and Federal National Mortgage Association securities as follows:

	Fair Value (in thousands)	Percent of Total Pool Investments
Federal Home Loan Mortgage Corporation	\$ 1,219,421	13%
Federal National Mortgage Association	908,497	9%

Foreign Currency Risk

The Commissioner (for Exxon Valdez Oil Spill Investments, the Exxon Valdez Trustee Council, and for Alaska Mental Health Trust Fund Investments, the Alaska Mental Health Trust Fund Authority Board) 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 FY 07 and invested assets included the following holdings at June 30, 2007, for the funds invested in the International Equity Pool:

	Policy	Actual
Alaska Children's Trust Fund	22% ± 5%	23.84%
Alaska Mental Health Trust Fund Reserve	15% ± 4%	16.04%
Constitutional Budget Reserve Fund, Subaccount	17% ± 5%	18.98%
Exxon Valdez Oil Spill Investments	17% ± 5%	18.08%
Power Cost Equalization Endowment Fund	18% ± 5%	19.24%
Retiree Health Insurance Fund, Major Medical	6% ± 4%	5.58%
Retiree Health Insurance Fund, Long Term Care	19% ± 4%	19.53%

At June 30, 2007, the International Equity Pool had exposure to foreign currency risk as follows:

<u>Currency</u>	<u>Amount</u> <u>(in thousands)</u>
Deposits:	
Euro Currency	\$ 10
Japanese Yen	98
	<u>108</u>
Investments - International Equity:	
Euro Currency	107,774
Japanese Yen	40,758
New Zealand Dollar	2,558
Pound Sterling	76,026
Singapore Dollar	4,853
Swedish Krona	4,026
Swiss Franc	23,218
	<u>259,213</u>
Total	<u>\$ 259,321</u>

Foreign Exchange Foreign Exchange Contracts and Off-Balance Sheet Risk

The International Equity Pool investment income included the following at June 30, 2007:

Net Realized Gain on Foreign currency	\$ 3,699,588
Net Unrealized Gain on Foreign currency	6,514
Net Realized Gain (Loss) on Foreign Exchange Contracts	(43,686)

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 period for the contract is sixteen days. The International Equity Pool had no unrealized gains (losses) with respect to forward contracts at June 30, 2007.

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 the Commissioner to lend assets, under an agreement and for a fee, against deposited collateral of equivalent fair value. The Commissioner entered into an agreement with State Street Corporation (the Bank) to lend fixed income and equity securities. The Bank, acting as the Commissioner'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, 2007, the fair value of securities on loan totaled \$874 million which is attributable on a pro rata basis to the funds whose assets are under the fiduciary responsibility of the Commissioner. There is no limit to the amount that can be loaned and the Commissioner 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 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 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 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, 2007, 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 RETIREMENT MANAGEMENT BOARD

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

PENSION FUNDS

ARMB has statutory responsibility (AS 37.10.210-390) for the pension (and other employee benefit) trust funds' investments. As the fiduciary, ARMB has the statutory authority (AS 22.25.048, AS 26.05.228, 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.

The Department of Revenue, Treasury Division (Treasury) provides staff for the ARMB. Treasury has created a pooled environment by which it manages the Defined Benefit investments the ARMB has fiduciary responsibility for. Additionally, Treasury manages mix of ERISA Commingled and Collective Investment Funds for the Defined Contribution and Occupational Death and Disability Plans. Actual investing is performed by investment officers in Treasury or by contracted external investment managers. The ARMB has developed investment guidelines, policies and procedures for Treasury staff and external investment managers to adhere to when managing investments. Specifically, the Securities Lending Collateral, Collective Investment Pools, ERISA Commingled and Mutual Funds, External Domestic Fixed Income Pool, International Fixed Income Pool, Pooled Investment Funds, 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 Short-term Pool, Enhanced Cash Pool, Domestic 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 has fiduciary responsibility for.

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

Deposits and investments at June 30, 2007 are as follows:

	Fair Value (in thousands)				
	Fixed Income Pools				
	Short-term	Enhanced Cash	Domestic	International	TIPS
Deposits	\$ -	\$ -	\$ -	\$ 1,223	\$ -
Overnight Sweep Account (Imcs)	3,401	-	-	-	-
Money Market Fund (SL)	-	-	-	-	-
Short-term Investment Fund	22,134	-	-	1,040	-
Commercial Paper	49,030	-	3,268	-	-
Domestic Equity	-	-	-	-	-
International Equity	-	-	-	-	-
Collective Investment Funds	-	-	-	-	-
U. S. Treasury Bills	-	-	-	-	-
U. S. Treasury Notes	-	-	308,963	-	-
U. S. Treasury Strips	-	-	249	-	-
U. S. Treasury Bonds	-	-	138,459	-	-
U.S. Treasury - TIPS	-	-	-	-	4,145
U.S. Government Agency Discount Notes	-	-	193,591	-	-
U.S. Government Agency	-	-	1,233	-	-
Municipal Bonds	-	-	1,853	-	-
Foreign Government Bonds	-	-	-	176,336	-
Mortgage-backed	37,879	-	1,595,295	-	-
Other Asset-backed	272,183	1,825	181,889	-	-
Corporate Bonds	141,127	2,553	512,147	109,870	-
Convertible Bonds	-	-	-	-	-
Yankees:	-	-	-	-	-
Government	-	-	15,944	-	-
Corporate	29,768	-	56,954	-	-
Fixed Income Pools:	-	-	-	-	-
Equity	-	-	-	-	-
Domestic Equity Pool:	-	-	-	-	-
Limited Partnership Equity	-	-	-	-	-
International Equity Pool:	-	-	-	-	-
Convertible Bonds Equity	-	-	-	-	-
Emerging Markets Equity Pool	-	-	-	-	-
Private Equity Pool:	-	-	-	-	-
Limited Partnerships	-	-	-	-	-
Absolute Return Pool:	-	-	-	-	-
Limited Partnerships	-	-	-	-	-
Other Investments Pool:	-	-	-	-	-
Limited Partnerships Agricultural Holdings	-	-	-	-	-
Real Estate Pool:	-	-	-	-	-
Real Estate Commingled Funds Limited Partnerships Real Estate Investment Trusts	-	-	-	-	-
Mortgages	-	-	-	-	-
DCR ERISA Commingled Funds	-	-	-	-	-
Mutual Fund	-	-	-	-	-
Net Other Assets (Liabilities)	(2,479)	(773)	(609,512)	4,691	-
Other Pool Ownership	(519,781)	(3,605)	439,046	-	-
Total Invested Assets	<u>\$ 33,262</u>	<u>\$ -</u>	<u>\$ 2,839,379</u>	<u>\$ 293,160</u>	<u>\$ 4,145</u>

Deposits and investments at June 30, 2007 are as follows (continued):

Fair Value (in thousands)			
High Yield	Pooled Investment Funds	Other	Total
\$ -	\$ (1)	\$ 70,721	\$ 71,943
17,162	-	-	20,563
-	-	1,735,565	1,735,565
-	-	-	23,174
4,972	42	-	57,312
-	54	-	54
-	27	-	27
-	1	12,018	12,019
-	-	5,473	5,473
-	24	-	308,987
-	-	-	249
-	-	-	138,459
-	-	-	4,145
-	-	-	-
-	-	-	193,591
-	2	-	1,235
-	-	-	1,853
-	-	-	176,336
-	38	-	1,633,212
668	-	-	456,565
222,471	30	-	988,198
7,324	-	-	7,324
-	-	-	-
-	2	-	15,946
22,069	2	-	108,793
-	-	-	-
2,360	-	-	2,360
-	-	-	-
-	-	473,489	473,489
-	-	5,188,336	5,188,336
-	-	-	-
-	-	-	-
-	-	2,617,306	2,617,306
-	-	412,914	412,914
-	-	-	-
-	-	1,056,117	1,056,117
-	-	-	-
-	-	615,545	615,545
-	-	-	-
-	-	75,622	75,622
-	-	109,190	109,190
-	-	-	-
-	-	558,736	558,736
-	-	322,991	322,991
-	-	758,898	758,898
-	-	91,155	91,155
-	-	25	25
-	-	3,698	3,698
-	-	797	797
4,171	-	11,711	(592,191)
-	-	84,340	-
<u>\$ 281,197</u>	<u>\$ 221</u>	<u>\$ 14,204,647</u>	<u>\$ 17,656,011</u>

Deposits and investments at June 30, 2007 are as follows (continued):

Fair Value (in thousands)	Total
<u>Participant Ownership in Pooled Investments</u>	
Public Employees Trust Fund	\$ 12,110,837
Teachers Trust Fund	5,419,442
Judicial Trust Fund	101,523
Alaska National Guard and Alaska Naval Militia Retirement Fund	19,507
Retiree Medical and Health Reimbursement	4,702
Total	<u>\$ 17,656,011</u>

Interest Rate Risk

Defined Benefit Fixed Income Pools

Through the ARMB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the domestic fixed income portfolio to $\pm 20\%$ of the Lehman Brothers Aggregate Bond Index. The effective duration for the Lehman Brothers Aggregate Bond Index at June 30, 2007, was 4.70 years.

Through the ARMB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the international fixed income portfolio to $\pm 25\%$ 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, 2007, was 6.00 years.

Through the ARMB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the high yield portfolio to $\pm 20\%$ of the Merrill Lynch U.S. High Yield Master II Index. The effective duration for the Merrill Lynch U.S. High Yield Master II Index at June 30, 2007, was 4.59 years.

Defined Contribution Pooled Investment Funds

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

For government and corporate debt securities, duration is limited to ± 0.25 years of the Lehman Brothers Government Credit Index. At June 30, 2007, the duration of the government and corporate debt securities was 5.12 years and the duration of the Lehman Brothers Government Credit Index was 5.01 years.

For mortgage-backed securities, duration is limited to ± 0.25 years of the Lehman GNMA Index. At June 30, 2007, the duration of the mortgage-backed securities was 4.29 years and the duration of the Lehman GNMA Index was 4.31 years.

The weighted average maturity of the money market portfolio was 53 days at June 30, 2007.

ERISA Commingled and Mutual Funds

The ARMB contracts with external investment managers who maintain ERISA commingled and mutual funds. Managers selected to manage investments are subject to the provisions of the commingled and mutual funds the ARMB has selected.

The ARMB does not have a policy to limit interest rate risk for these investments. The weighted average maturity of the ERISA commingled investment funds that consists solely of debt securities, Domestic Fixed Income, International Fixed Income, and TIPS were, 4.70, 6.16, and 7.80 years at June 30, 2007, respectively.

Collective Investment Funds

The ARMB contracts with external investment managers who maintain collective investment funds. Managers selected to manage investments are subject to the provisions of the collective investment funds the ARMB has selected.

The ARMB does not have a policy to limit interest rate risk for these investments. The weighted average maturity of the collective investment fund that consisted solely of debt securities, the Government/Corporate Bond Fund, was 5.33 years at June 30, 2007.

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, 2007, the effective duration of the fixed income pools, by investment type, was as follows:

	Effective Duration (in years)			
	Enhanced Cash	Domestic	International	High Yield
U.S. Treasury Notes	-	4.07	-	-
U.S. Government Agency	-	4.52	-	-
Municipal Bonds	-	12.33	-	-
Mortgage-backed	-	4.26	-	-
Other Asset-backed	1.84	4.82	-	4.39
Corporate Bonds	0.22	5.36	3.80	4.21
Convertible Bonds	-	-	-	2.20
Yankees				
Government	-	6.46	-	-
Corporate	-	11.03	8.86	3.88
Portfolio Effective Duration	0.08	3.99	4.81	3.82

Credit Risk

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

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

ARMB'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; and
- 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.

Enhanced Cash Fixed Income:

- Commercial paper must carry a rating of at least A1 or equivalent;
- No more than five percent of the portfolio's assets may be invested in securities rated below investment grade as determined by the Lehman Brothers rating methodology; and
- No more than two percent of the portfolio's assets may be invested in the bonds of any non-U.S. government agency or instrumentality rated below investment grade.

International Fixed Income:

- Corporate 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 ten percent of the portfolio's assets may be invested in securities rated A3 or higher;
- No more than twenty-five percent of the portfolio's assets may be invested in securities rated below B3;
- No more than five percent of the portfolio's assets may be invested in unrated securities;
- 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; and
- This account is secured by U.S. Government or Agency securities. As such, the ARMB does not consider this investment subject to the credit risk limitations above.

Defined Contribution Pooled Investment Funds:

- All government and corporate fixed income securities must be rated BBB or better at the 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 June 30, 2007 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	Defined Benefit				
		Internally Managed Fixed Income Pools				
		Short-term	Cash	Domestic	International	High Yield
Overnight Sweep Account	Not Rated	0.61%	-	-	-	6.10%
Money Market Fund	Not Rated	-	-	-	-	-
Short-term Investment Account	Not Rated	3.96%	-	-	0.36%	-
Commercial Paper	AA	1.88%	-	-	-	-
Commercial Paper	A	3.09%	-	-	-	1.77%
Commercial Paper	Not Rated	3.86%	-	0.14%	-	-
U. S. Government Agency						
Discount Notes	Not Rated	-	-	8.07%	-	-
U. S. Government Agency	AAA	-	-	-	-	-
U. S. Government Agency	Not Rated	-	-	0.05%	-	-
Mortgage-backed	AAA	6.50%	-	51.10%	-	-
Mortgage-backed	A	0.32%	-	-	-	-
Mortgage-backed (Agency)	Not Rated	-	-	15.36%	-	-
Other Asset-backed	AAA	40.98%	2.65%	5.14%	-	-
Other Asset-backed	AA	0.91%	-	0.27%	-	-
Other Asset-backed	A	6.34%	-	0.09%	-	-
Other Asset-backed	BBB	-	1.00%	0.74%	-	-
Other Asset-backed	BB	-	-	-	-	0.24%
Other Asset-backed	Not Rated	0.78%	-	1.34%	-	-
Municipal Bonds	AA	-	-	0.08%	-	-
Corporate Bonds	AAA	1.97%	-	1.89%	25.92%	-
Corporate Bonds	AA	15.13%	0.60%	4.28%	11.43%	-
Corporate Bonds	A	8.31%	3.46%	6.98%	-	-
Corporate Bonds	BBB	-	1.04%	7.15%	-	1.56%
Corporate Bonds	BB	-	-	-	-	21.55%
Corporate Bonds	B	-	-	-	-	41.49%
Corporate Bonds	CCC	-	-	-	-	11.57%
Corporate Bonds	D	-	-	-	-	0.48%
Corporate Bonds	Not Rated	-	-	1.03%	0.28%	3.59%
Convertible Bonds	BBB	-	-	-	-	0.20%
Convertible Bonds	BB	-	-	-	-	0.06%
Convertible Bonds	B	-	-	-	-	1.19%
Convertible Bonds	D	-	-	-	-	0.05%
Yankees:						
Government	AAA - BBB	-	-	0.66%	56.57%	-
Government	Not Rated	-	-	-	3.83%	-
Corporate	AAA	-	-	-	-	-
Corporate	AA	3.09%	-	-	-	-
Corporate	A	1.75%	-	1.47%	-	-
Corporate	BBB	-	-	0.61%	-	0.35%
Corporate	BB	-	-	-	-	1.06%
Corporate	B	-	-	-	-	5.88%
Corporate	CCC	-	-	-	-	0.21%
Corporate	Not Rated	0.52%	-	0.30%	-	0.32%
No credit exposure		-	91.25%	-6.75%	1.61%	2.33%
		<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

¹Rating modifiers are not disclosed.

At June 30, 2007 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) (continued):

	Rating ¹	Defined Contribution			Collective Investment Funds
		Wholly Owned		Externally Managed Pools	
		GNMA	Government/ Corporate	Money Market	
Overnight Sweep Account	Not Rated	-	-	-	-
Money Market Fund	Not Rated	-	-	-	0.58%
Short-term Investment Account	Not Rated	7.40%	0.84%	-	-
Commercial Paper	AA	-	-	-	-
Commercial Paper	A	-	-	6.22%	-
Commercial Paper	Not Rated	-	-	83.66%	-
U. S. Government Agency Discount Notes	Not Rated	-	-	-	-
U. S. Government Agency	AAA	-	2.42%	-	-
U. S. Government Agency	Not Rated	-	-	-	-
Mortgage-backed	AAA	88.91%	17.08%	-	-
Mortgage-backed	A	-	-	-	-
Mortgage-backed (Agency)	Not Rated	3.69%	-	-	-
Other Asset-backed	AAA	-	-	-	-
Other Asset-backed	AA	-	-	-	-
Other Asset-backed	A	-	-	-	-
Other Asset-backed	BBB	-	-	-	-
Other Asset-backed	BB	-	-	-	-
Other Asset-backed	Not Rated	-	-	-	-
Municipal Bonds	AA	-	-	-	-
Corporate Bonds	AAA	-	1.67%	3.13%	-
Corporate Bonds	AA	-	6.70%	3.13%	-
Corporate Bonds	A	-	15.45%	6.25%	-
Corporate Bonds	BBB	-	11.42%	-	-
Corporate Bonds	BB	-	-	-	-
Corporate Bonds	B	-	-	-	-
Corporate Bonds	CCC	-	-	-	-
Corporate Bonds	D	-	-	-	-
Corporate Bonds	Not Rated	-	-	-	-
Convertible Bonds	BBB	-	-	-	-
Convertible Bonds	BB	-	-	-	-
Convertible Bonds	B	-	-	-	-
Convertible Bonds	D	-	-	-	-
Yankees:					
Government	AAA - BBB	-	2.85%	-	-
Government	Not Rated	-	-	-	-
Corporate	AAA	-	0.27%	-	-
Corporate	AA	-	0.96%	-	-
Corporate	A	-	0.91%	-	-
Corporate	BBB	-	0.71%	-	-
Corporate	BB	-	-	-	-
Corporate	B	-	-	-	-
Corporate	CCC	-	-	-	-
Corporate	Not Rated	-	-	-	-
No credit exposure		-	38.72%	-2.39%	99.42%
		<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</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

ARMB does not have a policy in relation to custodial credit risk for deposits. At June 30, 2007, invested assets had the following uncollateralized and uninsured deposits:

	Amount (in thousands)
International Equity Pool	<u>\$ 5,358</u>

Foreign Currency Risk

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

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

Pension Fund	International Fixed Income Pool	International Equity and Emerging Markets Pool	Private Equity Pool
Public Employees' Retirement System	4%	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, 2007, the Pension Funds had exposure to foreign currency risk with the following deposits:

Currency	Amount (in thousands)	
	Defined Benefit	
	International Fixed Income Pool	International Equity Pool
Australian Dollar	\$ -	\$ 515
Canadian Dollar	-	3
Euro Currency	-	(1,409)
Hong Kong Dollar	-	657
Japanese Yen	374	3,506
Mexican Peso	849	-
New Zealand Dollar	-	10
Norwegian Krone	-	169
Pound Sterling	-	1,806
Singapore Dollar	-	1
Swedish Krona	-	98
Swiss Franc	-	2
	<u>\$ 1,223</u>	<u>\$ 5,358</u>

At June 30, 2007, the Pension Funds had exposure to foreign currency risk with the following investments:

Currency	Defined Benefit			Defined Contribution	
	International Fixed Income Pool		International Equity Pool	Private Equity Pool	International Trust Pool
	Foreign Government	Corporate	Equity	Limited Partnerships	Equity
Australian Dollar	\$ 5,931	\$ 2,804	\$ 58,589	\$ -	\$ -
Canadian Dollar	-	-	52,541	-	-
Danish Krone	-	-	2,989	-	-
Euro Currency	138,833	-	979,744	72,981	2
Hong Kong Dollar	-	-	12,016	-	-
Japanese Yen	25,908	107,066	169,571	-	1
Mexican Peso	5,664	-	-	-	-
New Taiwan Dollar	-	-	9,448	-	-
New Zealand Dollar	-	-	3,410	-	-
Norwegian Krone	-	-	6,519	-	-
Pound Sterling	-	-	486,861	8,532	1
Singapore Dollar	-	-	26,181	-	-
South African Rand	-	-	2,016	-	-
South Korean Won	-	-	39,439	-	-
Swedish Krona	-	-	45,670	-	-
Swiss Franc	-	-	164,341	-	-
	<u>\$ 176,336</u>	<u>\$ 109,870</u>	<u>\$ 2,059,335</u>	<u>\$ 81,513</u>	<u>\$ 4</u>

At June 30, 2007, 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

ARMB'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 five percent of the portfolio's assets in corporate bonds of any one company or affiliated group.

At June 30, 2007, the Pension Funds were not invested in any one issuer more than five percent.

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, 2007:

Realized Gain on Foreign Currency	\$ 62,889,500
Unrealized Gain (Loss) on Foreign Currency	(18,051)
Realized Gain (Loss) on Foreign Exchange Contracts	313,641

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 124 days. The Pension Funds had unrealized gains (losses) with respect to such contracts, calculated using forward rates at June 30, 2007, as follows:

Net Contract Sales	\$ 2,158,000
Less: Fair Value	2,145,133
Net unrealized gains (losses)	<u>\$ 12,867</u>

The counterparties to the foreign currency forward contracts consist of a diversified group of financial institutions. Credit risk exposure exists to the extent of non-performance by these counterparties; however, the risk of default is considered to be remote. The market risk is limited to the difference between contractual rates and forward rates at the balance sheet date.

Securities Lending

Alaska Statute 37.10.071 authorizes ARMB to lend assets, under an agreement and for a fee, against deposited collateral of equivalent fair value. ARMB has entered into an agreement with State Street Corporation (the Bank) to lend equity and domestic fixed income securities. The Bank, acting as ARMB'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, 2007, the fair value of securities on loan allocable to the Pension Funds totaled \$1.8 billion. There is no limit to the amount that can be loaned and ARMB 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 in the amount of \$1.7 billion was 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 in the amount of \$105.9 million may be pledged or sold upon borrower default. Since ARMB 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 ARMB 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 ARMB 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, 2007, 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, 2006, Deferred Compensation Plan investments totaled \$522 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

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

ARMB does not have a policy to limit interest rate risk for the collective investment funds or the commingled money market portfolio. These investments with their related weighted average maturities at December 31, 2006, are as follows:

	Fair Value (in thousands)	Weighted Average Maturity
Government/Credit Bond Fund	\$ 25,750	7.58 years
Intermediate Bond Fund	10,470	3.89 years
Bond Fund	128	4.56 years
Money Market Fund	483	43 days

Interest Income Fund

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

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

For constant duration synthetic investment contracts, duration cannot exceed the longer of six years or the duration of the Lehman Brothers Aggregate Bond Index plus one-half year. The aggregate duration of the constant duration synthetic investment contracts was 4.84 years at December 31, 2006. The duration of the Lehman Brother's Aggregate Bond Index was 4.46 years at December 31, 2006.

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 1.91 years at December 31, 2006.

Duration is a measure of interest rate risk. In the case of the Deferred Compensation Plan's constant duration synthetic investment contracts, duration is the fair value weighted average term to maturity using all fixed income securities underlying the contracts and their related cash flows. Duration of the Deferred Compensation Plan's structured payout synthetic investment contracts is the weighted average maturity of the contract payments

ARMB does not have a policy to limit interest rate risk for the Reserve. The balance in the Reserve is invested in the custodian's Short-term Investment Fund which has a weighted average maturity of 31 days at December 31, 2006.

Credit Risk

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

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

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

- Synthetic Investment contract issuers must have an investment grade rating;
- Supranational Agency and Foreign Government entity investments must have a minimum rating of A or equivalent;
- Corporate debt securities must have a minimum rating of BBB or equivalent;
- Asset-backed securities must have a minimum rating of AAA or equivalent;
- Mortgage-backed securities are allowed if issued by Federal National Mortgage Association, Federal Home Loan Mortgage Corporation or Government National Mortgage Association;
- Sequential class or type 1 or 2 planned amortization class collateralized mortgage obligations are allowed only if securitized by Agency mortgage-backed securities listed above; 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.

At December 31, 2006, 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 (in thousands)</u>
Short-Term Investment Fund	Not Rated	\$ 2,211
U.S. Agency Securities	AAA	3,712
Mortgage-Backed Securities	AAA	3,770
Mortgage-Backed Securities	Not Rated	32,343
Corporate Bonds	AAA	1,166
Corporate Bonds	AA	9,086
Corporate Bonds	A	20,104
Corporate Bonds	BBB	7,588
Yankee:		
Corporate Bonds	AA	861
Corporate Bonds	AA	2,410
Corporate Bonds	BBB	928
Government	AAA	438
Government	AA	1,641
Government	A	148
Government	BBB	163
Asset Backed Securities	AAA	27,928
Investments with no credit exposure		9,547
Total		<u>\$ 124,044</u>
Reserve – Short-Term Investment Fund	Not Rated	<u>\$ 8,089</u>

Concentration of Credit Risk

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

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

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

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

Investment Type	Issuer	All Issuers
U.S. Treasury and Agencies	100%	100%
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 five percent of the total value underlying synthetic investment contracts. This limitation does not apply to the investment funds maintained by the custodian.

At December 31, 2006, the Deferred Compensation Plan had no exposure to a single issuer in excess of five percent of total invested assets.

Foreign Currency Risk

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

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

SUPPLEMENTAL BENEFITS SYSTEM

The State’s Supplemental Benefits System (SBS) holds investments in several collective investment funds, the State’s internally managed Short-term Fixed Income Pool (under the fiduciary responsibility of the Commissioner of Revenue), a Stable Value Fund and wholly owned Pooled Investment Funds. At January 31, 2007, SBS investments totaled \$2 billion.

Additional investment information is disclosed in the financial statements issued by the Department of Administration, Division of Retirement and Benefits. These financial statements are available through the Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

Interest Rate Risk

Collective Investment and Money Market Funds

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

ARMB does not have a policy to limit interest rate risk for these investments. The weighted average maturity of the collective investment fund that consists solely of debt securities (Government/Corporate Bond Fund) was 5.56 years at January 31, 2007. The weighted average maturity of the money market portfolio was 49 days at January 31, 2007.

Short-term Fixed Income Pool

The Investment Loss Trust Fund and SBS's cash and cash equivalents are invested in the State's internally managed Short-term Fixed Income Pool. As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to 14 months in maturity or 14 months expected average life. Floating rate securities are limited to three years in maturity or three years expected average life. Treasury utilizes the actual maturity date for commercial paper and 12 month prepay speeds for other securities. At January 31, 2007, the expected average life of individual fixed rate securities ranged from one day to seven months and the expected average life of floating rate securities ranged from 14 days to three years.

Stable Value Fund

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

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

For constant duration synthetic investment contracts, duration cannot exceed the longer of six years or the duration of the Lehman Brothers Aggregate Bond Index plus one-half year. The aggregate duration of the constant duration synthetic investment contracts was 1.97 years at January 31, 2007. The duration of the Lehman Brother's Aggregate Bond Index was 2.00 years at January 31, 2007.

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 4.78 years at January 31, 2007.

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.

ARMB does not have a policy to limit interest rate risk for the Reserve. The balance in the Reserve is invested in the custodian's Short-term Investment Fund which had a weighted average maturity of 34 days at January 31, 2007.

Pooled Investment Funds

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

For government and corporate debt securities, duration is limited to ± 0.25 years of the Lehman Brothers Government/Credit Index. At January 31, 2007, the duration of the government and corporate debt securities was 5.01 years and the duration of the Lehman Brothers Government Credit Index was 5.03 years.

For mortgage-backed securities, duration is limited to ± 0.25 years of the Lehman GNMA Index. At January 31, 2007, the duration of the mortgage-backed securities was 4.41 years and the duration of the Lehman GNMA Index was 3.76 years.

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

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

Credit Risk

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

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

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

- Synthetic investment contract issuers must have an investment grade rating;
- Supranational Agency and Foreign Government entity investments must have a minimum rating of A or equivalent;
- Corporate debt securities must have a minimum rating of BBB or equivalent;
- Asset-backed securities must have a minimum rating of AAA or equivalent;
- Mortgage-backed securities are allowed if issued by Federal National Mortgage Association, Federal Home Loan Mortgage Corporation or Government National Mortgage Association;
- Sequential class or type 1 or 2 planned amortization class collateralized mortgage obligations are allowed only if securitized by mortgage-backed securities listed above; and
- The ratings assigned to issuers of money market instruments must have the highest rating of any nationally recognized statistical rating organization. This limitation does not apply to the investment funds maintained by the custodian.

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

- All government and corporate fixed income securities must be rated BBB or better at time of purchase; and
- All mortgage-backed securities must be issued by the Government National Mortgage Association, and
- Commercial paper and other short-term debt obligations must be rated A-1 or equivalent.

At January 31, 2007, 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	Investment loss trust	Collective investment funds
Investments with credit exposure:						
Overnight Sweep Account	Not rated	\$ 5	\$ -	\$ -	\$ 7	\$ -
Money market fund	Not rated	-	-	-	-	4,816
Short-term investment fund	Not rated	17	2,083	16,115	23	-
Commercial paper	A1	51	-	54,806	67	-
Commercial paper	AA	32	-	-	42	-
Commercial paper	Not rated	71	-	-	92	-
U.S. government agency discount notes	Not rated	-	-	-	-	-
U.S. government agency	AAA	-	-	-	-	-
U.S. government agency	Not rated	-	18,294	104,619	-	-
Mortgage-backed	AAA	93	3,103	-	135	-
Mortgage-backed	Not rated	22	37,529	-	13	-
Other asset-backed	AAA	476	23,320	-	615	-
Other asset-backed	AA	-	-	-	-	-
Other asset-backed	A	61	-	-	78	-
Corporate bonds	AAA	51	1,927	9,723	66	-
Corporate bonds	AA	269	6,478	46,719	348	-
Corporate bonds	A	127	21,886	92,484	163	-
Corporate bonds	BB	-	-	-	-	-
Corporate bonds	BBB	10	8,798	52,677	13	-
Corporate bonds	Not rated	9	-	-	12	-
Yankees:						
Corporate	AAA	-	155	7,303	-	-
Corporate	AA	39	758	1,553	50	-
Corporate	A	29	3,310	3,211	37	-
Corporate	BBB	-	981	4,545	-	-
Corporate	Not rated	18	-	-	23	-
Government	AAA	-	196	1,476	-	-
Government	AA	-	521	4,131	-	-
Government	A	-	173	5,109	-	-
Government	BBB	-	161	3,981	-	-
Deposits and investments with no credit exposure:						
Deposits		-	-	16	-	-
U.S. treasury bills		-	-	-	-	-
U.S. treasury notes		-	-	143,370	-	-
U.S. treasury bonds		-	-	68,254	-	-
Mortgage-backed		-	-	212,380	-	-
Collective investment funds		-	-	-	-	623,347
Domestic equity		-	-	549,711	-	-
International equity		-	-	28,243	-	-
Total invested assets		1,380	129,673	1,410,426	1,784	628,163
Pool related net assets (liabilities)		(163)	-	10,476	(17)	-
Total		\$ 1,217	\$ 129,673	\$ 1,420,902	\$ 1,767	\$ 628,163

Custodial Credit Risk

ARMB does not have a policy for custodial credit risk. At January 31, 2007, SBS's deposits were uncollateralized and uninsured.

Concentration of Credit Risk

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

Treasury’s policy with regard to the Short-term Fixed Income Pool is to prohibit the purchase of more than five percent of the portfolio’s assets in corporate bonds of any one company or affiliated group.

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

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

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

Investment Type	Issuer	All Issuers
U.S. Treasury and Agencies	100%	100%
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 five percent of the total value underlying synthetic investment contracts. This limitation does not apply to the investment funds maintained by the custodian.

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

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

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

Mortgage-backed securities must be those issued by the Government National Mortgage Association, and

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

At January 31, 2007, SBS had no exposure to a single issuer in excess of five percent of total invested assets.

Foreign Currency Risk

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

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

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

At January 31, 2007, 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	\$ 2,324
Euro Currency	(16)	10,063
Hong Kong Dollar	-	539
Japanese Yen	-	6,075
Mexican Peso	-	235
New Thailand Dollar	19	17
New Zealand Dollar	-	41
Norwegian Krone	-	521
Pound Sterling	1	4,515
Singapore Dollar	-	503
Swedish Krona	-	1,592
Swiss Franc	-	1,521
	<u>5</u>	<u>27,946</u>
U.S. Dollar	(639)	-
	<u>\$ (634)</u>	<u>\$ 27,946</u>

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

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

ALASKA PERMANENT FUND CORPORATION

Investments and Related Policies

Carrying value of investments

Except for private equity real estate investments, the Alaska Permanent Fund's (the "Fund") 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 managers of such investments, who are under contract with the APFC to provide such services.

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

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

Investment policy

The Trustees have established a long-term goal of achieving a five percent real rate of return on the investment portfolio. To achieve this target, the Trustees allocate the Fund's investments among various asset classes. In order to allow for market fluctuations and to minimize transaction costs, the Trustees also have adopted acceptable ranges around the targets. At June 30, 2007, the APFC's asset allocation policy (with acceptable ranges) is summarized as follows:

Domestic equities	27% (± 6%)
International equities	13% (± 3%)
Global equities	14% (± 4%)
Domestic fixed income	23% (± 6%)
Non-domestic fixed income	3% (± 3%)
Infrastructure	2% (± 2%)
Real estate	10% (± 3%)
Private equity	4% (± 4%)
Absolute return	4% (± 3%)

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

Interest Rate Risk

The APFC manages the Fund's exposure to fair value losses arising from changing interest rates by establishing effective duration guidelines in its fixed income investment policy. Duration is a measure that describes 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 factors affecting duration are, in order of importance: maturity, prepayment frequency, level of market interest rates, size of coupon, and frequency of coupon payments. Duration will fall as interest rates rise. Effective duration attempts to account for the price sensitivity of a bond, including the impact of embedded options. As an example, for a bond portfolio with a duration of 5.0, a one percentage point parallel decline in interest rates would result in an approximate price increase on that bond portfolio of five percent.

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

For short-term debt investments, the APFC's 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 non-securitized investments. The policy limits asset backed securities held in cash management accounts to a maximum average life of 12 months at time of purchase.

Credit Risk

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

The APFC does not have an allocation to cash. Managers are encouraged to limit the amount of cash they hold, and most cash reflects pending transactions yet to settle. The APFC manages the aggregate cash position of all domestic equity managers and the internal fixed income portfolios in a Unitized Cash Fund (UCF). The UCF is primarily intended to serve as an efficient mechanism for investing daily transactional cash. UCF securities must be rated by either Moody's or Standard &

Poor's equivalents of P1 or A1 for short-term investments. A second internal cash management account is maintained to invest cash balances needed for pending settlements of to-be-announced (TBA) mortgage securities in the internal fixed income portfolio. The TBA Cash Management Account invests primarily in short-term asset-backed structured products. Such securities must have a minimum rating of AAA for asset backed bonds and either P1 or A1 for asset-backed commercial paper.

Custodial Credit Risk

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

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to holding investments from a single issuer. The Fund manages its concentration of credit risk by following its asset allocation resolution, and by diversifying investments among managers with varying investment styles and mandates. The APFC's policy for mitigating this risk of loss for fixed income and equity investments is to ensure compliance with Trustee resolutions 07-04 and 06-06, respectively, as well as investment manager contracts. Those resolutions and contracts specify concentration limits for issuers and types of investments, and place substantial limits on the use of leverage. Managers are not permitted, under any circumstances, to encumber assets beyond those held in each separate account that is managed.

Foreign Currency Risk

Foreign currency risk arises when a loss could result from adverse changes in foreign currency exchange rates. Foreign currency risk is managed by the international investment managers in part through their decisions to enter into foreign currency forward contracts. Foreign currency risk is also managed through the diversification of assets into various countries and currencies.

Forward Exchange Contracts

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

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

Equity Index Futures

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

Short-Term Investments

All short-term investments bear interest at competitive rates and are summarized as follows at June 30, 2007 (in thousands):

U.S. agencies	\$ 442,308
U.S. treasury bills	391
Commercial paper	345,061
Asset-backed securities	<u>573,477</u>
Total short-term investments	1,361,237
Cash and pooled funds	<u>289,854</u>
Total cash and short-term investments	<u><u>\$ 1,651,091</u></u>

At June 30, 2007, all commercial paper investments had A-1 ratings or better from Standard & Poor's, P-1 by Moody's, or an equivalent rating. Additionally all asset-backed securities were rated AAA by either Moody's or Standard & Poor's. U.S. agencies and treasury bills are either explicitly or implicitly guaranteed by the U.S. government and are not rated. Short-term investments held at fiscal year end 2007 in the UCF and TBA Cash Management Account had weighted average maturities of 8 and 23 days, respectively. At June 30, 2007, uninvested, uninsured cash of \$56,386 thousand was held at the custodian or sub-custodian banks, mainly in interest bearing accounts. All remaining cash balances either were insured or were invested in short-term pooled investment funds, which were rated AAA by Standard & Poor's.

Marketable Debt Securities

Marketable debt securities at June 30, 2007, are summarized as follows (in thousands):

	<u>Cost</u>	<u>Market</u>	<u>Unrealized gains/(losses)</u>
Treasury notes/bonds	\$ 1,914,224	\$ 1,911,793	\$ (2,431)
Mortgage-backed securities	3,579,392	3,501,633	(77,759)
Other federal agencies	1,016,947	998,800	(18,147)
Corporate bonds	2,839,420	2,777,194	(62,226)
Non-domestic bonds	<u>1,140,621</u>	<u>1,135,476</u>	<u>(5,145)</u>
Total marketable debt securities	<u><u>\$ 10,490,604</u></u>	<u><u>\$ 10,324,896</u></u>	<u><u>\$ (165,708)</u></u>

Marketable Debt Credit Ratings

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

At June 30, 2007, the Fund's credit ratings for its marketable debt securities are as follows (in thousands):

<u>NRSRO Quality rating</u>	<u>Domestic</u>	<u>Non-domestic</u>	<u>Total market value</u>	<u>Percent of holdings</u>
AAA	\$ 1,196,097	\$ 699,148	\$ 1,895,245	18.35%
AA	551,683	4,502	556,185	5.39%
A	715,902	376,272	1,092,174	10.58%
BBB	656,658	15,291	671,949	6.51%
BB	44,813	29,543	74,356	0.72%
B	95,478	10,720	106,198	1.03%
CCC	57,357	-	57,357	0.56%
CC	875	-	875	0.01%
C	272	-	272	0.00%
D	267	-	267	0.00%
Total market value of rated debt securities	3,319,402	1,135,476	4,454,878	43.15%
U.S. government explicitly backed by the U.S. government	2,050,129	-	2,050,129	19.85%
U.S. government implicitly backed by the U.S. government	3,819,889	-	3,819,889	37.00%
Total market value debt securities	<u>\$ 9,189,420</u>	<u>\$ 1,135,476</u>	<u>\$ 10,324,896</u>	<u>100.00%</u>

Marketable Debt Duration

In order to manage its interest rate risk on marketable debt securities, the APFC 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 duration range in relation to such benchmarks. At June 30, 2007, the effective duration by investment type, based on market value, is as follows:

	<u>Percent of bond holdings</u>	<u>Duration</u>
Domestic bonds		
Mortgages (agency and corporate)	46.29%	4.61
Treasuries	20.85%	3.87
Corporate bonds	21.20%	6.27
Government sponsored	6.85%	3.46
Supra/Sovereign	4.81%	5.96
Total domestic bonds	<u>100.00%</u>	<u>4.79</u>
Non-domestic bonds		
Government and agency	92.90%	5.63
Corporate and other non-government	7.10%	6.73
Total non-domestic bonds	<u>100.00%</u>	<u>5.71</u>

The APFC manages the Fund's exposure to fair value losses arising from changing interest rates by establishing effective duration guidelines in its fixed income investment policy. Duration is used to explain a portfolio's sensitivity to changes in interest rates. The duration of a portfolio is the average market value weighted duration of all bonds in the portfolio. In general, the major factors affecting duration are, in order of importance: maturity, prepayment frequency, size of coupon, level of market interest rates, and frequency of coupon payments. Duration will fall as interest rates rise. Effective duration attempts to account for the price sensitivity of a bond, including the impact of embedded options. As an example, for a bond portfolio with a duration of 5.0, a one percentage point parallel decline in interest rates would result in an approximate price increase on that bond portfolio of five percent.

Concentration of Credit Risk

At June 30, 2007, more than five percent of the Fund's total net investments were held in securities of the issuer listed below (in thousands):

Issuer of securities	Market value of holdings	Percent of total Fund
Federal National Mortgage Association (FNMA)		
Mortgage-backed securities	\$ 2,231,178	5.90%
Senior debt	226,752	0.60%
Equity	29,376	0.08%
Total	\$ 2,487,306	6.58%

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

Preferred and Common Stock

Except for one commingled fund and the equity extension strategy investments, all investments in preferred and common stock are held by the APFC's custodian banks in the name of the Fund. The commingled fund investment, the Emerging Markets Growth Fund (EMGF), managed by Capital International, Inc., is held by the custodian bank of the fund manager on behalf of the commingled fund's investors. The market values of the Fund's shares in the EMGF were \$980,792 thousand as of June 30, 2007, and are included in the non-domestic values shown below. The value of the Fund's investment in the commingled fund represented approximately 6.4 percent of the total EMGF value at June 30, 2007.

The equity extension strategy was new in fiscal year 2007, and differs from the traditional long-only equity strategy in that up to 40 percent of the account portfolio may be placed in short positions. These portfolios are held in custody in separate accounts in the name of the Fund at a prime broker. The market value of the long positions in the equity extension portfolios as of June 30, 2007, was \$981,117 thousand, and is included in the domestic equity values shown in the table below. The market value of the short positions in the equity extension portfolios as of June 30, 2007, was (\$201,596 thousand), and is shown on the balance sheet in the liabilities section.

Preferred and common stocks at June 30, 2007, are summarized as follows (in thousands):

	Cost	Market	Unrealized gains
Domestic	\$ 11,065,757	\$ 14,430,696	\$ 3,364,939
Non-domestic	5,861,408	8,432,368	2,570,960
Total preferred and common stock	\$ 16,927,165	\$ 22,863,064	\$ 5,935,899

Foreign Currency Exposure

Foreign currency risk arises when a loss could result from adverse changes in foreign currency exchange rates. Foreign currency risk is managed by the international investment managers in part through their decisions to enter into foreign currency forward contracts. Foreign currency risk is also managed through the diversification of assets into various countries and currencies. At June 30, 2007, the Fund's cash holdings and non-domestic public and private equity and debt securities had exposure to foreign currency risk as follows (shown in U.S. dollar equivalent at market value, in thousands):

Foreign currency	Cash	Public equity	Debt	Private equity	Total foreign currency exposure
Argentine Peso	\$ -	\$ -	\$ 4,542	\$ -	\$ 4,542
Australian Dollar	(1,065)	370,724	31,207	-	400,866
Brazilian Real	10	37,831	13,441	-	51,282
Canadian Dollar	(154)	170,775	6,294	-	176,915
Chinese Yuan Renminbi	-	10,218	-	-	10,218
Colombian Peso	-	-	3,275	-	3,275
Cyprus Pound	-	21,193	-	-	21,193
Czech Koruna	12	5,174	5,281	-	10,467
Danish Krone	368	36,578	53,349	-	90,295
Egyptian Pound	150	9,297	2,614	-	12,061
Euro Currency	10,164	2,695,091	532,210	43,727	3,281,192
Hong Kong Dollar	1,064	188,439	-	-	189,503
Hungarian Forint	683	5,268	1,924	-	7,875
Indian Rupee	33	26,700	-	-	26,733
Indonesian Rupiah	6	3,853	3,901	-	7,760
Japanese Yen	4,692	1,422,753	338,038	-	1,765,483
Malaysian Ringgit	8,664	23,089	-	-	31,753
Mexican Nuevo Peso	72	18,430	1,647	-	20,149
New Israeli Shekel	-	12,597	-	-	12,597
New Taiwan Dollar	1,979	111,035	-	-	113,014
New Turkish Lira	(56)	14,407	10,692	-	25,043
New Zealand Dollar	290	14,942	-	-	15,232
Norwegian Krone	174	46,601	-	-	46,775
Philippines Peso	-	412	-	-	412
Polish Zloty	440	7,603	9,852	-	17,895
Pound Sterling	9,174	1,599,624	105,949	15,145	1,729,892
Russian New Ruble	-	7,001	-	-	7,001
Singapore Dollar	847	88,926	-	-	89,773
South African Rand	1,934	53,415	392	-	55,741
South Korean Won	-	115,654	9,683	-	125,337
Swedish Krona	(126)	150,668	17,901	-	168,443
Swiss Franc	421	470,676	-	-	471,097
Thai Baht	19	24,968	808	-	25,795
Uruguayo Peso	-	-	1,919	-	1,919
Total foreign currency exposure	\$ 39,795	\$ 7,763,942	\$ 1,154,919	\$ 58,872	\$ 9,017,528

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

Real Estate

The APFC is authorized by state regulations to invest Fund assets in various forms of real estate, which generally take the form of 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 APFC invests Fund assets in direct real estate through its ownership of interests in corporations, limited liability companies, and partnerships that own title to the real estate. External real estate management firms administer the Fund's private equity real estate investments.

The APFC routinely analyzes private equity real estate holdings for permanent impairment, in accordance with APFC resolution 06-07. For the fiscal year ending June 30, 2007, no real estate assets were at a market value deemed necessary for permanent impairment analysis.

The carrying value of real estate at June 30, 2007, was \$3,155,699 thousand. Private equity real estate investments, property notes receivable, and residential mortgages are recorded in the financial statements using the equity method, which consists of the asset's historical cost plus the Fund's share of undistributed earnings from the asset. Public equity real estate investments (real estate investment trusts) are recorded in the financial statements at their market value.

In the ordinary course of business, the APFC has made Fund commitments related to real estate investments. In the opinion of management, meeting these commitments will not have a materially adverse effect on the Fund's financial position, results of operations, or liquidity. Real estate investments at June 30, 2007, are summarized as follows (in thousands):

	Cost/equity value	Market value	Unrealized gains	Financial statement carrying value
Real estate investment trusts	\$ 612,281	\$ 822,276	\$ 209,995	\$ 822,276
Alaska residential mortgages	47	47	-	47
Property note receivable	3,492	3,492	-	3,492
Private equity real estate -				
Retail	450,009	796,727	346,718	450,009
Office	722,057	835,658	113,601	722,057
Industrial	200,717	225,289	24,572	200,717
Multifamily	957,101	1,036,393	79,292	957,101
Total real estate	<u>\$ 2,945,704</u>	<u>\$ 3,719,882</u>	<u>\$ 774,178</u>	<u>\$ 3,155,699</u>

Alternative Investments

Alternative investments include absolute return strategies and private equity.

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

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

Alternative investments at June 30, 2007, are summarized as follows (in thousands):

	<u>Cost</u>	<u>Market</u>	<u>Unrealized gains/(losses)</u>
Absolute return strategy	\$ 1,355,269	\$ 1,565,445	\$ 210,176
Private equity	336,776	343,885	7,109
Total alternative investments	<u>\$ 1,692,045</u>	<u>\$ 1,909,330</u>	<u>\$ 217,285</u>

As of June 30, 2007, the APFC, on behalf of the Fund, had outstanding private equity investment commitments of approximately \$795 million.

Alaska Certificates of Deposit

The APFC is authorized by state regulations 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 securing these investments is either letters of credit from the Federal Home Loan Bank or pooled mortgage securities issued by U.S. government sponsored agencies.

Securities Lending

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

Cash collateral received for securities on loan, which is required to be reported on the balance sheet of the Fund, is invested by the Bank in the name of the Fund. As of June 30, 2007, such investments were in overnight repurchase agreements, and had a weighted-average maturity of one day. The average term of the loans was also one day. At June 30, 2007, the value of securities on loan and related collateral is as follows (in thousands):

Market value of securities on loan	\$ 4,741,057
Cash collateral	4,881,893

The Fund receives 80 percent of earnings derived from securities lending transactions, and the Bank receives 20 percent. During the year ended June 30, 2007, there were no losses incurred as a result of securities lending transactions. The Fund received income of \$15,616 thousand from securities lending for the year ended June 30, 2007.

Investment Income by Source

Investment income during the year ended June 30, 2007, is summarized as follows (in thousands):

Interest	
Domestic marketable debt securities	\$ 406,032
Non-domestic marketable debt securities	41,980
Alaska certificates of deposit	8,924
Short-term domestic and other	82,966
Total interest	<u>\$ 539,902</u>
Dividends	
Domestic stocks	\$ 182,220
Non-domestic stocks	239,965
Total dividends	<u>\$ 422,185</u>
Real estate and other income	
Private equity real estate interest	\$ 280
Private equity real estate net rental income	161,345
Real estate investment trust dividends	33,184
Absolute return management expenses, net of dividend and interest income	(14,746)
Private equity management expenses, net of dividend income	(5,019)
Class action litigation income	30,811
Loaned securities, commission recapture and other income	16,958
Total real estate and other income	<u>\$ 222,813</u>

Foreign Exchange Contracts and Off-Balance Sheet Risk

Public equity and bond asset managers for the APFC enter into foreign currency forward exchange contracts (FX forward contracts) to buy and sell, on behalf of the Fund, specified amounts of foreign currencies at specified rates on specified future dates for the purpose of protecting existing or anticipated positions in these currencies. The maturity periods for outstanding contracts at June 30, 2007, ranged between 13 and 143 days.

The counterparties to the FX forward contracts consisted of a diversified group of financial institutions. The Fund is exposed to credit risk to the extent of non-performance by these counterparties; however, the APFC considers the risk of default to be remote. The Fund's market risk as of June 30, 2007, is limited to the difference between contractual rates and forward market rates determined at the end of the fiscal year.

Activity and balances related to FX forward contracts for the fiscal year ended June 30, 2007, are summarized as follows (in thousands):

Face value of FX forward contracts	\$ 2,761,454
Net FX forward contracts receivable	2,724
Market value of FX forward contracts	<u>\$ 2,764,178</u>
Unrealized gains	\$ (5,412)
Realized losses	(9,616)
Net increase (decrease) in fair value of FX forward contracts	<u>\$ (15,028)</u>

Beginning in fiscal year 2007, certain equity investment managers for the Fund were permitted to trade in equity index futures. These assets are traded in both domestic and non-domestic markets based on an underlying stock exchange value. Equity index futures are settled with cash for the net difference between the trade price and the settle price.

Activity and balances related to equity index futures for the fiscal year 2007 is summarized as follows (in thousands):

Face value of equity index futures	\$ 43,566
Net realized gain on futures	1,159
Market value of equity index futures	<u>\$ 44,725</u>
Unrealized gains	\$ 1,155
Realized losses	4,496
Net increase (decrease) in fair value of futures	<u>\$ 5,651</u>

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

NOTE 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:

<u>Capital Asset</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	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, 2007, are as follows (in millions):

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 690	\$ 41	\$ -	\$ 731
Construction in progress	1,207	425	(201)	1,431
Total capital assets not being depreciated	<u>1,897</u>	<u>466</u>	<u>(201)</u>	<u>2,162</u>
Capital assets being depreciated:				
Buildings	1,143	73	(39)	1,177
Equipment	717	63	(23)	757
Infrastructure	4,581	178	-	4,759
Total capital assets being depreciated	<u>6,441</u>	<u>314</u>	<u>(62)</u>	<u>6,693</u>
Less accumulated depreciation for:				
Buildings	(411)	(27)	14	(424)
Equipment	(330)	(30)	17	(343)
Infrastructure	(2,450)	(244)	-	(2,694)
Total accumulated depreciation	<u>(3,191)</u>	<u>(301)</u>	<u>31</u>	<u>(3,461)</u>
Total capital assets being depreciated, net	<u>3,250</u>	<u>13</u>	<u>(31)</u>	<u>3,232</u>
Capital assets, net	<u>\$ 5,147</u>	<u>\$ 479</u>	<u>\$ (232)</u>	<u>\$ 5,394</u>

Business-type Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 30	\$ -	\$ -	\$ 30
Construction in progress	62	118	(56)	124
Total capital assets not being depreciated	<u>92</u>	<u>118</u>	<u>(56)</u>	<u>154</u>
Capital assets being depreciated:				
Buildings	612	7	-	619
Equipment	49	2	-	51
Infrastructure	504	41	-	545
Total capital assets being depreciated	<u>1,165</u>	<u>50</u>	<u>-</u>	<u>1,215</u>
Less accumulated depreciation for:				
Buildings	(147)	(18)	-	(165)
Equipment	(36)	(3)	-	(39)
Infrastructure	(233)	(17)	-	(250)
Total accumulated depreciation	<u>(416)</u>	<u>(38)</u>	<u>-</u>	<u>(454)</u>
Total capital assets being depreciated, net	<u>749</u>	<u>12</u>	<u>-</u>	<u>761</u>
Capital assets, net	<u>\$ 841</u>	<u>\$ 130</u>	<u>\$ (56)</u>	<u>\$ 915</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), 94.3 million acres have been patented or “tentatively approved.”

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

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

	<u>Amount</u>
Governmental Activities	
General Government	\$ 3
Education	9
Health and Human Services	4
Law and Justice	3
Natural Resources	1
Public Protection	6
Transportation	257
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>18</u>
Total Depreciation Expense – Governmental Activities	<u><u>\$ 301</u></u>
Business-type Activities	
Enterprise	<u><u>\$ 38</u></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, 2007 (in millions):

	Beginning Balance Restated	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 63	\$ 2	\$ (1)	\$ 64
Library, media, and museum collections	53	2	-	55
Construction in progress	300	172	(198)	274
Infrastructure	-	21	-	21
Total capital assets not being depreciated	<u>416</u>	<u>197</u>	<u>(199)</u>	<u>414</u>
Capital assets being depreciated:				
Buildings	1,163	88	-	1,251
Equipment	381	32	(25)	388
Infrastructure	799	84	-	883
Total capital assets being depreciated	<u>2,343</u>	<u>204</u>	<u>(25)</u>	<u>2,522</u>
Less accumulated depreciation for:				
Buildings	(519)	(47)	-	(566)
Equipment	(216)	(28)	18	(226)
Infrastructure	(307)	(32)	-	(339)
Total accumulated depreciation	<u>(1,042)</u>	<u>(107)</u>	<u>18</u>	<u>(1,131)</u>
Total capital assets being depreciated, net	<u>1,301</u>	<u>97</u>	<u>(7)</u>	<u>1,391</u>
Capital assets, net	<u>\$ 1,717</u>	<u>\$ 294</u>	<u>\$ (206)</u>	<u>\$ 1,805</u>

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

The Alaska Natural Gas Development Authority reported construction in progress that was not previously reported, see note 3 for additional information.

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, 2007 (in thousands):

Governmental Activities	Beginning	Increases	Decreases	Ending	Amounts
	Balance			Balance	Due Within One Year
Revenue bonds payable	\$ 276,340	\$ 388,031	\$ 212,846	\$ 451,525	\$ 5,692
General obligation debt	433,916	-	29,050	404,866	29,058
Notes payable	-	-	-	-	-
Capital leases payable	140,670	8,870	19,229	130,311	14,667
Unearned & deferred revenue	194,262	26,620	14,467	206,415	177,569
Certificates of participation	74,770	-	9,495	65,275	8,285
Compensated absences	124,930	115,788	114,724	125,994	107,446
Claims and judgments	82,853	23,851	34,720	71,984	31,175
Other noncurrent liabilities	1,172	377	-	1,549	1,196
Net pension obligation	103,553	36,888	10	140,431	-
Total	\$ 1,432,466	\$ 600,425	\$ 434,541	\$ 1,598,350	\$ 375,088

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

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

The Internal Revenue Code and arbitrage regulations issued by the Internal Revenue Service require rebate to the federal government of excess investment earnings on bond proceeds if the yield on those earnings exceeds the effective yield on the related tax-exempt bonds issued. Arbitrage rebates payable are reported under claims and judgments. As of June 30, 2007 there were arbitrage payables totaling \$657.6 thousand for Sport Fish Revenue Bonds and \$2,419.4 thousand for General Obligation Bonds.

Business-type Activities	Beginning	Increases	Decreases	Ending	Amounts
	Balance			Balance	Due Within One Year
Revenue bonds payable	\$ 646,238	\$ -	\$ 13,086	\$ 633,152	\$ 15,515
Unearned & deferred revenue	4,942	5,321	4,942	5,321	5,321
Compensated absences	6	100	-	106	84
Other noncurrent liabilities	1,056	5,106	774	5,388	-
Net pension obligation	3,268	1,141	-	4,409	-
Total	\$ 655,510	\$ 11,668	\$ 18,802	\$ 648,376	\$ 20,920

B. GENERAL OBLIGATION BONDS AND REVENUE BONDS

GENERAL OBLIGATION BONDS

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

The full faith, credit, and resources of the state are pledged to secure payment of general obligation bonds. As of June 30, 2007, 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>
2008	\$ 25.4	\$ 19.0	\$ 44.4
2009	26.2	17.6	43.8
2010	27.1	16.3	43.4
2011	28.1	14.8	42.9
2012	29.2	13.3	42.5
2013-2017	126.4	44.9	171.3
2018-2022	93.1	17.5	110.6
2023-2027	34.0	1.6	35.6
Total debt service requirements	389.5	\$ 145.0	\$ 534.5
Unamortized bond premium	15.4		
Total principal outstanding	\$ 404.9		

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

REVENUE BONDS

As of June 30, 2007, the following were the revenue bonds outstanding (in millions):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 5.7	\$ 22.3	\$ 15.5	\$ 30.5
2009	8.8	22.1	19.9	29.7
2010	9.5	21.7	20.7	28.8
2011	10.2	21.4	21.7	27.8
2012	11.0	20.8	22.8	26.7
2013-2017	65.4	96.1	119.7	115.1
2018-2022	43.7	82.9	139.1	80.0
2023-2027	51.1	71.3	191.2	37.3
2028-2032	43.9	59.9	81.3	5.9
2033-2037	56.8	47.7	-	-
2038-2042	75.8	31.8	-	-
2043-2046	91.7	135.4	-	-
Total debt service requirements	473.6	\$ 633.4	631.9	\$ 381.8
Unamortized bond (discounts)/premiums	(10.6)		1.2	
Deferred amount on refunding	(12.2)		-	
Plus accreted value	0.7		-	
Total principal outstanding	\$ 451.5		\$ 633.1	

There are two types of revenue bonds within governmental activities reported above, the Northern Tobacco Securitization Corporation revenue bonds and the State of Alaska Sport Fishing Revenue bonds. This debt is reported in the Governmental Activities column of the Government-wide Statement of Net Assets.

Northern Tobacco Securitization Corporation Revenue Bonds

The Northern Tobacco Securitization Corporation (NTSC) bonds were issued to purchase the right to a share of Tobacco Settlement Revenues (TSRs) received by the State of Alaska. These revenue bonds are secured by and payable solely from the TSRs and investment earnings pledged under the respective bond indentures and amounts established and held in accordance with those bonds indentures. Neither Alaska Housing Finance Corporation nor the State of Alaska is liable for any debt issued by NTSC.

On August 17, 2006, NTSC issued \$411,988,000 of its Tobacco Settlement Asset-Backed Bonds, 2006 Series A, B, and C. Proceeds of the sale were used to fully defease the NTSC's outstanding Tobacco Settlement Asset-Backed Bonds, Series 2000 and Series 2001. \$170,280,000 of the proceeds were used to purchase the residual interest in the TSR's the State had previously retained in connection with the issuance of the prior bonds. The State has appropriated the proceeds received from the sale of these prior residual rights for various capital projects.

In August 2006, NTSC used \$193,050,000 of proceeds from the 2006 Series bonds plus an additional \$25,403,000 in existing monies to purchase U.S. Government securities. These securities were deposited with an escrow agent to provide for all future debt service payments on previously issued bonds. Those bonds are defeased and the liability for those bonds removed from the Statement of Net Assets. The advance refunding resulted in the recognition of an accounting loss of \$13,439,000, reclassified as a deferred debt refunding on the Statement of Net Assets. The economic gain from the refunding was \$12,630,000. The maturity of the long-term debt went from December 2031 to June 2046 with an additional aggregate debt service of \$80,235,000 as a result of the refunding.

NTSC revenue bond total at June 30, 2007 includes \$409,533,000 in principal, \$599,190,000 in interest, \$10,748,000 in unamortized discount, \$12,195,000 deferred amount on refunding, and \$662,000 in accreted value on the Series 2006B and Series 2006C Bonds.

Alaska Sport Fishing Revenue Bonds

The State of Alaska Sport Fishing (SF) Revenue Bonds Series 2006 were issued under Article 5A of Chapter 15 of Title 37 of the Alaska Statutes. The bonds were issued to provide a portion of the funds necessary to finance the construction and renovation of fisheries rehabilitation, enhancement and development projects that benefit sport fishing. These revenue bonds are special, limited obligations of the State secured by and payable from the sport fishing facilities surcharge imposed under AS 16.05.340 and from funds received from the federal government which by their terms are not restricted in use and legally available for the payment for debt service on Parity Bonds. The bonds are not general obligations of the State, and the State does not pledge its faith and credit to the payment of the bonds.

On June 7, 2007, the State defeased \$1,575,000 of the Sport Fishing Revenue Bonds, Series 2006 bearing interest at 5 percent and with a maturity date of April 1, 2017. The State paid \$1,600,925 in existing monies to an escrow agent to be placed into an irrevocable trust account to provide for all future debt service payments on the defeased bonds. Accordingly, the liability for the defeased bonds has been removed from the Statement of Net Assets. At June 30, 2007, \$1,575,000 of Sport Fish Revenue Bonds outstanding have been defeased.

Sport Fishing revenue bond total at year end includes \$64,070,000 in principal, \$34,208,025 in interest, and \$203,347 in unamortized premium.

International Airports Revenue Bonds

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

C. CAPITAL AND OPERATING LEASES

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

<u>Governmental Activities</u> Year Ending June 30	Operating Leases	Capital Leases		
		Principal	Interest	Total
2008	\$ 33.1	\$ 14.6	\$ 6.1	\$ 20.7
2009	27.3	14.1	5.4	19.5
2010	21.8	13.7	4.8	18.5
2011	18.0	11.6	4.2	15.8
2012	14.8	10.3	3.6	13.9
2013-2017	33.8	43.4	11.9	55.3
2018-2022	7.0	21.4	2.7	24.1
2023-2027	0.7	1.2	-	1.2
2028-2032	0.4	-	-	-
2033-2037	0.4	-	-	-
2038-2042	0.4	-	-	-
2043-2047	0.4	-	-	-
2048-2052	-	-	-	-
Total	<u>\$ 158.1</u>	<u>\$ 130.3</u>	<u>\$ 38.7</u>	<u>\$ 169.0</u>

D. CERTIFICATES OF PARTICIPATION

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

The following schedule presents future minimum payments as of June 30, 2007 (in millions):

<u>Governmental Activities</u> Year Ending June 30	Certificates of Participation		
	Principal	Interest	Total
2008	\$ 8.3	\$ 2.8	\$ 11.1
2009	5.6	2.5	8.1
2010	5.8	2.2	8.0
2011	6.0	2.0	8.0
2012	6.2	1.7	7.9
2013-2017	23.2	5.0	28.2
2018-2022	10.2	1.0	11.2
Total	<u>\$ 65.3</u>	<u>\$ 17.2</u>	<u>\$ 82.5</u>

E. DISCRETELY PRESENTED COMPONENT UNITS

Debt service requirements are (in millions):

Year Ending June 30	Principal	Interest	Total
2008	\$ 202.8	\$ 225.0	\$ 427.8
2009	153.7	219.9	373.6
2010	154.9	213.4	368.3
2011	186.1	206.1	392.2
2012	191.0	197.9	388.9
2013-2016	872.9	862.4	1,735.3
2017-2021	824.6	657.9	1,482.5
2022-2026	629.4	498.2	1,127.6
2027-2031	734.3	407.3	1,141.6
2032-2036	475.8	181.6	657.4
2037-2041	319.9	77.2	397.1
2042-2046	153.4	21.1	174.5
2047-2051	24.3	1.8	26.1
2052-2056	-	-	-
2057-2061	-	-	-
Total debt service requirements	\$ 4,923.1	\$ 3,769.8	\$ 8,692.9
Unamortized (discounts)/premiums	31.4		
Deferred amount on refunding	(23.7)		
Plus accreted value	8.8		
Total principal outstanding	\$ 4,939.6		

The preceding table does not include \$984,000 of Alaska Energy Authority arbitrage interest payable.

F. ALASKA HOUSING FINANCE CORPORATION DERIVATIVES

SWAP OBJECTIVES

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

SWAP PAYMENTS AND ASSOCIATED DEBT

As of June 30, 2007, debt service requirements of AHFC's outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same for their terms, are displayed in the following schedule (in thousands). As interest rates vary, variable-rate bond interest payments and net swap payments will also vary.

Year Ending June 30	Outstanding Variable-Rate Debt	Outstanding Variable-Rate Debt	Swap	Total
	Principal	Interest	Net Payment	Payment
2008	\$ 4,640	\$ 23,477	\$ 2,132	\$ 30,249
2009	5,135	23,532	2,105	30,772
2010	5,465	23,336	2,076	30,877
2011	5,710	23,130	2,045	30,885
2012	6,895	22,914	2,013	31,822
2013-2017	72,360	107,882	9,074	189,316
2018-2022	114,910	90,752	6,996	212,658
2023-2027	126,695	67,368	4,675	198,738
2028-2032	119,985	44,121	2,397	166,503
2033-2037	105,065	23,292	593	128,950
2038-2042	67,265	6,465	(90)	73,640
	<u>\$ 634,125</u>	<u>\$ 456,269</u>	<u>\$ 34,016</u>	<u>\$ 1,124,410</u>

SIGNIFICANT TERMS

The terms, fair values and credit ratings of AHFC's outstanding swaps as of June 30, 2007, 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 AHFC would experience with a fixed-rate, level debt service schedule and are expected to follow scheduled or anticipated reductions in the associated bonds outstanding.

Related Bond Issue	Notional Amounts	Present Values	Fair Values	Effective Dates	Fixed Rate Paid	Variable Rate Received	SWAP Termination Date	Counterparty Credit Rating ⁶
GP01A ¹	\$ 67,485	\$ 69,877	\$ (2,392)	8/2/2001	4.1427%	67% of LIBOR ⁴	12/1/2030	A/A2
GP01B	82,465	85,336	(2,871)	8/2/2001	4.1427%	67% of LIBOR	12/1/2030	AA-/Aa3
E021A1 ²	50,000	51,357	(1,357)	5/16/2002	4.1030%	68% of LIBOR	6/1/2032	AAA/Aaa
E021A2	120,000	122,412	(2,412)	5/16/2002	4.3430%	68% of LIBOR	12/1/2036	AAA/Aaa
SC02B ³	14,555	14,137	418	12/5/2002	3.7700%	70% of LIBOR	7/1/2024	AAA/Aaa
SC02C	60,250	61,097	(847)	12/5/2002	4.3030%	SIFMA ⁵ + 0.115%	7/1/2022	AAA/Aaa
E071A1 ²	143,622	138,617	5,005	6/1/2007	3.6720%	70% of LIBOR	12/1/2041	AAA/Aaa
E071A2	95,748	92,277	3,471	6/1/2007	3.6720%	70% of LIBOR	12/1/2041	AAA/Aaa
Total	<u>\$ 634,125</u>	<u>\$ 635,110</u>	<u>\$ (985)</u>					

¹ Governmental Purpose Bonds

² Home Mortgage Revenue Bonds

³ State Capital Project Bonds

⁴ London Interbank Offered Rate

⁵ Securities Industry and Financial Markets Municipal Swap Index

⁶ Standard & Poor's/Moody's

FAIR VALUE

Due to relatively lower interest rates five of AHFC's earlier interest rate swaps had a negative fair value as of June 30, 2007. Both 2007 agreements, which were priced in early 2006 when forward swap curve yields were optimal, had positive fair values. The negative fair values are countered by reductions in total interest payments required under the variable-rate bonds. Given that coupons on AHFC's variable-rate bonds adjust to changing interest rates, the associated debt does not have corresponding increases in fair value. The fair value amounts, obtained from mark to market statements from the respective

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

RISKS

Credit Risk

As of June 30, 2007, AHFC was not exposed to credit risk only on the SC02B, E071A1 and E071A2 swaps in the amount equal to the swaps' fair value. The swap agreements contain varying collateral agreements with the counterparties and require full collateralization of the fair value amount of the swap should the counterparty's rating fall below specific levels. AHFC currently has swap agreements with five separate counterparties. Approximately 76 percent of the total notional amount of swaps is held with three separate counterparties, all 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+/A1, approximating 13 percent and 11 percent, respectively, of the total outstanding notional swap value.

Basis Risk

All of AHFC's variable-rate demand obligation bond coupon payments are based on the tax exempt SIFMA index. Therefore, AHFC is exposed to basis risk on swaps where the variable payment received on the swaps is based on a taxable LIBOR index and does not offset the variable rate paid on the bonds, which is based on the SIFMA index. The SC02C swap is based on the SIFMA index and, thus is not exposed to any basis risk. As of June 30, 2007, SIFMA was 3.73 percent and LIBOR was 5.32 percent, resulting in a positive 1.59 percent spread. The spread between LIBOR and SIFMA has fluctuated since the agreements became effective, but as the spread increases, so does the anticipated cost savings from the swaps.

Rollover Risk

Rollover risk occurs when there is a mismatch in the amortization of the swap versus the amortization of the floating rate bonds. AHFC has structured the swaps to amortize at the same rate as scheduled or anticipated reductions in the associated floating rate bonds outstanding. As the bonds mature the swaps will amortize. In addition, the GP01A and GP01B swaps cover only a portion of the total debt issuance, allowing any increase in the speed of mortgage prepayments to be directed at the unswapped portion of the debt. The E021A1 and E021A2 swaps were structured with several tranches, allowing AHFC to cancel individual tranches of the swap to match special redemptions of the bonds. The result of these swap structures is a decrease in rollover risk usually caused by rapid mortgage prepayments.

Termination Risk

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS

A. STATE ADMINISTERED PLANS

DESCRIPTION OF PLANS

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

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

The PERS-DB Plan is a plan within the Public Employees’ Retirement System (PERS). PERS is a component unit of the State of Alaska financial reporting entity. The PERS component unit is comprised of the PERS-DB and PERS-DCR Plans, and the PERS portion of Public Employees’ and Teachers’ Retiree Major Medical Insurance Plan and Health Reimbursement Arrangement Plan. PERS-DB and PERS-DCR issue a separate stand-alone financial report that includes financial statements and required supplementary information. The PERS-DB and PERS-DCR are 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, 2007, the number of PERS participating employers was:

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

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

The PERS-DB funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual-covered payroll, are adequate to accumulate sufficient assets to pay both pension and postemployment health care benefits when due. The actuarially determined employer contribution rates are level percentages of payroll and are determined using the entry age normal actuarial funding method. The FY 07 actuarially determined rate was 30.60 percent (32.64 percent for peace officers and firefighters). The employer rate for the State of Alaska for the year ended June 30, 2007, was 22.65 percent of compensation (23.42 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 five percent (Title 2 Alaska Administrative Code 35.900).

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

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

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

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

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

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

The actuarial valuation as of June 30, 2004 set the contribution rates for the year ended June 30, 2007. The projected unit credit method was used and the future gains/losses are amortized on a 25-year fixed period level percentage of pay. The State of Alaska's net pension obligation for FY 07 follows (in thousands):

Annual Required Contribution	\$ 142,802
Interest on net pension obligation	9,026
Adjustment to annual required contribution	(7,020)
Annual Pension Cost (APC)	144,808
Contributions Made	(107,951)
Increase in Net Pension Obligation (NPO)	36,857
Net Pension Obligation Beginning of Year	109,402
Net Pension Obligation End of the Year	<u>\$ 146,259</u>

Three year trend information for pension benefits follows:

Year Ended June 30	APC	Percentage of APC Contributed	NPO
2005	\$ 117,626	50.0%	\$ 58,804
2006	135,274	62.6%	109,402
2007	144,808	74.5%	146,259

The Teachers' Retirement System – Defined Benefit (TRS-DB)

TRS-DB is a defined benefit, cost-sharing, multiple-employer public employee retirement plan established and administered by the State to provide pension and postemployment healthcare benefits for teachers and other eligible participants. Benefit and contribution provisions are established by Chapter 25 of Alaska Statute Title 14 and may be amended only by the state legislature. TRS-DB provides for normal pension benefits, as well as death, disability, and postemployment healthcare benefits. The 24th Alaska State Legislature enacted into law Senate Bill 141, which closed the TRS-DB to new members effective July 1, 2006 and created a Teachers' Retirement System Defined Contribution Retirement Plan (TRS-DCR). Information regarding TRS-DCR is disclosed in Note 8.

The TRS-DB Plan is a plan within the Teachers' Retirement System (TRS). TRS is a component unit of the State of Alaska financial reporting entity. The TRS component unit is comprised of the TRS-DB and TRS-DCR Plans, and the TRS portion of Public Employees' and Teachers' Retiree Major Medical Insurance Plan and Health Reimbursement Arrangement Plan. TRS-DB and TRS-DCR issue a separate stand-alone financial report that includes financial statements and required supplementary information. The TRS-DB and TRS-DCR are 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, 2007 the number of participating employers was:

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

TRS-DB Plan members contribute 8.65 percent of their base salary, as required by statute. The employee contributions are deducted before federal income tax is withheld. Eligible employees contribute an additional one percent of their salary under the supplemental contribution provision. The TRS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual-covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Employer contribution rates are determined using the entry age normal actuarial funding method. The TRS-DB Plan uses the level dollar method to amortize the unfunded liability over a 25 year fixed period. The employer rate for the State of Alaska for the year ended June 30, 2007 was 26 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 60 or older, regardless of initial hire dates. Employees first hired after June 30, 1990, may receive postemployment healthcare benefits prior to age 60 by paying premiums.

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

The state's contributions to TRS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$12.5, \$10.1, and \$7.5 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 seven percent of their compensation to JRS. The contributions are deducted before federal income tax is withheld. Contributions are not required after members have made contributions for 15 years, or from members first appointed before July 1, 1978. The JRS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual-covered payroll, are adequate to accumulate sufficient assets to pay benefits

when due. Employer contribution rates are determined using the entry age normal actuarial funding method. The employer rate for the State of Alaska for the year ended June 30, 2007, was 38.53 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
2002	\$56,705	\$63,970	\$ (7,265)	88.6%	\$5,942	(122.3%)
2004	53,601	69,505	(15,904)	77.1%	6,530	(243.6%)
2006	77,311	111,820	(34,509)	69.1%	7,131	(484.0%)

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

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

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

The actuarial valuation as of June 30, 2004 set the contribution rates for the year ended June 30, 2007. The projected unit credit method was used and the future gains/losses are amortized on a 25-year fixed period level percentage of pay. The State of Alaska's net pension asset for FY 07 follows (in thousands):

Annual Required Contribution	\$ 3,169
Interest on net pension asset	(27)
Adjustment to annual required contribution	21
Annual Pension Cost (APC)	3,163
Contributions Made	(3,163)
Increase in Net Pension Obligation/(Asset)	-
Net Pension Obligation/(Asset) Beginning of Year	(333)
Net Pension Obligation/(Asset) End of the Year	\$ (333)

Three year trend information for pension benefits follows:

Year Ended June 30	APC	Percentage of APC Contributed	Net Pension Obligation/(Asset)
2005	\$ 1,912	100.0%	\$ -
2006	2,134	115.6%	(333)
2007	3,163	100.0%	(333)

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 entry age normal actuarial funding method. The Schedule of Funding Progress for pension benefits follows (in thousands):

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

The actuarial valuation as of June 30, 2004 set the contribution rates for the year ended June 30, 2006. The projected unit credit method was used and the future gains/losses are amortized on a 20-year fixed period level percentage of pay. The State of Alaska's net pension obligation for FY 07 follows:

Annual Required Contribution	\$ 1,737,406
Interest on net pension obligation	(194)
Adjustment to annual required contribution	382
Annual Pension Cost (APC)	1,737,594
Contributions Made	(1,737,406)
Increase in Net Pension Obligation/(Asset)	188
Net Pension Obligation/(Asset) Beginning of Year	(2,356)
Net Pension Obligation/(Asset) End of the Year	\$ (2,168)

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

Year Ended June 30	APC	Percentage of APC Contributed	Net Pension Obligation /(Asset)
2005	\$ 2,025	98.6%	\$ 29
2006	2,023	101.4%	(2)
2007	1,738	100.0%	(2)

The Elected Public Officers Retirement System (EPORS)

EPORS is a defined benefit single-employer retirement plan administered by the State to provide pension and post-employment healthcare benefits to the governor, the lieutenant governor, and all legislators that participated in the System between January 1, 1976, and October 14, 1976. EPORS is funded by both employee contributions and an annual appropriation from the state General Fund. Retirement benefits are based on the member's years of service and the current salary for the position from which they retired or an average of the three highest consecutive years' salaries. The pension

benefit is equal to five percent for each year of service as governor, lieutenant governor, or a legislator, plus two percent for other covered service, not to exceed 75 percent (AS 39.37.050). The plan also provides death and disability benefits.

Plan members contribute seven percent of their compensation to EPORS. Employee contributions earn interest at 4.5 percent per annum, compounded semiannually. The remaining amount required to pay EPORS benefits is funded by legislative appropriation. The cost to the State for EPORS for the fiscal years ended June 30, 2007, 2006, and 2005 was \$1.7 million, \$1.7 million, and \$1.6 million. The contributions received from employees totaled \$7,156 in FY 07. EPORS is a closed plan and no separate financial statement is issued for EPORS. However, an actuarial valuation on EPORS was performed as of June 30, 2005.

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
2005	\$0	\$20,028	\$(20,028)	0.0%

Prior to the June 30, 2005 actuarial valuation, the last valuation performed on EPORS was for the period ended June 30, 1986.

Plan benefits for EPORS are not prefunded, but are paid when due. Enough money has been appropriated each year to pay the benefits as they come due; therefore, there is no net pension obligation at the end of the year. The projected unit credit method was used and the future gains/losses are amortized on a 25-year fixed period level percentage of pay.

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

Year Ended June 30	APC	Percentage of APC Contributed	Net Pension Obligation /(Asset)
2005	\$ 1,197	100.0%	\$ -
2006	1,250	100.0%	-
2007	1,281	100.0%	-

ASSET VALUATION

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

<u>Systems</u>	<u>Fair Value</u>
Public Employees' Retirement System	\$12,102,781
Teachers' Retirement System	5,414,382
Judicial Retirement System	101,521
Alaska National Guard and Alaska Naval Militia Retirement System	19,507

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, 2007.

	<u>PERS</u>	<u>TRS</u>	<u>JRS</u>	<u>NGNMRS</u>	<u>EPORS</u>
	6/30/07	6/30/07	6/30/07	6/30/07	6/30/07
Retirees & beneficiaries receiving benefits & Terminated members with future benefits	29,269	10,483	93	1,468	38
Current active employees:					
Vested	19,758	5,632	43	*	1
Nonvested	12,251	3,624	27	3,846	-
Total	<u>61,278</u>	<u>19,739</u>	<u>163</u>	<u>5,314</u>	<u>39</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 entry age normal actuarial funding method within the June 30, 2006 valuation reports, with the exception of EPORS, which uses the projected unit credit method within the June 30, 2005 valuation report. The unfunded accrued benefit liability or funding surplus is amortized over a rolling 25 years (NGNMRS is 20 years).

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

The following main assumptions were used in the actuarial valuation.

System	Investment Return Compounded Annually	Salary Scale Increase	Health Care Inflation		Consumer Price Index Inflation	Valuation Date	
			Medical	Rx			
PERS	8.25%	Police & Firefighters - 6.5% first 6 yrs, 4.5% thereafter. All Others - 9.5% first 5 yrs, 5.5% for year 6 then grading down to 5.0% and 4.0%.	FY 07	9.0%	13.0%	3.5%	6/30/2006
			FY 08	8.5%	12.0%		
			FY 09	8.0%	11.0%		
TRS	8.25%	6% first 5 yrs, grading down to 4% after 15 yrs	FY 07	9.0%	13.0%	3.5%	6/30/2006
			FY 08	8.5%	12.0%		
			FY 09	8.0%	11.0%		
JRS	8.25%	4.0% per year	FY 07	9.0%	13.0%	3.5%	6/30/2006
			FY 08	8.5%	12.0%		
			FY 09	8.0%	11.0%		
NGNMRS	7.25%	—		—	—	6/30/2006	
EPORS	5.00%	4.0 % per year	FY 06	9.5%	14.0%	3.5%	6/30/2005
			FY 07	9.0%	13.0%		

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

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 \$679.9 thousand in FY 07.

NOTE 8 – DEFINED CONTRIBUTION PENSION PLANS

A. STATE ADMINISTERED PLANS

DESCRIPTION OF PLANS

The Public Employees' Retirement System – Defined Contribution Retirement Plan (PERS-DCR)

PERS-DCR is a defined contribution, agent, multiple-employer public employee retirement plan established by the State to provide pension and postemployment healthcare benefits for eligible state and local government employees. Benefit and contribution provisions are established by state law and may be amended only by the State Legislature. The 24th Alaska Legislature enacted into law Senate Bill 141, which created PERS-DCR effective July 1, 2006. PERS-DCR Plan savings are accumulated by an individual retirement account for exclusive benefit of the members or beneficiaries.

The PERS-DCR Plan is a plan within the Public Employees' Retirement System (PERS). PERS is a component unit of the State of Alaska financial reporting entity. The PERS component unit is comprised of the PERS-DB (see note 7) and PERS-DCR Plans, and the PERS portion of Public Employees' and Teachers' Retiree Major Medical Insurance Plan and Health Reimbursement Arrangement Plan. PERS-DB and PERS-DCR issue a separate stand-alone financial report that includes financial statements and required supplementary information. The PERS-DB and PERS-DCR are also reported as a pension (and other employee benefit) trust fund by the State. PERS-DB and PERS-DCR financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Copies of the audited financial statements may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

As of June 30, 2007, there were 160 employers participating in PERS-DCR. There were no retirees or beneficiaries currently receiving benefits, 18 terminated plan members entitled to future benefits, and 2,844 active members, of which 2,678 are general employees and 166 are peace officers and firefighters.

PERS-DCR pension contribution rates are eight percent for PERS-DCR members, as required by statute. The employer shall deduct the contribution from the member's compensation at the end of each payroll period, and the contribution shall be credited by the plan to the member's individual account. The contributions shall be deducted from the member's compensation before the computation of applicable federal taxes. An employer shall contribute to each member's individual pension account an amount equal to five percent of the member's compensation. Participant accounts under the PERS-DCR Plan are self-directed with respect to investment options.

On July 1, 2006, the Public Employees' and Teachers' Retiree Major Medical Insurance Plan and Health Reimbursement Arrangement Plan were created with two separate pension trust funds, the Retiree Major Medical Insurance (RMP) and Health Reimbursement Arrangement (HRA). A separate stand-alone financial report that includes financial statements and required supplementary information is issued for RMP and HRA. Copies of the audited financial statements may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

RMP allows eligible members who retire directly from the plan to obtain medical benefits. The HRA allows medical care expenses to be reimbursed from individual savings accounts established for eligible persons. PERS-DCR participants are eligible members of RMP and HRA and their postemployment health care benefits are paid out of these funds. The employer RMP contribution rate for FY 07 for each member's compensation was 1.75 percent for medical coverage, and 0.3 percent for death and disability (0.4 percent for peace officers and firefighters).

The contributions to this plan for the year ended June 30, 2007 by the employees were \$2,845 thousand and the State of Alaska employers were \$1,957 thousand.

See Note 4 for information on pension funds' deposit and investment risk categories. The fair value of the PERS-DCR cash and investments as of June 30, 2007 is \$8,149 thousand. PERS-DCR investments in collective investment funds, held in trust, are stated at fair value based on the unit value as reported by the Trustees multiplied by the number of units held by PERS-DCR. The unit value is determined by the Trustees based on the fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

The Teachers' Retirement System – Defined Contribution Retirement Plan (TRS-DCR)

TRS-DCR is a defined contribution, cost-sharing, multiple-employer public employee retirement plan established by the State to provide pension and postemployment healthcare benefits for teachers and other eligible members. Benefit and contribution provisions are established by state law and may be amended only by the State Legislature. The 24th Alaska Legislature enacted into law Senate Bill 141, which created TRS-DCR effective July 1, 2006. TRS-DCR Plan savings are accumulated by an individual retirement account for exclusive benefit of the members or beneficiaries.

The TRS-DCR Plan is a plan within the Teachers' Retirement System (TRS). TRS is a component unit of the State of Alaska financial reporting entity. The TRS component unit is comprised of the TRS-DB (see note 7) and TRS-DCR Plans, and the TRS portion of Public Employees' and Teachers' Retiree Major Medical Insurance Plan and Health Reimbursement Arrangement Plan. TRS-DB and TRS-DCR issue a separate stand-alone financial report that includes financial statements and required supplementary information. The TRS-DB and TRS-DCR are also reported as a pension (and other employee benefit) trust fund by the State. TRS-DB and TRS-DCR financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Copies of the audited financial statements may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

As of June 30, 2007, there were 58 employers participating in TRS-DCR. There were no retirees or beneficiaries currently receiving benefits, five terminated plan members entitled to future benefits, and 641 active members.

TRS-DCR pension contribution rates are eight percent for TRS-DCR members, as required by statute. The employer shall deduct the contribution from the member's compensation at the end of each payroll period, and the contribution shall be credited by the plan to the member's individual account. The contributions shall be deducted from the member's compensation before the computation of applicable federal taxes. An employer shall contribute to each member's individual pension account an amount equal to seven percent of the member's compensation. Participant accounts under the TRS-DCR Plan are self-directed with respect to investment options.

On July 1, 2006, the Public Employees' and Teachers' Retiree Major Medical Insurance Plan and Health Reimbursement Arrangement Plan were created with two separate pension trust funds, the Retiree Major Medical Insurance (RMP) and Health Reimbursement Arrangement (HRA). A separate stand-alone financial report that includes financial statements and required supplementary information is issued for RMP and HRA. Copies of the audited financial statements may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

RMP allows eligible members who retire directly from the plan to obtain medical benefits. The HRA allows medical care expenses to be reimbursed from individual savings accounts established for eligible persons. TRS-DCR participants are eligible members of RMP and HRA and their postemployment health care benefits are paid out of these funds. The employer RMP contribution rate for FY 07 for each member's compensation was 1.75 percent for medical coverage, 0.0 percent for death and disability, as no funding source was provided for death and disability. This was rectified in FY 08.

The contributions to this plan for the year ended June 30, 2007 by the employees were \$83.8 thousand and the State of Alaska employers were \$72.7 thousand.

See Note 4 for information on pension funds' deposit and investment risk categories. The fair value of the TRS-DCR cash and investments as of June 30, 2007 is \$5,182 thousand. TRS-DCR investments in collective investment funds, held in trust, are stated at fair value based on the unit value as reported by the Trustees multiplied by the number of units held by TRS-DCR. The unit value is determined by the Trustees based on the fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

Supplemental Benefits System

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

employees participate in SBS as provided by Alaska Statute. As of January 31, 2007, there were sixteen other employers participating in SBS. There were approximately 35,000 participants in the Plan.

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

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

Mandatory contributions are made to the Supplemental Annuity Plan and voluntary contributions to the Supplemental Benefits Plan. Participating employees are vested at all times. Supplemental Annuity Plan contributions are made in lieu of contributions to Social Security. The State is required to contribute 12.26 percent of an employee's wages up to the taxable wage base in effect under Social Security regulations. Each employee is considered to have agreed to a wage reduction equal to one-half the contribution made on the employee's behalf. The State's mandatory contributions for the year ending January 31, 2007, were \$108,220 thousand. The state's covered payroll was approximately \$882,706 thousand.

Supplemental Benefit Plan contributions are voluntary based upon the optional benefits elected by each employee enrolled in SBS. Each employee agrees to a wage reduction based upon the benefit options selected. The benefit amounts are deducted from each employee's wages and remitted by the employer to SBS on the employee's behalf. State employee voluntary contributions for the year ending January 31, 2007, were \$4,696 thousand.

Employees are eligible to withdraw from the Supplemental Annuity Plan 60 days after termination. Benefits are payable in the form of a lump sum annuity or one of various continuing annuities purchased from an insurance carrier, which are excluded from Plan assets. The SBS administrator issues lump-sum payments through its contracted record keeper.

Benefits available under the Supplemental Benefits Plan include death, disability, survivor benefits, and dependent care reimbursement. Selection of these benefits is at the discretion of the employee, with certain restrictions, and may be amended and/or changed on an annual basis or in conjunction with an employee change in status. All other supplemental benefits, except dependent care reimbursement, are provided through insurance policies. The State administers the Dependent Care Assistance Program.

Supplemental annuity contributions were deposited with investment managers under contract with SBS for the year ended January 31, 2007. Each participant's account is credited with the contributions and the increase or decrease in unit value for the investment funds and deduction for administrative fees.

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

B. NON-STATE ADMINISTERED PLANS

THE NORTHWEST MARINE RETIREMENT TRUST (NMRT)

NMRT is an agent multiple-employer pension plan with defined contributions and is administered by the Pacific Northwest Marine Retirement Trust. The State assumes no liability for this pension plan or its participants other than the payment of required contributions. The State contributed \$927 thousand in FY 07.

NOTE 9 – DEFERRED COMPENSATION PLAN

The State of Alaska Deferred Compensation Plan was created by Alaska statutes. It is a deferred compensation plan under section 457 of the Internal Revenue Code. It is available to all permanent and long term non-permanent employees, or elected officials of the State (and with the March 1, 2006 amendment, members of State of Alaska boards and commissions who perform services for the State in the capacity of an independent contractor) 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, 2006 the Deferred Compensation Plan had approximately 8,500 participants.

As a result of the passage of The Small Business Job Protection Act of 1996 (SBJPA), all amounts deferred, including amounts deferred before the effective date of the new law, under an eligible 457 plan must be held in a trust for the exclusive benefit of employees and beneficiaries. This new law repealed the requirement that a section 457 plan sponsored by a government be solely the property of the employer, subject only to the claims of the employer's general creditors. The trust requirement generally applies to assets and income held by a plan on and after the date of enactment of the SBJPA. The Plan Document for the State of Alaska Deferred Compensation Plan was amended to recognize and establish the trust requirement for the Deferred Compensation Plan.

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

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

Deferred Compensation Plan net assets as of December 31, 2006 were \$524,322,000. Deferred Compensation Plan is reported in the accompanying financial statements as a pension (and other employee benefit) trust fund.

NOTE 10 – INTERFUND TRANSACTIONS

The following schedules summarize individual interfund receivable and payable balances at June 30, 2007, and interfund transfers for the year then ended (in thousands):

INTERFUND RECEIVABLE / PAYABLE BALANCES

Due to Other Funds	Due from Other Funds					Total
	General Fund	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	
General Fund	\$ -	\$ 1,558	\$ 28,975	\$ 4,342	\$ 15,031	\$ 49,906
Alaska Permanent Fund	1,063,955	-	-	-	-	1,063,955
Nonmajor						
Governmental Funds	7,554	-	-	-	-	7,554
International Airports	38,922	-	-	-	-	38,922
Nonmajor						
Enterprise Funds	31,252	-	-	-	-	31,252
Internal Service Funds	287	-	-	-	-	287
Fiduciary Funds	1,583	-	-	-	-	1,583
Other	24,032	(1)		(1)	(4)	24,026
Total	<u>\$ 1,167,585</u>	<u>\$ 1,557</u>	<u>\$ 28,975</u>	<u>\$ 4,341</u>	<u>\$ 15,027</u>	<u>\$ 1,217,485</u>

The amounts reported as “Other” are reconciling amounts resulting from reporting differences for certain funds included in the fund financial statements at June 30, 2007.

The \$1,064 million balance due from the Alaska Permanent Fund to the General Fund includes \$1,022 million for payment of 2007 Permanent Fund dividends to qualified residents of the State and administrative and associated costs of the 2007 Permanent Dividend Program. The remaining balance of \$42 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 07 activity during the reappropriation period in July and August 2007 that caused the movement of cash balances between funds after June 30, 2007.

INTERFUND TRANSFERS

Transfers From	Transfers to						Total
	General Fund	Alaska Permanent Fund	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	Other	
General Fund	\$ -	\$ -	\$ 45,247	\$ 1,671	\$ 35,458	\$ 1	\$ 82,377
Alaska Permanent Fund	1,063,955	-	-	-	-	-	1,063,955
Nonmajor							
Governmental Funds	179,476	49	37,445	-	-	-	216,970
Nonmajor Enterprise Funds	4,697	-	-	29,000	-	2	33,699
Internal Service Funds	-	-	-	-	-	-	-
Other	8,002	-	-	-	-	-	8,002
Total	<u>\$ 1,256,130</u>	<u>\$ 49</u>	<u>\$ 82,692</u>	<u>\$ 30,671</u>	<u>\$ 35,458</u>	<u>\$ 3</u>	<u>\$ 1,405,003</u>

The general purpose for transfers is to move monies from funds required by statute to collect them to the funds required by statute or budget to expend them, to move receipts restricted to debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments come due, and transfer accumulated surpluses from other funds to the General Fund. The transfer from Alaska Permanent Fund to the General Fund includes a \$1,021 billion transfer for payment of the Permanent Fund dividends and for administrative and associated costs of the dividend program. The transfer from other to the General Fund represents an appropriation from the Investment Loss Trust account within the Supplemental Benefit Fund, a fiduciary fund, which does not report the transfer out. The transfer from General Fund to other represents rounding differences, as well as, the transfer from nonmajor enterprise funds to other.

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, 2007, is \$31,566,865. This amount was calculated using the base pay on file for each employee as of June 30, 2007. It does not include an estimate of the cost of fringe benefits (supplemental benefits, retirement, group insurance, etc.) which can vary depending on the status of the employee when leave is taken.

B. SCHOOL DEBT

Under a program enacted in 1970 (AS 14.11.100), the State may reimburse municipalities up to 60, 70, 80, 90, or 100 percent of debt service on bonds issued to finance school construction. The percentage depends on the year in which the costs are incurred. The 60 percent limitation, enacted in 2002, applies to fiscal years after June 30, 1999. The higher percentages apply to earlier years.

Although the statute provides that the State may reimburse school districts 60, 70, 80, 90, or 100 percent of construction costs, the actual funding for the program is dependent on annual legislative appropriations to the school construction account. When amounts in the account are insufficient, the available funds are allocated pro rata among the eligible school districts. There is no contractual commitment by the State to make these payments. The amount for FY 07 expended for school debt was \$86,924,109, 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 \$1,194,476,424. The State has in the past and may in the future appropriate less than the full amount to which the municipalities are entitled under statute.

C. RISK MANAGEMENT AND SELF-INSURANCE

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

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

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

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

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

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

In FY 07, the State completely self-insured all statutory workers' compensation claims, general (premises and operations) and professional liability, and automobile liability. The State had Self-Insured Retention (SIR) levels of \$1 million per claim for property and marine risks, and \$250,000 per incident for airport and aviation liability exposures. Limits of excess insurance vary by risk: \$50 million per occurrence for marine, \$100 million for property, and \$500 million for aviation.

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

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

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

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

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

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

The table below presents changes in policy claim liabilities for the fiscal years ending June 30, 2006, and June 30, 2007. The state records its related liability using discounted amounts provided by actuaries. The amount of unpaid claim liabilities for Risk Management are presented at their present value using a 3.5 percent discount interest rate for FY 06 and a 3.5 percent discount interest rate for FY 07.

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
2006	\$ 66,575,915	\$ 30,332,586	\$ (26,463,026)	\$ 70,445,475
2007	70,445,475	20,855,580	(26,202,625)	65,098,430

D. LITIGATION

The State is involved in a number of legal actions. The Department of Law estimates the probable maximum liability for the cases associated with the governmental fund types to be approximately \$3,808,000, with an additional possible liability of \$294,224,000. The probable loss amount has been reported as long-term debt obligations.

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

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, 2007, the Alaska Clean Water and the Alaska Drinking Water Funds are committed to funding loans for which they have entered into agreements for communities but funds have not yet been disbursed. The total amounts to be disbursed under these agreements is uncertain as not all of the loans are expected to be fully drawn and some loans may increase with changes in scope of the underlying projects; accordingly, they are not included in the financial statements for these funds.

At June 30, 2007, the Alaska Energy Authority had open loan commitments of \$3,769,000 and held approximately \$5,364,000 of investments in escrow.

At June 30, 2007, the Alaska Industrial Development and Export Authority (AIDEA) had extended loan commitments of \$27,673,000 and loan guarantees of \$1,907,000. In addition, AIDEA has legislative authorization to guarantee loans made to the Alaska Insurance Guarantee Association (AIGA). The AIGA pays, from assessments to member insurers, the claims of insurance companies put into liquidation by insurance regulators. Any guarantee is limited to loans necessary to make the AIGA financially able to meet cash flow needs up to a maximum outstanding principal balance at anytime of \$30,000,000. No loans have been made pursuant to this authorization.

H. INVESTMENT COMMITMENTS

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

Investment Type/Term	PERS	TRS	JRS	NMRS
Domestic Equity Limited Partnerships Withdrawn annually in December with 90-days notice.	\$ 8,892,586	\$ 3,968,095	\$ 80,125	\$ 12,159
Limited Partnership				
To be paid through 2014.	495,067,445	226,378,224	-	-
To be paid through 2017.	62,924,790	28,075,210	-	-
Real Estate Investment				
To be paid through 2011.	318,407,443	143,549,368	3,060,415	-
	\$ 885,292,264	\$ 401,970,897	\$ 3,140,540	\$ 12,159

I. DEFINED BENEFIT RETIREE HEALTH PROGRAM CONTINGENCY

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

The Department of Administration intends to seek a tax determination letter from the Internal Revenue Service during the filing cycle beginning on February 1, 2008, and ending on January 31, 2009 concerning the status of the pension plans it administers as qualified governmental plans under Internal Revenue Code Sections 401(a) and 414(d). The Department of Administration also intends to seek private letter rulings regarding the status of the ARHCT. Finally, the Department of Administration intends to seek rulings and/or guidance from the Internal Revenue Service with respect to the prior structure of the Defined Benefit Retiree Health Program. As a result, invested assets may need to be reallocated between net assets available for pension benefits and net assets available for retiree health benefits, which could require a transfer of invested assets into the ARHCT. At this time, the Department of Administration is unable to predict the exact timing of the making of its intended filing with the Internal Revenue Service, the timing of any guidance that may be obtained from the Internal Revenue Service, the results or impact of such guidance on the statements of invested assets and changes therein, or the amount of a transfer, if any to the ARHCT.

NOTE 12 – SUBSEQUENT EVENTS

A. ALASKA MUNICIPAL BOND BANK AUTHORITY

Subsequent to June 30, 2007, the Bond Bank issued two general obligation bond series:

- General Obligation Bonds, 2007 Series Three, in the face amount of \$15,050,000 with interest rates ranging from 3.78 percent to 4.66 percent, over maturities of September 2008 through September 2032. The bond sale closed on July 10, 2007.
- General Obligation Bonds, 2007 Series Four, in the face amount of \$15,625,000, with interest rates ranging from 4.25 percent to 5 percent, over maturities of September 2008 through September 2027.

B. ALASKA STUDENT LOAN CORPORATION

On July 6, 2007, the Alaska Student Loan Corporation called all outstanding Series 1997 A Bonds at par in the amount of \$49,000.

C. ALASKA CLEAN WATER FUND

Plans are in place to issue Series A Revenue Bond Anticipation Notes for FY 08 in the amount of \$821,800. 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.

Plans are in place to transfer \$29,000,000 from the Alaska Clean Water Fund to the Alaska Drinking Water Fund.

D. ALASKA DRINKING WATER FUND

Plans are in place to issue Series B Revenue Bond Anticipation Notes for FY 08 in the amount of \$1,103,800. 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. GENERAL FUND LONG-TERM CAPITAL LEASES

In October 2007, the State entered into two separate long-term leases. A capital lease agreement was made between the State and Alaska Housing Finance Corporation to lease the Atwood Parking Garage for the term beginning in fiscal year 2008 through fiscal year 2028. The value of the lease principal and interest is \$66.7 million. A financing contract for a lease-purchase of IP Telephone and Radio Equipment in the amount of \$17.3 million in principal and interest was entered between the State and Key Government Finance Inc. The term on this lease begins in fiscal year 2008 through fiscal year 2015.

F. AGRICULTURAL REVOLVING LOAN FUND

On September 9, 2007, Agriculture Revolving Loan Fund (ARLF), acting through the Board of Agriculture and Conservation approved a resolution recommending the sale of all, or substantially all, of the Creamery Corporation, d/b/a Matanuska Maid (the Corporation) property, plant and equipment. The disposal plan includes closing the Matanuska Maid Creamery and Distribution Center located in Anchorage and the Matanuska Maid Blow Mold facility located in Palmer. There is no definitive date for the closure; however, Matanuska Maid will stop accepting milk on December 14, 2007. On October 12, 2007 Public Notice of Competitive Sealed Bid was issued for the sale of real and personal property of the Corporation with a minimum acceptable offer for the entire property of \$3,350,000. Current assets and liabilities with a book value of \$1.2 million are not included as part of the sale.

ARLF owns 100% of the shares of the Creamery Corporation, d/b/a Matanuska Maid and accounts for ownership as an investment using the equity method. The carrying amount of the investment is \$4.1 million as of June 30, 2007.

REQUIRED
SUPPLEMENTARY INFORMATION

STATE OF ALASKA
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2007
 (Stated in Thousands)

STATEMENT 2.01

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Unrestricted:				
Taxes	\$ 1,836,198	\$ 1,836,697	\$ 3,206,623	\$ (1,369,926)
Licenses and Permits	98,228	103,866	108,660	(4,794)
Charges for Services	149,729	158,373	180,292	(21,919)
Fines and Forfeitures	14,400	14,400	32,047	(17,647)
Rents and Royalties	1,528,825	1,529,286	1,633,440	(104,154)
Premiums and Contributions	102	113	11,988	(11,875)
Interest and Investment Income	187,871	186,500	400,991	(214,491)
Payments In from Component Units	248,445	248,484	99,807	148,677
Other Revenues	12,700	14,071	13,092	979
Restricted:				
Federal Grants in Aid	6,389,508	6,480,780	1,931,972	4,548,808
Interagency	588,294	869,605	535,537	334,068
Other Revenues	1,321	1,321	1,545	(224)
Total Revenues	11,055,621	11,443,496	8,155,994	3,287,502
EXPENDITURES				
Current:				
General Government	516,145	558,145	466,780	91,365
Alaska Permanent Fund Dividend	668,511	668,511	658,294	10,217
Education	611,071	1,580,605	1,483,899	96,706
University	437,635	440,317	310,173	130,144
Health and Human Services	2,495,994	2,526,198	1,984,259	541,939
Law and Justice	207,280	264,470	212,138	52,332
Public Protection	756,167	886,109	709,996	176,113
Natural Resources	557,075	614,056	378,542	235,514
Development	647,422	685,029	529,663	155,366
Transportation	5,311,035	5,649,433	1,809,917	3,839,516
Intergovernmental Revenue Sharing	64,569	66,072	65,485	587
Debt Service:				
Principal	9,582	9,582	9,495	87
Interest and Other Charges	3,628	3,628	3,652	(24)
Total Expenditures	12,286,114	13,952,155	8,622,293	5,329,862
Excess (Deficiency) of Revenues Over Expenditures	(1,230,493)	(2,508,659)	(466,299)	(2,042,360)
OTHER FINANCING SOURCES (USES)				
Transfers In from Other Funds	2,079,803	3,174,664	3,173,066	1,598
Transfers (Out to) Other Funds	(906,310)	(1,998,357)	(1,998,270)	(87)
Total Other Financing Sources and Uses	1,173,493	1,176,307	1,174,796	1,511
Excess (Deficiency) of Revenues, Other Financing Sources, Special Items, Over (Under) Expenditures, Other Financing Uses and Special Items, Budgetary Basis				
	\$ (57,000)	\$ (1,332,352)	708,497	\$ (2,040,849)
Reconciliation of Budgetary/ GAAP Reporting:				
Adjust Expenditures for Encumbrances Basis Difference			1,401,273	
			<u>204,827</u>	
Excess (Deficiency) of Revenues, Other Financing Sources, Special Items, Over (Under) Expenditures, Other Financing Uses GAAP Basis				
			2,314,597	
Fund Balances - Beginning of Year			5,323,300	
Fund Balances - End of Year			<u>\$ 7,637,897</u>	

**Note to Required Supplementary Information – Budgetary Reporting
For the Fiscal Year Ended June 30, 2007**

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

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

The types of differences are as follows:

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

Petroleum Severance Taxes and Royalties	\$ 187,096
Medical Assistance Program	(1,102)
Working Reserve	3,767
Tobacco Tax	2,524
Alcohol Tax	58
Tire Tax	43
Vehicle Rental Tax	305
Commercial Passenger Vessel Excise Tax	12,136
Total General Fund Basis Difference	\$ 204,827

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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 07 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, Division of Water, Village Safe Water Program, December 5, 2007.* Audit Control Number 18-30042-08.
6. *A Report on the Department of Administration, Information System Controls Over Alaska Data Enterprise Reporting (ALDER), January 4, 2008.* Audit Control Number 02-10005-08.

In addition to the 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 07 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 07

-----Control Deficiencies-----

<i>State Department</i>	<i>Basic Financial Statements</i>		<i>Federal Programs</i>		<i>Federal Compliance</i>	<i>Other State Issues</i>
	<i>Material Weakness</i>	<i>Significant Deficiency</i>	<i>Material Weakness</i>	<i>Significant Deficiency</i>		
GOV						
DOA		2				1
DOLaw						
DOR		3				
DEED						
DHSS				6, 7, 10, 11	6, 7, 8, 9, 11, 12	4, 5
DLWD				14	14	13
DCCED						15
DMVA						
DNR						
DFG						
DPS						
DEC						
DOC						16
DOTPF		17, 18				
Court System						
Component Units					19, 20	

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OFFICE OF THE GOVERNOR

One recommendation was made to the Office of Governor in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2006*. The prior year recommendation has been resolved.

No new recommendations have been made during the FY 07 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, 2006*. Prior year Recommendation No. 2 is not resolved and is reiterated in this report as Recommendation No. 1.

One new recommendation has been made and is included as Recommendation No. 2.

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Recommendation No. 1

The Department of Administration's (DOA) director of Enterprise Technology Services (ETS) should implement procedures to properly account for capital assets owned by the Information Services Fund (ISF).

Prior Finding

The asset tracking system used by ETS does not accurately track and value ISF's capital assets. Specifically, the capital asset tracking system does not:

- Consistently capitalize the cost of capital improvements,
- Employ a consistent methodology for tracking the disposal of capital assets, and
- Provide for a formal inventory reconciliation process.

The breakdown in tracking of capital assets is mainly due to inadequate procedures, including manual processes and lack of communication between staff.

Accounting guidance from generally accepted accounting principles require capital assets be reported at historical cost. They also require that ISF, an internal service fund, operate on a cost reimbursement basis, including recovering the cost of capital assets. Not maintaining accurate and complete records of ISF's capital assets limits the State's ability to accurately report capital assets in the financial statement.

Legislative Audit's Current Position

The methodology and procedures for tracking capital assets remains unchanged. As stated above, the current system does not provide for complete and accurate asset valuation. This financial reporting error does not affect rate development since capital assets are included in that process even if they are not properly reported in the financial statements.

We, again, recommend the director of Enterprise Technology Services implement procedures to properly account for its ISF capital assets to maintain accurate financial reporting.

Agency Response – Department of Administration

DOA concurs with this recommendation.

Between July and September 2006, ETS contracted with a recognized expert consulting firm in asset management to conduct a study which would identify key needs and process gaps and make recommendations that would help the State of Alaska meet auditing and information management requirements. One of the critical asset management functions identified in their report was to be sure the asset tracking system could interface with the

financial system. This information exchange would ensure that capitalization, tracking, and disposal information was accurate and readily available. The study also made recommendations on procedures that should be implemented to ensure a formal inventory reconciliation process was designed and utilized.

ETS has funding earmarked for software and consulting services to begin implementing the asset tracking and management recommendations in the study. The Division intended to issue an RFP to address these recommendations; however, it did not complete the RFP under the previous Director. The current ETS Director is assessing the existing processes and tools within ETS and is familiar with the necessary requirements for asset tracking. Based upon review of the previous study and the current processes, the new Director will assist in the development of a system and process that will be designed to address the audit findings. Once the requirements are documented, ETS will issue an RFP to assist with the implementation of a system that will enable ETS to properly account for assets within the Information Services Fund.

*Contact Person: Eric Swanson, Director
Division of Administrative Services
Telephone: (907) 465-5655*

Recommendation No. 2

The director of Division of Finance (DOF) should increase review controls for recording year-end financial transactions for reporting in the Comprehensive Annual Financial Report (CAFR).

Some financial transactions manually calculated and processed by DOF staff at year-end to support the CAFR were misstated and needed correction. Significant misstatements include a \$232 million understatement of the amount swept from the general fund sub-funds to the constitutional budget reserve fund (CBRF) and a \$111 million decrease to rents and royalties inadvertently offset to charges for services.

DOF staff must analyze and evaluate material financial data during the preparation of the CAFR. Much of this analysis is performed either manually or non-systematically. Due to the timing and complexity of this process; it is difficult to ensure controls are maintained to prevent and detect all misstatements in the financial records.

As a valuable informational resource, the CAFR must be free of material misstatements and provide reliable information to the financial statement users. The balance of the CBRF and the categorization of the major revenue streams are important components of the financial statements that provide details to support policy decisions.

We recommend DOA's director of DOF develop additional review procedures for the significant manual and nonsystematic year-end financial transactions presented in the CAFR. Improving the controls to prevent or detect financial statement errors will increase the reliability of the financial statements for the users.

Agency Response – Department of Administration

DOA concurs with this recommendation.

The two situations highlighted in the recommendation related to the sweep amount from the General Fund sub-funds to the Constitutional Budget Reserve Fund (CBRF), and also the amount of rents and royalties that were erroneously offset against charges for services.

The sweep calculation is a very complicated process and there were two different instances that contributed to the \$232 million error. Approximately \$70 million is related to the Department of Transportation and Public Facilities projects that had not yet gone to grant. This was an oversight by DOF, but was ultimately identified and disclosed to the auditors as soon as discovered. The procedures were not completely followed in hopes of saving time. In the future, the procedures will be completely followed and the proper worksheets will be prepared to avoid this error.

The sweep calculation takes on unique aspects each year due to the fact that the legislature appropriates the General Fund surplus in different ways each year. As a result, it is far from a routine calculation that can be replicated. In FY 07, the available balance within the General Fund was appropriated for the purpose of capital projects to the Alaska Capital Income Fund. Our first review of this appropriation language concluded that this was a valid appropriation for capital projects to the Alaska Capital Income Fund; therefore, the balance of the fund was not available for appropriation and was not considered within the CBRF sweep calculation. However, upon later discussions with the Division of Legislative Audit, Office of Management and Budget, and Department of Law, we revised our initial analysis to conclude that the amount was available for appropriation and therefore subject to the CBRF sweep. This conclusion could not be made without the advice of counsel. As a result of this additional information, the amount of the sweep to CBRF was revised, which resulted in an additional \$162 million of available balance. DOF will engage counsel earlier in the process so that these legal appropriation questions are answered prior to the delivery of the financial statements.

The second situation identified in this recommendation related to the misclassification between rents and royalties and charges for services totaling \$111 million. This misstatement was simply an error in the preparation of the General Fund revenue spreadsheets. The CAFR instructions for this process will be written to more clearly segregate between the fund and government-wide financial statement preparation. This missing distinction contributed to the error.

The Division of Finance is committed to producing a quality CAFR and proud to have been awarded the Certificate of Achievement for Excellence in Financial Reporting from the Governmental Finance Officer's Association for the past four years running. Each year improvements are made to the CAFR preparation process, and the recommendation proposed by the Division of Legislative Audit will assist in that endeavor.

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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, 2006*.

No new recommendations have been made during the FY 07 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, 2006*.

One new recommendation has been made and is included as Recommendation No. 3.

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Recommendation No. 3

We recommend DOR's, Chief of Revenue Operations, annually report the liability for the petroleum production tax (PPT) credits in the State's Comprehensive Annual Financial Report (CAFR).

Approximately \$40 million in liabilities for PPT credits were not properly reported in the financial records. These liabilities were created when certificates for transferrable tax credits to exploration companies were awarded but not paid. Generally accepted accounting principles require a liability be reported in the period that the government incurs the obligation.

Changes in the rate structure for production taxes allowed for the issuance of certificates for PPT credits. However, department staff was not aware of their responsibility for accruing the liability for the transferrable tax credit certificates issued but not paid. Lack of financial reporting causes misstatements in the CAFR and indicates a significant deficiency in controls.

We recommend the Chief of Revenue Operations properly report the liability associated with PPT transferrable tax credit certificates awarded but not paid in the financial records for each fiscal year.

Agency Response – Department of Revenue

The Department of Revenue concurs with your recommendation. The Chief of Revenue Operations, the department's Finance Officer, and the Department of Administration, Division of Finance are working to ensure that procedures are established to report the liabilities for transferable PPT credits for FY2008 and future years.

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DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT

No 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, 2006*.

No new recommendations have been made during the FY 07 statewide single audit.

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DEPARTMENT OF HEALTH AND SOCIAL SERVICES

Fourteen 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, 2006*. Prior year Recommendation Nos. 3, 4, 11, 14, and 16 have been resolved. Prior year Recommendation Nos. 5, 6, 8, and 10 have not been resolved and are reiterated in this report as Recommendation Nos. 9, 8, 7, and 11 respectively. Additionally, prior year Recommendation Nos. 7, 9, 12, 13, and 15 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, five new recommendations have been made and are included as Recommendation Nos. 4, 5, 6, 10, and 12.

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Recommendation No. 4

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 07, seven potential shortfalls have been identified for DHSS as follows:

<u>Appropriation</u>	<u>Appropriation Title</u>	<u>Amount</u>
AR 22930-05	Health Care Services	\$ 213,000
AR 22930-06	Health Care Services	\$21,512,000
AR 22792-07	Team Nutrition DEED ¹	\$ 8,000
AR 22841-07	IPEMS ² State CPS ³ Coordinator	\$ 7,000
AR 22848-07	EMS ⁴ Data Collection	\$ 6,000
AR 22930-07	Health Care Services	\$ 2,234,000
AR 23025-07	EMS Data Collection	\$ 9,000

The revenue shortfalls are a result of weaknesses in internal controls over monitoring of revenue collections and untimely revenue billings, and in two cases, federal grants-in-aid (FGIA) revenues that are no longer deemed collectible and the recording of expenditures to FY 07 that should be recorded to FY 06.

AR 22930-06 is in shortfall, due to FGIA revenues that are no longer deemed collectible. DHSS recorded revenues earned but not collected, totaling \$25.2 million, that are related to various federal Medicaid expenditure disallowances or claim deferrals that the State has appealed. The appeals have been denied and, therefore, the \$25.2 million is not collectible.

AR 22930-07 is in shortfall due to FGIA revenues that are no longer deemed collectible and the recording of FY 07 expenditures to the FY 06 appropriation. DHSS recorded revenues earned but not collected, totaling \$1.3 million, related to a federal Medicaid expenditure disallowance that the State has appealed. The appeal has been denied and, therefore, the \$1.3 million is not collectible. In addition, DHSS inappropriately charged \$3 million in FY 07 expenditures to the FY 06 AR. In Recommendation No. 5, we recommend DHSS process an adjusting journal entry to record these expenditures to AR 22930-07.

We recommend that DHSS' finance officer work with the directors of the pertinent operating divisions to collect earned revenues where possible and request supplemental appropriations for the remaining revenue shortfall amounts. In addition, we recommend that DHSS

¹ Department of Education and Early Development
² Injury Prevention and Emergency Medical Services
³ Child Protective Services
⁴ Emergency Medical Services

strengthen internal controls over the billing and monitoring of revenue collections to prevent revenue shortfalls.

Agency Response – Department of Health and Social Services

The department partially concurs with the recommendation. DHSS' position and actions are as follows:

The shortfall in the HCS Medicaid Services Component is due to lost federal funds resulting from disallowances issued by the Centers for Medicaid and Medicare (CMS) for the Private ProShare program and IHS Referrals' claims.

AR 22930-06 Health Care Services, AR 22301 HCS Medicaid Component, and AR 22930-07 Health Care Services, AR 22301 HCS Medicaid Component

ProShare came about in SFY 2004 when the Division of Medical Assistance (now Health Care Services) proposed a method to optimize use of Medicaid funding through the Private Hospital Proportionate Share Program. ProShare made payments for certain medical assistance services to qualified private hospitals. The hospital in turn granted funds to qualified community service providers to secure services in rural, remote areas. ProShare funds also were used to refinance medical care for children in juvenile justice facilities. Health Care Services paid the hospitals the ProShare payments and the divisions provided Health Care Services with the matching GF through reimbursable services agreements. The general funds saved through refinancing these grants/services were removed from the divisions' budgets and replaced with federal funds in Health Care Services' budget. The Legislature supported this cost containment effort and about \$16 million in general funds was replaced with federal funds in that first year. Since 2004, the state has saved approximately \$36 million in GF through ProShare refinancing.

Prior to ProShare, and following its termination, the same services were funded through grant programs that were 100% GF.

In 2006 the Centers for Medicare & Medicaid Services (CMS) decided that Alaska's ProShare program was not allowed and denied reimbursement for these payments. The department appealed this decision, and with the agreement of the Legislature, decided to continue the program until the case was resolved. CMS again disallowed the ProShare claim for 2007. On July 31, 2007 the department learned that it had lost the appeal when the U.S. Department of Health and Human Services Department Appeals Board upheld the disallowed claim.

AR 22930-06 Health Care Services, AR 22301 HCS Medicaid Component

IHS Referrals - *In 1999, the Department of Health and Social Services, Health Care Services began the practice of claiming enhanced federal revenue for Medicaid services*

provided after an Indian Health Service (IHS) facility referral. The federal government reimburses the state about 50% of the cost for most Medicaid claims but Indian Health Service Medicaid claims are reimbursed at 100%. “IHS Referrals” are Medicaid services provided to American Indians/Alaska Natives by non-IHS health care providers based on a referral by an IHS facility. The referral was necessary because these services were not available through the IHS facility. Tracking services resulting from such referrals allowed the department to leverage additional federal funds. The referred claims were originally reimbursed at the regular Medicaid federal participation rate, but once identified as resulting from IHS referrals, the department resubmitted the claims at the enhanced 100 percent federal rate to claim the additional revenue.

In 2003, the Centers for Medicare & Medicaid Services (CMS) disallowed the practice of resubmitting the claims for the additional revenue and the State appealed. Concurrently, South Dakota and Arizona were pursuing similar IHS referral appeals and the decision on Alaska’s appeal was postponed until those cases were resolved. South Dakota won their initial case but lost on appeal. In December of 2007, the 9th Circuit Court ruled in favor of CMS on Arizona’s appeal. Based on that decision, and the unlikelihood that continued appeal would result in favorable decisions, both Arizona and Alaska decided to discontinue their appeals.

Position and Action:

In the situations above (ProShare and IHS Referrals), the department believed both the ProShare expenditures and the federal maximization of services to IHS eligible clients to be legitimate and the resulting federal claims to be valid. Therefore it was not necessary to “reduce its budget” as there was no “estimated loss of federal revenues”. The department acted in good faith with the full knowledge and support of the legislature. The department claimed the federal revenues with the expectation of receiving them. The department is seeking supplementals to cover the lost federal revenues.

SFY07 - AR 22792 - Team Nutrition DEED, AR 22841 - IPEMS State CPS Coordinator, AR 22848 – EMS Data Collection, AR 23025 – EMS Data Collection

Division of Finance’s (DOF) policy for establishing unbudgeted RSA structures allows departments to choose one of two options; either to add a sub-AR into the budgeted structure or to create a new total control AR in the unbudgeted structure. There are pros and cons to each method. H&SS has utilized the second method over the last several years.

In SFY07, due to a breakdown in the closeout review process, there were four Division of Public Health unbudgeted RSAs, which were closed prematurely, prior to fully billing the expenditures. As the unbudgeted structure is independent of the budgeted structure, it was not possible to AJE (transfer) the expenditures to the budgeted structure where there was sufficient GF available to cover the shortfalls.

The department discussed with DOF the option of re-opening the RSAs and completing the billing. Though OMB was agreeable and the agencies that requested the services were willing to complete payment, DOF was unwilling to re-open the RSAs.

Position and Action:

The department agrees with Leg Audit's recommendation to strengthen internal controls over the billing and monitoring of revenue collections to prevent revenue shortfalls. The department is reviewing its policy to post unbudgeted RSAs in a separate structure, as well as the procedures for processing unbudgeted RSAs, to ensure these errors are not repeated in the future. The department is seeking supplementals to cover the shortfalls.

SFY05 - AR 22930 – Health Care Services

SFY05 reappropriation period closed with the Health Care Services (HCS) RDU having sufficient receipts to cover expenditures. However, shortly after re-appropriation, it was determined that the National Cancer Prevention and Control Grant had been over-collected. This was due to a formula error in the cost allocation system that claimed 100% federal for those costs rather than charging a portion to GF match. The over-collected receipts were moved from SFY05 to SFY06. The reduction of federal receipts left the HCS Medical Assistance Administration component with a shortfall of 121.2 and the Women's and Adolescents' Services component with a 261.3 shortfall. The division was able to cover a portion of these shortfalls with excess GF surplus from other components. A \$231.5 ratification has been requested by the department during the 2008 Legislative session.

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Recommendation No. 5

The DHSS finance officer should strengthen procedures to ensure encumbrances are established based on valid obligations existing at fiscal year-end.

Two encumbrances, established by DHSS, inappropriately reserved expenditure authorization as they did not represent valid obligations at fiscal year-end. They are as follows:

- A management encumbrance for \$13.5 million was established in FY 07 in order to offset uncollectible receipts that were disallowed by the federal Medicaid agency. Staff indicated the purpose of the encumbrance was to reserve general funds to avoid a

supplemental ratification in FY 07. The transaction was a “blanket encumbrance”⁵ which is prohibited according to the state administrative manual.

- Transaction documentation for a management encumbrance of \$4 million, established in FY 06, did not support the dollar amount or indicate that an obligation for expenditures existed as of June 30, 2006. The encumbered amount related to the multi-year, ongoing project of Medicaid system enhancement. Similar to the previous encumbrance, the transaction was a “blanket encumbrance” and prohibited. This encumbrance was used to inappropriately record actual FY 07 expenditures totaling \$3,056,607 to an FY 06 appropriation – AR 22930-06. As these expenditures were not related to valid obligations existing at the end of FY 06, they should have been recorded to AR 22930-07. Recording these expenditures to the proper FY 07 appropriation contributes to a revenue shortfall in AR 22930-07 as is described in Recommendation No. 4.

The Alaska Administrative Manual (AAM 30.010) defines encumbrances as commitments related to unperformed (executory) contracts for goods or services. Encumbrances represent "valid obligations" or amounts that the state may be legally required to meet out of its resources. Authorizations are obligated by purchase orders, delivery orders, contracts, and other documents. AAM 30.020 identifies the conditions under which a “management encumbrance” may be used. At year-end, a management encumbrance must be reviewed and liquidated if they do not represent valid obligations. They may only be reappropriated in the accounts for the new fiscal year if they represent valid obligations as of June 30 of the prior year.

State law (AS 37.25.010) prescribes that unexpended balances, of a one-year appropriation authorized in an appropriation bill, lapse on June 30 of the fiscal year for which it was appropriated. However, a valid obligation (encumbrance) existing on June 30 is automatically reappropriated for the fiscal year beginning on the succeeding July 1 if it is recorded with the Department of Administration by August 31 of the succeeding fiscal year.

These encumbrances were created to reserve expenditure authorization and prevent the lapsing of unexpended balances. DHSS circumvented the budget process as these funds were not available for reappropriation by the legislature.

We recommend DHSS’ finance officer process an adjusting journal entry to charge the \$3.1 million in expenditures to the proper appropriation and strengthen procedures to ensure encumbrances established at year-end represent legally valid obligations.

⁵ A “blanket encumbrance” is the practice of encumbering the remaining authorization balance without substantiating the existence of a valid obligation. AAM 30.010 prohibits the use of blanket encumbrances.

Agency Response – Department of Health and Social Services

The department partially concurs with the recommendation. This encumbrance was related to the Private ProShare refinancing program.

ProShare came about in SFY 2004 when the Division of Medical Assistance (now Health Care Services) proposed a method to optimize use of Medicaid funding through the Private Hospital Proportionate Share Program. ProShare made payments for certain medical assistance services to qualified private hospitals. The hospital in turn granted funds to qualified community service providers to secure services in rural, remote areas. ProShare funds also were used to refinance medical care for children in juvenile justice facilities. Health Care Services paid the hospitals the ProShare payments and the divisions provided Health Care Services with the matching GF through reimbursable services agreements. The general funds saved through refinancing these grants/services were removed from the divisions' budgets and replaced with federal funds in Health Care Services' budget. The Legislature supported this cost containment effort and about \$16 million in general funds was replaced with federal funds in that first year. Since 2004, the state has saved approximately \$36 million in GF through ProShare refinancing.

In 2006 the Centers for Medicare & Medicaid Services (CMS) decided that Alaska's ProShare program was not allowed and denied reimbursement for these payments. The department appealed this decision, and with the agreement of the Legislature, decided to continue the program until the case was resolved. CMS again disallowed the ProShare claim for 2007. On July 31, 2007 the Department Appeals Board (DAB) upheld the disallowed claim. The Department did not contest this decision and the ProShare appeals came to an end.

During the reappropriation period for SFY07, the department established a receivable for the federal share of the questioned Private ProShare payments. Knowing that a decision from the DAB was eminent and that, if the department lost its appeal, the lost federal funds would need to be covered with GF, the department established a management encumbrance of the surplus GF available at year end. The intention of this action was not to pay for obligations with the encumbrance, but to ensure that the funds were not “swept” by DOF in their year-end close out.

The department did not receive notice of the final DAB decision until SFY08 had begun. In late September 2007, the federal receivable established for SFY07 Private ProShare (6070278) was reduced by the non-SPEP share. (SPEP, or single point of entry, was a piece of ProShare for which the department requested additional review.) The reduction of federal revenues automatically increased the GF needed to cover SFY07 obligations. In mid-October the management encumbrance was released.

The department agrees that the management encumbrance inappropriately reserved expenditure authorization. The expenditures already existed in federally reimbursable codes. However, the management encumbrance was established to pay for “valid obligations”. It

was simply unknown at the close of reappropriation if those valid obligations would be paid for with federal funds or the reserved GF encumbered funds. The intention was to avoid having GF swept that, as it turned out, was needed to replace lost federal funds.

In retrospect, the department should not have established the management encumbrance, but rather, restricted anticipated federal receipts, thereby showing an increased GF need. The actions were taken as the reappropriation period was coming to a close, time was short, and the department wanted to ensure that the GF were available should they be needed.

- *Transaction documentation for a management encumbrance of \$4 million...*

If DOF agrees to allow such action, the department agrees to accept the Legislative Audit recommendation to process an adjusting journal entry to charge the \$3.1 million in expenditures to SFY07 and to strengthen procedures to ensure encumbrances established at year-end represent valid obligations.

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Recommendation No. 6

DHSS' Division of Public Assistance (DPA) administrative manager should ensure the Temporary Assistance for Needy Families (TANF) state maintenance of effort (MOE) and federal reporting requirements are met.

At June 30, 2007, the federal fiscal year (FFY) 2006 ACF-196 misreported \$3,071,386 in federal TANF work services expenditures as state MOE expenditures. These expenditures were claimed for federal reimbursement and, therefore, are not state MOE expenditures. As a result, DHSS erroneously reported that its MOE requirements had been satisfied.

The misreporting was due to miscommunication between the DPA administrative manager and the revenue section of DHSS' Financial and Management Services (FMS). During FFY 06 third quarter, DHSS processed a manual adjustment in the Public Assistance cost allocation spreadsheet (PACAP) to claim additional federal reimbursement for expenditures that were originally billed at 50 percent federal financial participation (FFP). After this adjustment was done, the expenditures should have been moved from the state MOE column to the federal expenditure column of the report. In addition, due to conflicting versions of the FFY 06 third quarter PACAP spreadsheet, the DPA administrative manager believed work services expenditures were billed at 50 percent FFP. However, the version being used by the FMS revenue section billed these claims at 100 percent FFP. These errors caused DHSS to be \$1,966,653 under the required MOE for FFY 06.

Per federal TANF regulations (45 CFR 265), states are required to submit the ACF-196 financial report on a quarterly basis. This report is used to submit expenditure data, by activity, on the State's use of federal TANF funds, state TANF MOE expenditures, and state expenditure of MOE funds in other programs. Per 45 CFR 92, standards for financial reporting require reports to be an accurate and complete disclosure of financial activities, and be supported by the accounting records.

Under TANF regulations (45 CFR 263), every fiscal year, states are required to maintain an amount of "qualified state expenditures." This amount is called basic MOE and is calculated as a percentage of historic state TANF expenditures. If a state does not meet basic MOE requirements for a given fiscal year, penalties result. The penalty consists of a reduction of a state's federal grant for the following fiscal year in the amount of the difference between a state's qualified expenditures and the required basic MOE. If application of a penalty results in a reduction of federal TANF funds, a state is required, in the immediately following fiscal year, to spend from state funds an amount equal to the reduction, in addition to the required basic MOE.

For Alaska, the FFY 06 basic state MOE requirement was \$36,893,236. For the period ending June 30, 2007, MOE for the FFY 06 grant was reported as \$37,998,029. However, included in this amount is \$3,071,386 in expenditures that should have been reported as federal. Actual MOE for federal FFY 06 at June 30, 2006 is \$34,926,643. This is \$1,966,593 under the required amount.

To avoid a penalty, we recommend DHSS process a decreasing claim adjustment for the amount necessary to meet the FFY 06 basic MOE requirement and submit an amended report.

CFDA: 93.558

Questioned Costs: \$1,966,593

Federal Agency: USDHHS

Significant Deficiency, Noncompliance
Reporting, Level of Effort

Agency Response – Department of Health and Social Services

The department partially concurs with the finding. Due to staff turnover, DHSS inadvertently duplicated previous quarters' federal reimbursable expenditures during the April 1, 2006 through June 30, 2006 reporting period. This inadvertent error resulted in DHSS reporting expenditures as federal reimbursable and MOE.

DHSS will implement corrective action by reducing the federal reimbursable expenditures for the FFY 06 TANF grant by \$1,966,593 during the December 31, 2007 reporting period. This corrective action will ensure that DHSS is reimbursed for the appropriate amount of federal expenditures, while leaving its reported MOE amount intact, for meeting the requirement for the FFY 06 TANF grant.

DHSS would like to clarify its federal report preparation procedures. It is the responsibility of the DHSS, FMS revenue section to prepare the quarterly federal financial reports. The draft reports are provided to the pertinent division administrative manager for their review and approval. During the divisional review, administrative managers may require revisions to the draft quarterly federal financial report to ensure federal and state financial compliance. In this instance, during the referenced reporting period, revisions were only partially implemented when the final TANF report was completed.

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Recommendation No. 7

The DHSS finance officer should improve the controls over categorization and allocation of allowable claims.

Prior Finding

DHSS allocates direct and indirect expenditures to federal programs through computerized worksheets. Current internal control procedures for the determination and allocation of costs through these worksheets are not adequate. Significant errors have occurred and not been detected.

Specific errors included double claiming of costs to the Medicaid program and the Special Supplemental Nutrition Program for Women, Infants and Children. These resulted in questioned costs to each of the federal programs of \$370,900 and \$11,501 respectively. Similarly, expenditures totaling \$390,379 were allocated twice to the Social Services Block Grant. In this instance, there were no questioned costs as there are unclaimed allowable expenditures greater than this amount.

Legislative Audit's Current Position

In the third quarter worksheets, DHSS corrected the linking and formula errors identified in the prior year that resulted in double claiming of costs. However, internal controls over the system for allocation of allowable claims did not significantly improve.

Due to weaknesses in controls, in 2007, the following errors were identified:

- DHSS entered decreasing claims adjustments in the computerized worksheets to correct the prior and current year's effect of the Medicaid double claiming identified in the prior year audit. However, due to a formula error, these adjustments did not result in a claims adjustment.

- The methodology (DPA-15) that allocates Denali Kid Care (DKC) administrative costs between the Medicaid program and the State Children’s Health Insurance Program (SCHIP) is based on the relative number of DKC case counts. In the first and second quarters, the portion of DKC costs allocable to Medicaid was claimed at two different federal financial participation (FFP) rates. This issue is addressed further in Recommendation No. 8.
- In the first quarter, the percentages used for the DPA-15 allocation were not updated. Also, for the first and second quarters, due to formula errors, the case count percentages were applied incorrectly. The portion of DKC costs allocable to SCHIP was calculated using the Medicaid case count, and the Medicaid costs were based on the SCHIP case count.
- Claims entered manually in the first quarter worksheet were claimed again in both the second and third quarters. This resulted in questioned costs for the TANF program totaling \$831,332 and for the Food Stamps program totaling \$72,584.

As a condition of receiving federal awards, states are required to maintain internal controls over federal programs that provide reasonable assurance that the State is managing federal awards in compliance with applicable laws and regulations. Additionally, both direct and indirect costs must meet the conditions of OMB Circular A-87, which requires the expenditures allowable under a grant program be necessary and reasonable for the administration of the grant program.

The multiple formula and claim categorization errors indicate the need for improving internal controls over the system for allocating costs. Overall, the errors related to DKC costs and the Division of Public Assistance (DPA) allocations resulted in questioned costs for SCHIP totaling \$413,816 and under claims for Medicaid totaling \$130,049.

We again, reiterate our recommendation that DHSS improve its internal control procedures over the allocation of expenditures to federal programs.

CFDA: 10.561	Federal Agency: USDHHS
Questioned Costs: \$72,584	USDA
CFDA: 93.558	Significant Deficiency, Noncompliance
Questioned Costs: \$831,332	Allowable Costs
CFDA: 93.767	
Questioned Costs: \$413,816	

Agency Response – Department of Health and Social Services

The department concurs with this recommendation. DHSS has been transitioning from one allocation system, the CAP Excel spreadsheet, to a new system, the Maximus MaxCars. Changing the cost allocation system in and of itself will eliminate the formula and linkage errors that occurred in the old Excel CAP spreadsheet.

In the new MaxCars system for the first two quarters that it was used, 4th quarter ending 6/30/07 and 1st quarter ending 9/30/07, there was not a system in place to double check the statistical information as it was entered. For the 2nd quarter ending 12/31/07, the statistical information was reviewed with the divisions as it was entered, and corrections made. While a formal written procedure has not been completed at this time, major progress has been made to identify errors prior to the CAP being closed to ensure compliance with the approved PACAP. As we continue to improve the MaxCars system we will be able to establish formalized written processes to standardize the MaxCars procedures.

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Recommendation No. 8

DHSS' finance officer should ensure the public assistance cost allocation plan (PACAP) methodologies are properly updated, accurate, and new methodologies are submitted for federal approval.

Prior Finding

In 2005, two methodologies in PACAP were used to allocate costs, specifically Health Care Policy Services #14 (HCS-14) and Office of Children's Services #10 (OCS-10), and not updated as required. In addition, one methodology used for allocating DKC administrative costs to SCHIP and the Medicaid Program was not submitted for federal approval.

In 2006, DHSS continued to allocate DKC administrative costs through a methodology that has not been submitted for federal approval, as well as four other methods being used that were not found in the approved PACAP. In addition, costs allocated through a methodology (DW-15) did not conform to the allocation method defined in PACAP. Lastly, a weakness was found in the allocation of personal services expenditures of Foster Care community care licensing specialists (CCLS) through the OCS-22 allocation method. The OCS-22 allocation method distributes costs to various federal programs including Adoption Assistance, Medicaid, and Foster Care-Title IVE. However, the CCLS also spent time for activities chargeable to the Child Care Cluster program.

Reorganization and staff turnover at DHSS contributed to inconsistencies in the methodologies and implementation of PACAP. As a result, expenditures were allocated to state and federal programs in a manner that does not comply with the federally-approved PACAP requirements.

Legislative Audit's Current Position

DHSS allocates costs to federal programs based on methodologies prescribed by their federal PACAP. As a condition of OMB Circular A-87, state public assistance agencies are required to promptly submit amendments to PACAP for review and approval.

During 2007, the allocation methodologies cited in prior audits were submitted for federal approval. However, additional improvements are necessary.

The following weaknesses were identified:

- As discussed in Recommendation No. 7, the allocation under DPA-15 for DKC field staff costs is not in compliance with OMB Circular A-87 requirements. First and second quarter Medicaid costs under the DPA-15 methodology were claimed at 50 percent FFP (Medicaid Admin) and again at 100 percent FFP (Immigration Systematic Verification). DKC field staff job duties include verifying immigration status where applicable. However, this is only one aspect of their duties. Claiming at 100 percent FFP would be appropriate only if all the costs of DKC field staff are associated with immigration status verification. Determining the costs associated with immigration status verification would require revision to the DPA-15 methodology which currently allocates based on the relative number of Medicaid and SCHIP cases administered by the DKC office. Questioned costs related to this inappropriate claiming are reported in Recommendation No. 2.
- DHSS used an inappropriate methodology for allocating field service costs for Medicaid and SCHIP. Per PACAP, DPA field service costs, other than DKC, are allocated using a random moment time study (DPA-11). In the third quarter, the costs allocated to Medicaid under DPA-11 were reallocated between Medicaid and SCHIP using the DPA-15 methodology. This is not in accordance with PACAP which requires this reallocation to be done using DPA-12. The DPA-12 methodology does not include SCHIP. This results in questioned costs to SCHIP totaling \$273,630.
- DHSS did not correct the prior year's weakness relating to Foster Care CCLS costs allocated through OCS-22. As noted above, the activities of this section provide services benefiting various federal programs including the Child Care Cluster program. However, this program is not included in the OCS-22 allocation. Further, DHSS continued to directly charge a portion of CCLS costs to the Child Care Cluster program through a reimbursable services agreement. This results in duplicate claiming, as these costs have

already been allocated to other federal programs under OCS-22. This issue is addressed further in Recommendation No. 9.

As a condition of receiving federal awards, states are required to provide reasonable assurances that they are managing these awards in compliance with applicable laws and regulations, including the reasonable and accurate update and implementation of cost allocation methodologies.

We, again, recommend DHSS' finance officer ensure new or revised PACAP methodologies are submitted for federal approval. We further recommend a methodology be developed to accurately charge personal services costs of OCS' Foster Care CCLS to all of the applicable state and federal programs for which they work.

CFDA: 93.767

Questioned Costs: \$273,630

Federal Agency: USDHHS

Noncompliance

Allowable Costs

Agency Response – Department of Health and Social Services

The department concurs with this recommendation. In a letter dated January 18, 2008, DHSS received approval from the Division of Cost Allocation (DCA) that the DHSS PACAP submitted to them on April 2, 2007, and subsequently revised on July 13, 2007; July 27, 2007; October 15, 2007; October 27, 2007; October 29, 2007; December 5, 2007; January 1, 2008; and January 14, 2008, with various effectives dates, has been approved.

During DCA's review of the Cost Allocation Plan, other pending amendments were held based on direction of that office. At this time, DHSS is preparing pending amendments for submission.

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Recommendation No. 9

DHSS' assistant commissioner, responsible for finance and management services, should ensure that personal services expenditures charged to the Child Care Cluster program comply with federal cost principles.

Prior Finding

Lack of sufficient supporting documentation to substantiate personal services expenditures charged to federal programs is an ongoing problem. Personal services expenditures tested failed to consistently have supporting documentation necessary to comply with federal requirements. The lack of required supporting documentation was a result of staff being unaware of federal requirements for personal services expenditures. In order for salaries and benefits to be an allowable cost, federal cost principles require certain documentation be maintained.

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.⁶ 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.⁷ These records must account for all time worked and may not be based on estimates.

Legislative Audit's Current Position

As in FY 06, DHSS continued to charge unsupported OCS' CCLS personal service expenditures to the Child Care Cluster program through an RSA. During FY 07, the RSA was used to directly charge a total of \$287,410 of four CCLS employees' personal service costs. There was no support (i.e. either timesheet or certification) to determine how much time should be charged to the Child Care Cluster program. Additionally, these same expenditures were charged to other federal programs through PACAP, resulting in duplicate charging of those expenditures (see Recommendation No. 8).

We, again, reiterate our recommendation that DHSS' assistant commissioner, responsible for finance and management services, work with the administrative manager of OCS to ensure personal services expenditures charged to federal programs comply with federal cost principles.

CFDA: 93.575 and 93.596
Questioned Costs: \$287,410

Federal Agency: USDHHS
Noncompliance
Allowable Costs

⁶ Specifically, OMB A-87, Attachment B, section 11h.(3) states "*Where employees are expected to work solely on 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.*"

⁷ Specifically, OMB A-87, Attachment B, section 11h.(4) states "*Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system or other substitute system has been approved by the cognizant federal agency.*"

Agency Response – Department of Health and Social Services

The department concurs with this recommendation. The Office of Children’s Services (OCS) conducted an in-depth review of the licensing positions and subsequent claiming of the portion tied to Day Care background checks. This issue was identified when an auditor contacted OCS financial staff in March 2007. OCS initiated corrective action in SFY08 by identifying the positions conducting these responsibilities and ensuring they were positive time-keeping if they were handling multiple responsibilities. OCS has identified \$79,930 of services that should be reversed, and is researching the documentation supporting another \$72,788.

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Recommendation No. 10

The director of the Division of Health Care Services (DHCS) should implement procedures to ensure periodic risk analyses and security reviews are performed on systems used in the administration of the Medicaid program.

Due to oversight, DHSS has no program in place to ensure periodic risk analyses of the Medicaid Management Information System (MMIS) are conducted. Further, DHSS has not performed a system security review of the automated data processing (ADP) system used to process Medicaid drug rebates.

Federal Medicaid regulations⁸ require state agencies to establish and maintain a program for conducting periodic risk analyses to ensure that appropriate, cost-effective safeguards are incorporated into new and existing ADP systems. State agencies must perform risk analyses whenever significant system changes occur. Additionally, regulations⁹ require state agencies to review the ADP system’s security installations involved in the administration of U.S. Department of Health and Human Services programs. These reviews are required on a biennial basis and, at minimum, must include an evaluation of physical and data security, operating procedures, and personnel practices.

The MMIS is used to maintain provider and recipient information and to adjudicate claims. Through a weekly automated process, MMIS calculates amounts to reimburse providers for services provided to Medicaid eligible recipients. During 2007, approximately \$900 million in state and federal expenditures was processed through MMIS. Without an effective system

⁸ 45 CFR 95.621(f)(2)iii

⁹ 45 CFR 95.621(f)(3)

in place to conduct periodic risk analysis, DHSS limits the information that would enable them to concentrate control efforts in areas that would be most susceptible to fraud or abuse.

Medicaid regulations allow states to receive rebates for drug purchases. Based on data provided by drug manufacturers, the Center for Medicare and Medicaid Services calculates a unit rebate amount for each drug. The state Medicaid agency must provide manufacturers' drug utilization data which generate rebate payments to the State. DHSS has contracted with First Health Services Corporation (FHSC) to provide drug rebate services. FHSC uses an automated system called "FirstRebate" to maintain drug and manufacturer information; generate invoices; and, track payments and deposits. During FY 07, the State received approximately \$21 million in drug rebates. Without periodic system reviews, DHSS lacks adequate assurance that effective system controls are in place over drug rebate processing.

We recommend the director of DHCS implement procedures ensuring periodic risk analyses and biennial security system reviews are performed on systems used in the administration of the Medicaid program.

CFDA: 93.778
Questioned Costs: None

Federal Agency: USDHHS
Significant Deficiency
Special Tests and Provisions

Agency Response – Department of Health and Social Services

The department partially concurs with this recommendation. The department believes that an appropriate level of analysis and review of the Medicaid Management Information System (MMIS) and other automated data processing systems are ongoing and effective in providing security to state assets, sensitive data, and data processing systems. That review is accomplished through annual independent audit of the department's fiscal intermediary First Health Services Corporation (FH) and through the ongoing work of two units within the Division of Health Care Services (HCS).

Within HCS the Systems Unit provides significant security over the MMIS. All changes and adjustments to automated data processing systems are reviewed and analyzed. Multiple signatures are required prior to system changes being implemented. Pass code access to the system is reviewed monthly to assure that only appropriate access is provided. Access to the system is limited to necessary systems only.

Weekly and monthly reports providing transaction detail and summary information are dispersed for program managers to review. An expenditure trend analysis report (CP-O-14) is provided weekly to managers and upper management. HCS managers meet weekly to discuss any issues that may arise. The Finance Unit within HCS maintains well documented, ongoing, and tight control of assets that are dispensed through these systems. Expenditure analysis is provided weekly and upon request to upper management for their review.

The department contracts with FH to act as its fiscal agent. FH manages and operates the MMIS and other automatic data processing systems that are utilized by the department. By contractual requirement FH annually contracts to perform an independent audit in compliance with Statement on Accounting Standards 70, and SAS 70 report. This annual review was most recently conducted by Boyce, Spady, & Moore PLC, Certified Public Accountants. That audit reviews a broad range of control structures, procedures, and operations related to information technology operations and control procedures related the Medicaid Management Information System (MMIS) and other systems.

However, the auditor has uncovered an area outside of the automated data processing system where better oversight is needed. The identified drug rebate program is a service provided by FH. That service utilizes data available on the information technology systems. That service is an adjunct to the MMIS and other automated data processing systems and does not affect the security of those systems. We agree that these adjunctive systems should receive a period risk analysis to assure appropriate protection of state assets.

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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 this recommendation.

The internal controls over the MMIS, described by DHSS, do not replace the requirement for periodic risk analysis prescribed in federal regulation.

Further, the agency response does not address the issue of system security reviews for the drug rebate system. We reaffirm the recommendation and reiterate this includes implementing procedures to ensure biennial security reviews are performed on the drug rebate system.

Recommendation No. 11

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

Prior Finding

State Medicaid agencies are required by the U.S. Department of Health and Human Services (USDHHS) 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. Further, agencies are required to have procedures for ongoing post-payment review, on a sample basis, for the necessity, quality, and timeliness of Medicaid services.

DHSS relies on a contract with its Medicaid fiscal agent, First Health Services Corporation (FHSC) to carry out some of its program integrity and utilization functions. DHSS also utilizes quality control sections within each division that administer Medicaid programs.¹⁰ 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, FHSC.

During FY 04 through FY 06, significant components of DHSS' utilization control and program integrity function were not operating effectively. Three main factors weaken DHSS' program integrity and utilization program: nonperformance by FHSC; decentralization of its program integrity and utilization function; and, staff vacancies and conflicting priorities. These weaknesses were also noted in a federal review of DHSS' program integrity procedures published in April 2007.¹¹

- *Nonperformance by DHSS' Medicaid fiscal agent*

It became evident in FY 04 that FHSC was not performing its program integrity and utilization control functions. DHSS ceased paying for these services based on FHSC nonperformance.

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 continued to be responsible for its various activities at a reduced level. During FY 06, FHSC improved its program integrity and utilization practices.

- *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 placed DHSS in an awkward position to monitor Medicaid payments that are reviewed and paid centrally by the Medicaid fiscal agent, FHSC. This continued to be a problem in FY 05.

In FY 06, DHSS developed a centralized department-wide program integrity unit based in the commissioner's office and created additional staff positions. However, the position

¹⁰ 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.

¹¹ Centers for Medicare and Medicaid Services report entitled *Review of State Medicaid Program Integrity Procedures*.

overseeing the centralized unit was not filled until FY 07; and, of the eight new positions in this unit, only one had been filled by the end of FY 06.

- *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 did 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 and FY 06.

Staff turnover and vacancies, poor communication, and overall lack of coordination hindered DHSS' program integrity and utilization activities. For example, 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.

DHSS made some improvements in this area during FY 06. This included establishment of an audit committee, made up of commissioner's office and director-level staff, in part, to help improve the Medicaid fraud detection, prosecution, and collection processes. However, the audit committee met sporadically, no minutes were taken, and little was communicated to program staff.

- *Federal Review of DHSS Program Integrity*

In April 2007, the USDHHS' Centers for Medicare and Medicaid Services (CMS) issued their report *Review of State Medicaid Program Integrity Procedures* based on audit work performed in September of 2005. The CMS review concluded that the State's lack of an effective fraud and abuse program places its Medicaid program at risk for potentially fraudulent providers, leaves the State's program vulnerable to unnecessary utilization of care and services, and puts the program and fiscal integrity of Alaska's Medicaid program at risk. The review's findings included the following:

- The State had no written policies and procedures for addressing fraud and abuse.
- There was no dedicated core group of staff responsible for the identification and investigation of potential fraud and abuse.
- The State lacked procedures for referring cases to the Medicaid Fraud Control Unit (MFCU) and the memorandum of agreement between DHSS and MFCU was outdated.
- Responsibilities were not fully defined within the various divisions.

- The fragmentation of fraud and abuse responsibilities lessened the effectiveness of the State's fraud and abuse program.

Legislative Audit's Current Position

During FY 07, some organizational improvements were evident but, overall, DHSS again made limited progress in improving the agency's utilization control and program integrity function. Problems remain regarding DHSS' overall, program integrity structure; the establishment of written policies and procedures; and, effective case tracking and communication.

The lack of internal controls associated with program integrity and utilization increases the control risk associated with allowable costs, allowable activities, and eligibility. The consequence of not having an effective integrity and utilization program is far reaching. During FY 07, over \$900 million was paid by the State of Alaska for Medicaid services (both state and federally funded). Clearly, the financial effects of poor controls over program integrity and utilization function can be substantial.

- *Program Integrity Organizational Structure*

As noted above, towards the end of FY 06, DHSS established a department-wide program integrity and quality assurance unit which is tasked with coordinating all department quality improvement efforts, independent of the divisional staff responsible for administration of the Medicaid program. A program manager was hired for this unit in November of 2006. Four of the eight positions were filled during FY 07.

Initially, the unit made progress by holding regular audit committee meetings. These meetings were intended to coordinate divisional quality assurance efforts. However, the focus of the meetings became limited to follow-up on provider audits. The program manager also implemented regular meetings between MFCU and quality assurance staff. The memorandum of agreement between DHSS and MFCU was updated.

DHSS' program integrity organizational structure reduced the overall effectiveness of the department-wide unit and the efficiency with which activities are conducted. The divisional-level program integrity staff continues to operate under the direct supervision of the division directors. The structure contributes to an inherent conflict of priorities. Under the current arrangement, department-wide priorities established by the unit can only be effectively implemented if the division directors approve.

DHSS' goals for its department-wide program integrity and quality assurance unit are unclear. Responsibilities at both the department-wide and divisional levels continue to be ill-defined. Policies and procedures have not been finalized or implemented – discussed in more detail in the following section.

- *Lack of Policies and Procedures*

The program integrity and quality assurance unit drafted policies and procedures for referring cases to MFCU, for addressing fraud and abuse (audit committee activities), and coordination of the division-level program integrity activities. However, these drafts were in various stages of development and were never finalized or approved and, therefore, did not have any effect on department activities during FY 07. The department did not make any attempt to draft policies and procedures for analysis and follow-up of program integrity activities performed by FHSC, the State's Medicaid Fiscal Agent. The lack of policies and procedures contributes to a lack of systematic coordination of DHSS' program integrity activities and diminishes the usefulness of the Program Integrity and Quality Assurance unit.

- *Case Tracking and Fraud Referrals*

DHSS implemented a case tracking system (HSSTrack) that has proved ineffective at processing and tracking complaints. Of the four divisions administering Medicaid services, only one division is using the system. Other divisions use a combination of different tools to monitor and work complaints. Consequently, there continues to be no means of monitoring program complaints and disseminating information department-wide.

Divisional staff did not keep accurate records of referrals made to MFCU during the year. The effectiveness of divisional-level program integrity units and compliance with the updated MOU could not be adequately measured.

We recommend the DHSS commissioner and the State Medicaid director improve the program integrity organizational structure, implement written policies and procedures for its various activities, and effectively utilize case tracking tools.

CFDA: 93.775

Questioned Costs: None

CFDA: 93.778

Questioned Costs: None

Federal Agency: USDHHS

Significant Deficiency, Noncompliance

Special Tests and Provisions

Agency Response – Department of Health and Social Services

The Department concurs with this recommendation. Although the Legislative Auditor provided a history of concerns from fiscal years 2004 through 2006, the department will limit its response to those concerns addressed in the auditors "Current Position" section for FY 2007. The department last responded to this finding on April 27, 2007. In the ensuing 9 months the department has undergone a restructuring and has experienced significant staff

turnover in the area of utilization control and program integrity. These have necessarily affected the Department's ability to affect the change it desires.

The department is in general agreement that structural improvements need to be made. Plans have recently been decided upon and additional changes in the structure of the utilization control and program integrity function will be made within the current fiscal year. The department has provided certain clarification related to the responsibilities of the utilization control and program integrity function through a memorandum dated July 16, 2007 addressed to the Department's leadership team (Commissioner, Deputy Commissioners, and Directors). While additional structures and clarification is necessary, that communication was a significant first step.

The Auditor comments that HSSTrack "has proved ineffective at processing and tracking complaints". The Auditor then concludes that the Department has "no means of monitoring program complaints and disseminating information department-wide". The Department disagrees with the comment and the conclusion.

A review of the documentation available during the implementation of Health and Social Services Tracking System (HSSTrack) shows that HSSTrack "is a simple system to collect and track complaints, significant events and inquires, and critical incidents..." and "HSSTrack is for reporting and tracking events of a significant nature..."

The system was not designed to be a case management system where complaints can be worked, documented, or otherwise processed. HSSTrack has provided what it was designed for – tracking of significant events or critical incidents. HSSTrack uses include assigning and tracking suspense items and the tracking of critical events.

The Auditor indicated that one division is using the system. However, all Medicaid divisions use the system to receive and report significant items. The one division that the Auditor refers to will shortly be reducing its dependence on HSSTrack when they switch to a newer DS3 case management system. Critical items from that system will be reported up to HSSTrack.

The HSSTrack system was designed to provide the Departments upper management with a high level mechanism to timely route a limited amount of information related to the receipt of a complaint, provide basic information to the appropriate party, and provide the capability to monitor for resolution. It was not designed to be a more traditional case tracking and case management tool with capabilities to review work details, capture related documentation, and work the complaint from within the system.

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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 this recommendation.

A department-wide case management system designed to systematically document, process, and track program complaints is a crucial component of an effective program integrity function. We reaffirm the recommendation that DHSS implement this crucial component.

Recommendation No. 12

The State's Medicaid director should ensure physician services claims are paid in accordance with the Medicaid state plan.

Medicaid and SCHIP¹² physician services claim reimbursements, for services provided during calendar year 2006, were not calculated in accordance with Medicaid state plan requirements. The approved plan¹³ requires these claims be paid based on the Resource Based Relative Value Scale (RBRVS) payment methodology as described in federal regulation.¹⁴ This regulation establishes the rules for physician services fees and specifies the fee amounts for a particular service are to be calculated based on three components: Relative Value Units (RVU), Geographic Practice Cost Index (GPCI), and a Conversion Factor (CF). The regulation further specifies these components are established by the USDHHS' CMS. The calendar year-based RVU and GPCI rates are updated annually and published in the federal register. DHSS' annual fee schedule for physician services provider reimbursement is based on the RBRVS payment methodology.

In establishing the annual physician services fee schedule for calendar years 2004 to 2006, DHSS did not use the updated GPCI rates established by CMS and published in the federal register. During this period, they used the GPCI rates published in the federal register for calendar year 2003. DHSS believed the rates CMS established for 2004 and 2005 were miscalculated and if used, would have resulted in artificially high Medicaid payments. DHSS did not use the rates established for 2006 because they would have negatively impacted providers. DHSS reverted back to the CMS-established GPCI for its fee schedule effective for services provided in 2007.

¹² State Children's Health Insurance Program (SCHIP).

¹³ Attachment 4.19-B requires physician services payments be "made at the lesser of billed charges, the RBRVS methodology, the providers lowest charge, or the state maximum allowable for procedures that do not have an established Relative Value Unit. The RBRVS methodology is that described in 42 CFR 414 except that increases and reductions to the average payment made for an individual procedure code billed at least ten times during the previous fiscal year will be phased in until the year 2000."

¹⁴ 42 CFR 414

DHSS' use of 2003 GPCI rates for its 2006 fee schedule resulted in costs approximately three percent higher than if the rates established by CMS for 2006 were used.

We recommend the State Medicaid director ensure physician services claims are paid in accordance with the Medicaid state plan.

CFDA: 93.778

Questioned Costs: Indeterminate

CDFA: 93.767

Questioned Costs: Indeterminate

Federal Agency: USDHHS

Noncompliance

Allowable Costs

Agency Response – Department of Health and Social Services

The Department concurs with this recommendation. The Department believes that the physician service payments have been calculated in accordance with the state plan.

The state plan provides that physician service reimbursements are calculated utilizing the Resource Based Relative Value Scale (RBRVS) methodology. There are three components that comprise the RBRVS payment: Relative Value Unit (RVU), Geographic Practice Cost Index (GPCI), and a conversion factor. The state plan requires the use of the factors published in the Code of Federal Regulations (CFR) for calculation of the RVU. The state plan does not restrict, or otherwise mandate, the amount that must be used for the GPCI or conversion factor. Beyond requiring the use of the RBRVS methodology, the Medicaid state plan makes no other restriction in the calculation of the last two factors.

The department's regulations at 7 AAC 43.108 provide additional structure to the calculation of RBRVS payments. The conversion factor is established in regulation and is not a concern in this audit. The department has utilized the GPCI published in the CFR when possible. However, the Centers for Medicare and Medicaid Services (CMS) has acknowledged errors in their published numbers. The department manages the physician payment system in a manner that assures access to patient care and a reasonable payment rate. The department has recently updated regulations (March 2007) to better support the GPCI calculation process, but maintaining state control and flexibility in the system is necessary.

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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 this recommendation.

We disagree with the view that “*The state plan does not restrict, or otherwise mandate, the amount that must be used for the GPCI or conversion factor.*” The state plan mandates the use of the RBRVS methodology as described in 42 CFR 414, which specifically states: “*CMS establishes a Geographic Adjustment Factor for each service in each fee schedule area*” and provides the methodology to be used by CMS. The GPCI are the indices used to calculate the geographic adjustment factor under the RBRVS methodology and are calculated annually by CMS. By referencing 42 CFR 414, the state plan requires physician services reimbursement be calculated using GPCI’s as determined by CMS. We reaffirm the recommendation.

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DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

Three 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, 2006*. Prior year Recommendation No. 19 is considered resolved.

Prior year Recommendation Nos. 17 and 18 have not been resolved and are reiterated in this report as Recommendation Nos. 13 and 14 respectively.

(Intentionally left blank)

Recommendation No. 13

DLWD's finance officer should work together with the administrative manager responsible for the Unemployment Compensation Fund (UCF) to address accounting issues.

Prior Finding

For the past several years, accounting issues in the UCF have been identified during the audit process and not sufficiently addressed by management. Specifically, accounting in the UCF needs improvement for the following:

- (1) Estimating uncollectible accounts,
- (2) Proper recording of tax receivable accounts.
- (3) Correctly valuing the transfer of non-fund activity,
- (4) Accrual of fraud penalties in the fund, and

Legislative Audit's Current Position

DLWD resolved two of the issues identified in the prior year. Progress on the remaining two issues is addressed as follows:

- (1) *Estimating uncollectible accounts:* DLWD does not have adequate procedures for estimating the amount of uncollectible accounts receivable. Generally accepted accounting principles require that losses (accounts receivable that will not be recovered) be recognized and reported. The methodology for estimating the amount of the allowance for uncollectible accounts receivable at year-end remained the same as in prior years. Although DLWD has made progress in reviewing the collectability of its accounts receivable, more work is needed to provide an acceptable and reliable basis for estimating the uncollectible amounts.
- (2) *Proper recording of tax receivable accounts:* DLWD has also made progress and corrected prior year tax receivable accounts affected by unnecessary journal entries. However, in FY 07, DLWD continued to make manual adjustments related to the allowance for tax receivable accounts which are already accounted for under the new accounting system. The manual adjustments overstated the allowance for uncollectible receivable accounts by \$3.9 million dollars. Out-dated procedures, the lack of complete understanding of the new tax accounting system, and inadequate staff training appear to be responsible for the redundant entries. A comprehensive analysis of the system's operations is necessary to gain a full understanding of its functions and to determine other redundant transactions not identified.

DLWD management is responsible for ensuring internal controls over accounting and financial accounting for the UCF are adequate. None of the problems discussed above are

material to the fund as a whole. However, when considered together, they raise concerns on the adequacy of internal controls over the valuation and presentation of UCF financial activity and may lead to material misstatement in the future years. We, again, recommend DLWD's finance officer work together with the administrative manager responsible for the UCF to investigate the issues discussed above, decide on corrective action, and establish standard procedures to ensure the activities are accounted for and reported in accordance with generally accepted accounting principles.

Agency Response – Department of Labor and Workforce Development

Estimating uncollectable accounts:

DOLWD concurs and recognizes that procedures need to be in place and documented to ensure the method for estimating uncollectible accounts receivable is acceptable and reliable, and has developed such procedures. Due to staff turnover, full implementation of this process improvement was delayed. DOLWD is incorporating procedures for the UCF reporting and accounting to include annual review of the estimated uncollectible accounts and will be performing the transactions to reflect those amounts during the month of April. This will allow the department to take into account Permanent Fund Dividend garnishments received.

Proper recording of tax receivable accounts:

DOLWD concurs that a comprehensive analysis of the UCF computer system's output is necessary to ensure transactions processed in the Alaska Statewide Accounting System (AKSAS) are in accordance with generally accepted accounting principles. The conversion of the UCF computer system from that used historically to the robust system now known as ESTER has contributed significantly to the change in processes and procedures required for accurate accounting transactions to occur in AKSAS. Documentation on the system's output would aid with transparency of information, provide assurance that accounting processes are necessary and accurate, and facilitate staff training. DOLWD met with Division of Finance Accounting Services staff in September and October of 2007 to address prior period adjustments noted above, and to strategize on a comprehensive corrective action plan. DOLWD is assessing feasible avenues to achieve the required documentation of the UCF Tax System's output and associated accounting transactions to be processed in AKSAS.

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Recommendation No. 14

The Business Partnerships Division (DBP) director should implement established procedures to ensure monitoring activities are performed as required.

Prior Finding

Monitoring of Workforce Investment Act (WIA) program subrecipients was not performed in accordance with federal regulations. During FY 06 only three of 17 subrecipients receiving WIA funding had a complete on-site review. Other subrecipients received either a partial review on-site or some off-site monitoring efforts; however, these efforts were not sufficient to meet program requirements.

Legislative Audit's Current Position

DLWD made some improvements in subrecipient monitoring activities during FY 07; however, the efforts were not sufficient to bring DLWD into compliance with federal requirements. Although the division developed a subrecipient monitoring schedule, only one of the four WIA-funded subrecipients scheduled for on-site review was completed in FY 07. As of January 2008, for the one review performed, the on-site review report had not been finalized even though three instances of noncompliance were identified in April 2007. DLWD continues to have monitoring deficiencies in FY 08 with only three of eight WIA-funded subrecipients having received a partial review by January 2008. Failure to appropriately monitor subrecipients of federal funds could result in mismanagement and misappropriation of federal funds without detection in a timely manner.

Failure to adequately monitor subrecipients highlights a significant deficiency for the WIA programs at DLWD. This appears to be due primarily to a lack of personnel available to perform the required monitoring and the level of priority assigned to monitoring activities.

U.S. Department of Labor (USDOL) 20 CFR 667.410(b)(3) stipulates that the State conduct an annual on-site monitoring review of each local area's compliance with USDOL uniform administrative requirements, including the appropriate administrative requirements and cost principles for subrecipients receiving WIA funds. Further, USDOL 20 CFR 667.410(b) stipulates that the Governor is responsible for the development of the State monitoring system. To that end, Section VIII.I of the Alaska Strategic Two-Year State Plan (July 1, 2005 – June 30, 2007), states DBP will conduct ongoing monitoring and oversight of service providers in programmatic and financial management areas based on an annually established schedule. Additionally, the State Plan requires that the selection of scheduled on-site reviews of service providers will be determined according to a set of risk-based criteria.

We recommend DBP's director ensure the controls over subrecipient monitoring are sufficient for compliance with federal requirements and the goals established in the Alaska Strategic Two-Year State Plan.

CFDA 17.258, 17.259, 17.260

Questioned Costs: None

Federal Agency: USDOL
Significant Deficiency, Noncompliance
Subrecipient Monitoring

Agency Response – Department of Labor and Workforce Development

DOLWD concurs that the Division of Business Partnerships monitoring activities can be improved. The director has implemented monitoring programs to ensure the controls over subrecipient monitoring are sufficient for compliance with federal requirements and the goals established in the Alaska Strategic Two-Year State Plan. Staffing issues had contributed to less than full implementation of the monitoring activities during SFY07; however, DOLWD has made forward progress and believes this finding to be fully resolved by the close of SFY08.

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DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

One recommendation was 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, 2006*. The prior year recommendation has been resolved.

One new recommendation has been made during the FY 07 statewide single audit and is included as Recommendation No. 15.

Recommendation No. 15

The Department of Commerce, Community, and Economic Development (DCCED), Director of Administrative Services, should improve internal controls over the bulk fuel revolving loan program and should seek legal clarification regarding the department's authority to administer the program.

DCCED does not have adequate controls for monitoring its bulk fuel loan program nor has the department properly reported the financial activity in the State's comprehensive annual financial report (CAFR). Further, DCCED may lack statutory authority to operate this program as a revolving loan fund.

Rural Alaska communities that do not qualify for the Alaska Energy Authority's bulk fuel loan program, may apply for a no interest loan to purchase heating fuel under DCCED's bulk fuel revolving loan program. Since DCCED's program began in FY 05, the State has paid over \$2.2 million to capitalize the activity in a loan fund (\$1.4 million of the funding was federal). The cash and loan activities are managed by a contractor who is responsible for making new loans and receiving the repayments. The cash is maintained in a separately identified bank account by the contractor. DCCED has not required the contractor to either routinely report on the loan activities or provide bank statements on the cash balance. Not adequately monitoring the loan program puts the activity at a greater risk for fraud and/or errors in reporting.

The department has operated its bulk fuel revolving loan fund as a grant program and considers the expenditures to be grant payments. Because it considered the loan fund to be a grant program, DCCED does not report the cash or loans receivable associated with the loan program in the CAFR. This program should not be considered grant activity, since the State still maintains control over the cash and is entitled to the future loan repayments. Generally accepted accounting principles require this activity be reported as cash or receivable rather than expenditures since the payments are to capitalize the loan fund over which the State maintains control.

We recommend DCCED's administrative services director improve internal controls over its bulk fuel revolving loan fund. Annually, the program's financial activity, including cash and receivable balances, should be included in the CAFR. Further, since the program is not a grant program, we recommend the department seek legal clarification regarding its statutory authority to administer the revolving loan fund.

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

I have reviewed the preliminary audit regarding the FY07 Statewide Single Audit and appreciate the opportunity to respond. The one recommendation states that the Director of Administrative should improve internal controls over the bulk fuel revolving loan program

and should seek legal clarification regarding the department's authority to administer the program. The Management Letter discusses three factors as follows:

DCCED does not have adequate controls for monitoring the program... and has not required the contractor to routinely report on the loan activity... DCCED disagrees. The program began in FY05 and throughout that period a detailed accounting was maintained of each community receiving a loan. Prior to the program being transferred to a new Grantee in September 2005 an in depth reconciliation was completed that identified by community, the amount(s) loaned, paid back, and outstanding; amount paid to the grantee for its administrative fees and travel; interest earned; amount held in the bank, and the amount "transferred to the new Grantee.

Since then, the Grantee has periodically prepared various statements reflecting loan amounts, amounts outstanding and cash held. Additionally, DCCED has maintained a summary analysis reflecting the amounts paid to the Grantee for loans, administrative fees, and travel.

DCCED has not properly reflected the financial activity in the State's comprehensive annual financial report. DCCED agrees. This program should be recognized as a revolving loan program and reflected as such in the State's comprehensive annual financial report.

DCCED may lack statutory authority to operate this program as a revolving loan fund. DCCED also believes it lacked statutory authority to implement this revolving loan program. In fiscal year 2005 DCCED presented its concerns to the administration. It was determined that the program could be implemented by DCCED entering into a Grant Agreement with a Grantee whom would then implement and provide the day-to-day administration of the revolving loan program.

It was also supposed to have been a one-year program. It has since evolved into a continuing program.

DCED believes that if the program is to continue, it should be established in statute as a revolving loan program and administered by DCCED in the same manner as DCCED's other revolving loan programs. And, if the program is not established in statute it should be discontinued. The determination has been made that this program should continue. Legislation has been introduced to establish the loan program in statute.

Contact Person: Philiciann (Phil) Bennett, Finance Officer
Division of Administrative Services
Telephone: (907) 465-5545

Legislative Audit's Additional Comments:

We have reviewed DCCED's response and nothing contained in the response provided sufficient information to persuade us to revise this recommendation.

Since the bulk fuel revolving loan program was transferred to a new contractor in 2005, DCCED has not required bank statements or quarterly financial reports. Generally, the contractor provided loan information to DCCED as part of the annual grant application process. Given the large amount of cash maintained by the contractor, we believe more aggressive monitoring of the program is warranted. We affirm our recommendation.

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, 2006*.

No new recommendations have been made during the FY 07 Statewide Single Audit.

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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, 2006*.

No new recommendations have been made during the FY 07 statewide single audit.

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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, 2006*.

No new recommendations have been made during the FY 07 statewide single audit.

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DEPARTMENT OF PUBLIC SAFETY

One recommendation was made to the Department of Public Safety (DPS) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2006*. The prior year recommendation has been resolved.

No new recommendations have been made during the FY 07 statewide single audit.

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DEPARTMENT OF ENVIRONMENTAL CONSERVATION

No recommendations were made to the Department of Environmental Conservation (DEC) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2006*.

No new recommendations have been made during the FY 07 statewide single audit.

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DEPARTMENT OF CORRECTIONS

One recommendation was made to the Department of Corrections (DOC) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2006*. The prior year recommendation has not been resolved and is included in the one recommendation that has been made during the FY 07 statewide single audit as Recommendation No. 16.

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Recommendation No. 16

The Department of Corrections (DOC) administrative services director should take measures to resolve revenue shortfall issues.

The State Budget Act provides that if actual revenue collections fall short of appropriated program receipts, an agency is required to reduce its budget by the estimated reduction in collections. For FY 07, three shortfalls were identified for DOC. These shortfalls, after eliminating revenues recorded for uncollected accounts receivable, are:

<u>Appropriation</u>	<u>Appropriation Title</u>	<u>Amount</u>
AR 51299-06	Offender Tracking Information System	\$ 83,000
AR 50582-05	Existing Community Residential Centers	\$ 28,000
AR 50582-07	Existing Community Residential Centers	\$833,000

We recommend that DOC's administrative service director work with staff of the pertinent divisions to resolve these revenue shortfalls by collecting earned revenues where possible and requesting supplemental appropriations for the remaining amounts.

Agency Response – Department of Corrections

The Department of Corrections (DOC) has reviewed potential shortfalls for the referenced appropriations which result in the following conclusions:

Appropriation 51299-06 Offender Tracking Information System

Appropriation 51299-06 appears to have a shortfall in the amount of \$59,856.00. This shortfall is the result of inadvertently processing a general warrant transaction against an account receivable open item. DOC personnel involved in preparing and processing revenues for restricted receipts have been advised of this situation and measures to provide improved internal controls have been implemented to avoid future occurrences. The remaining \$23,313.01 is anticipated to be collected from the United States Department of Justice, Office of Justice Programs.

Appropriation 50582-05 and 50582-07 Existing Community Residential Centers

Appropriations 50582-05 and 50582-07 have Accounts Receivable open items reflecting the amount of restricted receipts collected by the Department of Law (DOL) on the behalf of the Department of Corrections for these appropriations. The dollar amount DOC used as support documentation when establishing these receivables was taken directly from the FY05 and FY07 total dollar amount of judgments received and collected by the Department of Law's Collection Unit.

DOC has been working jointly with the Department of Law to collect these outstanding amounts. On January 22, 2008 DOC started receiving some transfers of these receipts; however the disposition as to which year and Accounts Receivable to post these funds to is awaiting backup documentation from the DOL.

The Department of Corrections administration is committed to collecting earned revenues, if available, as well as possibly requesting a supplemental appropriation for the remaining balances.

We will take actions to resolve these revenue issues and look forward to assisting your office in any way possible.

*Contact Person: Sharleen Griffin, Director
Division of Administrative Services
Telephone: (907) 465-3339*

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

Three 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, 2006*. The prior year recommendations have been resolved.

Two new recommendations have been made during the FY 07 statewide single audit and are included as Recommendation Nos. 17 and 18.

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Recommendation No. 17

The DOTPF finance officer should ensure staff responsible for reporting capital asset information for inclusion in the State's Comprehensive Annual Financial Report (CAFR) is properly trained and information is adequately reviewed.

In FY 07, over \$159 million of capital asset activity was incorrectly reported to the Department of Administration, Division of Finance (DOF) for the FY 07 CAFR. These errors encompassed a variety of issues including: (1) not adhering to the Alaska Administrative Manual guidance regarding capital assets, (2) misreporting capital asset values, and (3) inconsistently reporting capital asset classifications by account and year. These errors occurred primarily due to lack of training of the staff responsible for preparing the capital asset schedules. Further, these errors were not detected due to an inadequate review process by DOTPF staff before information was submitted to DOF.

Consistency of terminology and classification among the budgets, accounts, and financial reports is essential to achieving comparable and unambiguous financial reporting (National Council on Governmental Accounting Statement No. 1). Moreover, the Alaska Administrative Manual Section 55 provides guidance for state agencies to use when interpreting and reporting capital asset information. To not accurately and consistently follow these guidelines will lead to misstatements in the State's CAFR and indicates a significant internal control deficiency.

DOTPF capital asset information is used to support the asset and expenditure activity reported in the State's CAFR. We recommend the DOTPF finance officer improve employee training and implement a review mechanism to ensure capital assets are reported correctly for inclusion in the State's CAFR.

Agency Response – Department of Transportation and Public Facilities

DOT&PF agrees with this recommendation. Training and adequate follow-up will be provided to staff. Procedures have recently been updated regarding development of the infrastructure report. Staff now have a complete training guide for the preparation of the capital asset information and they will provide an adequate review of future reports.

*Contact Person: Nancy Slagle, Director
Division of Administrative Services
Telephone: (907) 465-8974*

Recommendation No. 18

The DOTPF finance officer should provide accurate information to DOF accountants so deferred federal revenues for highway and airport projects can be properly reported by fund financial statement.

The amount of FY 07 federal revenue that should be deferred in the general fund on the modified accrual basis was initially overstated by approximately \$21 million. DOTPF staff incorrectly included revenues associated with the State's international airport enterprise fund when reporting the revenue deferral. This misstatement occurred due to a lack of understanding by DOTPF staff on the need for revenue information by fund for proper financial reporting and represents a significant internal control deficiency.

When preparing the CAFR, DOF accountants request state departments report revenues earned but not received by the end of August. For the modified accrual basis, generally accepted accounting principles require that revenues earned but not received be deferred – not recognized as revenues since the funds are not available. Instead the revenues are reported as a deferred revenue liability account.

We recommend DOTPF's finance officer review the support requested by DOF accountants and accurately report the amount of revenue that should be deferred as earned but not received for specific funds as requested.

Agency Response – Department of Transportation and Public Facilities

It appears there was miscommunication between DOF and DOT&PF regarding what needed to be reported in this instance. What made up the deferred revenue number was clearly identified to DOF when it was submitted to them. DOT&PF received no feedback from DOF regarding the information therefore, as far as DOT&PF knew the information was correct.

During the this audit's exit interview, Legislative Audit explained what is required and DOT&PF will provide that breakdown in the future.

*Contact Person: Nancy Slagle, Director
Division of Administrative Services
Telephone: (907) 465-8974*

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, 2006*.

No new recommendations have been made during the FY 07 statewide single audit.

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COMPONENT UNITS

This section includes two federal compliance recommendations directed to the University of Alaska. A complete copy of its report may be obtained directly from the University of Alaska.

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University of Alaska

Recommendation No. 19

Department of Education, TRIO Cluster, TRIO-Talent Search Program CFDA 84.044, Program Year 2005-2006

Criteria or Specific Requirements: According to the Code of Federal Regulations (CFR), Title 34, Sections 643-7 and 643-10, 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.

Condition: For the program year 2005-2006, 55.8 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.

Questioned Costs: None

Context: Isolated to Talent Search Program.

Effect: The University provided talent search program services to a population that did not meet the program's earmarking requirement.

Recommendation: The University should make every effort to serve the number of Talent Search participants required by the program.

CFDA: 84.044

Questioned Costs: None

Federal Agency: USDOE
Noncompliance
Earmarking

Agency Response – University of Alaska

The University of Alaska Fairbanks (Bristol Bay region) Talent Search Program had previously reported the percentage of participants served to the grantor in their annual performance report for the program year 2005-2006.

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 provide needed financial information, thereby delaying verification of participant eligibility. As trust for the program has increased in the region, progress continues. The program served 52 percent low-income and potential first-generation college students in program year 2003-2004, 60 percent in program year 2004-2005, and 56 percent in

program year 2005-2006. Overall, this program has progressed in the number of students served. In program year 2004-2005, 186 of 312 program participants met the requirement for low-income and potential first-generation college students. In program year 2005-2006, 221 of 396 program participants met the requirement for low-income and potential first-generation college students. Increased participation among program participants resulted from partnering with personnel from the four school districts served, by working native Alaskan village councils, and by creating opportunities that appeal to the target group. The grant ended in August 2007.

Contact Person: Janice Coker, Financial Accounting Manager
Telephone: (907) 450-8063

Recommendation No. 20

Department of Education, TRIO Cluster, TRIO-Student Support Services, CFDA 84.042, Program Year 2005-2006

Criteria or Specific Requirements: According to the Code of Federal Regulations, Title 34, Sections 646-7 and 646-11, at least two-thirds of the students served by a Student Support Services project must be low-income individuals who are the first-generation college students or individuals with disabilities.

Condition: For the program year 2005-2006, 47.7 percent of the University of Alaska Southeast Campus Student Support Services Program participants were low-income individuals who were the first-generation college students or individuals with disabilities.

Questioned Costs: None

Context: Isolated to Student Support Services.

Effect: The University provided student support services to a population that did not meet the program's earmarking requirement.

Recommendation: The University should make every effort to serve the number of Student Support Services participants required by the program.

CFDA: 84.042
Questioned Costs: None

Federal Agency: USDOE
Noncompliance
Earmarking

Agency Response – University of Alaska

The University of Alaska Southeast Student Support Services had previously reported the percentage of participants served to the grantor in their annual performance report for the program year 2005-2006.

The 2005-2006 program year was the first year for the University of Alaska Southeast Student Support Services Program, and multiple factors contributed to participant recruitment difficulties in meeting program eligibility requirements. These factors included:

- The director left the program and the position remained unfilled for nine months. This contributed to difficulties the program encountered in recruiting participants because the program did not have the personnel resources to develop recruitment strategies.*
- Some participants enrolled in the program did not provide needed financial information for verification of participant eligibility. Cultural challenges in rural Alaska include a hesitance by participants and families to provide needed financial information for verification of participant eligibility.*
- The program was housed in offices located at the edge of campus away from classrooms and student activity.*

In April 2007, a new director was hired with five years of TRIO experience. Since April 2007, corrective action has included the following steps:

- Two student mentors were hired to assist with recruitment activities. One of the student mentors is a native Alaskan from a rural Alaskan community. This individual's primary job responsibility is to contact participants and encourage them to provide needed financial information for verification of participation eligibility. This student mentor, as a peer to native Alaskan and rural students, may have more progress in overcoming participant hesitance in providing financial information. Additionally, both student mentors have presented monthly workshops for students.*
- Brochures, electronic bill board ads, and posters were created and placed in the community and on campus. New students receive information on the TRIO program via mailings.*
- In May 2007, the TRIO program was moved to a large space shared with the learning center in the campus library. This location is a hub of student activity and provides daily recruitment opportunities.*

With a well staffed program, marketing strategies, and an increased number of walk-in students to recruit from, program participation among eligible participants is expected to grow.

*Contact Person: Janice Coker, Financial Accounting Manager
Telephone: (907) 450-8063*

State of Alaska Division of Legislative Audit
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended June 30, 2007

Part I – Summary of Auditor’s Results

- a) An unqualified opinion was issued on the basic financial statements of the State of Alaska.
- b) Significant deficiencies, 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) Significant deficiencies, but no material weaknesses, in internal controls over major federal programs 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 25 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 25 major federal programs for the fiscal year ended June 30, 2007 as follows:

<u>CFDA or Other Identifying Number</u>	<u>Title of Federal Program</u>
10.553, 10.555, 10.556, 10.559 10.557	Child Nutrition Cluster Special Supplemental Nutrition Program for Women, Infants, and Children
10.859	Assistance to High Energy Cost Rural Communities
11.300, 11.307	Public Works and Economic Development Facilities Cluster
12.400	Military Construction, National Guard
14.239	Home Investment Partnerships Program
14.850	Public and Indian Housing
17.207, 17.801, 17.804	Employment Services Cluster
17.258, 17.259, 17.260	Workplace Investment Act Cluster
20.205	Highway Planning and Construction
20.500, 20.507	Federal Transit Cluster
81.042	Weatherization Assistance for Low-Income Persons
81.087	Renewal Energy Research and Development

State of Alaska Division of Legislative Audit
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended June 30, 2007

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

<u>CFDA or Other Identifying Number</u>	<u>Title of Federal Program</u>
84.032	Federal Family Education Loans
84.042, 84.044, 84.047, 84.066	TRIO Cluster
84.126	Rehabilitation Services: Grants to States
90.100	Denali Commission Program
93.558	Temporary Assistance for Needy Families
93.568	Low Income Housing 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
97.036	Public Assistance Grants
Various	Research and Development Cluster

- h) A threshold of \$7,934,454 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.

Part II – Findings related to the Basic Financial Statements

Significant Deficiencies

<u>State Department</u>	<u>Recommendation Number</u>	<u>Comments</u>
Administration	Recommendation No. 2	
Revenue	Recommendation No. 3	
Transportation and Public Facilities	Recommendation No. 17	
	Recommendation No. 18	

Irregularities and Illegal Acts

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

State of Alaska Division of Legislative Audit
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended June 30, 2007

Part III – Federal Findings and Questioned Costs

<u>Federal Agency/ Recommendation Number</u>	<u>Questioned Costs</u>	<u>Comments</u>
USDA		
Recommendation No. 7	\$ 72,584	Significant Deficiency, Noncompliance
USDOE		
Recommendation 19	None	Noncompliance
Recommendation 20	None	Noncompliance
USDHHS		
Recommendation No. 6	1,966,593	Significant Deficiency, Noncompliance
Recommendation No. 7	1,245,148	Significant Deficiency, Noncompliance
Recommendation No. 8	273,630	Noncompliance
Recommendation No. 9	287,410	Noncompliance
Recommendation No. 10	None	Significant Deficiency
Recommendation No. 11	None	Significant Deficiency, Noncompliance
Recommendation No. 12	Indeterminate	Noncompliance
USDOL		
Recommendation No. 14	None	Significant Deficiency, Noncompliance

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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 financial statements of the governmental activities, the business-type activities, the aggregate discreetly 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, 2007, which collectively comprise the State of Alaska's basic financial statements and have issued our report thereon dated December 13, 2007. That report, presented in Section I, was modified to include a reference to other auditors and 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. Other auditors audited the financial statements of Alaska Permanent Fund, the Fiduciary Funds – Pension and Other Employee Benefit Trust Funds except for Retiree Health and Discretely Presented Component Units. This report does not include results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. Certain entities of the State of Alaska were not audited in accordance with *Government Auditing Standards*. These entities include: the Alaska Permanent Fund (Major Fund) and Supplemental Benefit System, Public Employees Retirement System and Teachers Retirement System (Fiduciary Funds).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of Alaska's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Alaska's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State of Alaska's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider some of the deficiencies described in the preceding section of Recommendations and Questioned Costs to be significant deficiencies in internal control over financial reporting. Our recommendations for these instances are identified in the Summary of Recommendation under *Significant Deficiency-Financial Statements*.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is 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 matters 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*.

The state agencies' responses to the findings identified in our audit are included in the proceeding Section II – Recommendations and Questioned Costs as well as in the succeeding Section IV – Appendices. We did not audit these responses to the findings and, accordingly, we express no opinion on them.

This report is intended for the information and use 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.

A handwritten signature in black ink that reads "Pat Davidson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Pat Davidson, CPA
Legislative Auditor

December 13, 2007

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ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE



Division of Legislative Audit

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Independent Auditor's Report on Compliance with 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 compliance of the State of Alaska 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, 2007. 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, 2007. 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 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Alaska internal controls over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the State's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the State's internal control. The significant deficiencies in control over compliance we identified are summarized in the accompanying Summary of Recommendations and Schedule of Findings and Questioned Costs and described, in detail, in the preceding Section II - Recommendations and Questioned Costs section.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in the more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the State's internal control. We did not consider any of the deficiencies described in the preceding Section II to be material weaknesses.

The state agencies' responses to the findings identified in our audit are included in the preceding Section II – Recommendations and Questioned Costs as well as the succeeding Section IV - Appendices. We did not audit the responses to the findings and, accordingly, we express no opinion on them.

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, 2007, and have issued our report thereon dated December 13, 2007. That report, presented in Section I, was modified to include a reference to other auditors and describes our division of responsibility with the 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 and use 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

February 20, 2008, except for the
Schedule of Expenditures of
Federal Awards, which is
dated December 13, 2007

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STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2007
By Federal Agency

State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
<u>U.S. Department of Agriculture</u>							
UofA	10.001			Agricultural Research - Basic and Applied Research	473		
UofA	10.001		R&DC	Agricultural Research - Basic and Applied Research	1,415,803	3, 10	750,788
	10.001 Total				1,416,276		750,788
DEC	10.025			Plant and Animal Disease, Pest Control and Animal Care	459,542		
DFG	10.025			Plant and Animal Disease, Pest Control and Animal Care	87,821		
DNR	10.025			Plant and Animal Disease, Pest Control and Animal Care	764,171	5, 6	40,346
	10.025 Total				1,311,534		40,346
DNR	10.156			Federal-State Marketing Improvement Program	16,570		
DNR	10.162			Inspection Grading and Standardization	7,152		
DNR	10.163			Market Protection and Promotion	106,747		
UofA	10.200	41535053	R&DC	Grants for Agricultural Research, Special Research Grants - Pass thru from Utah State University	8,298	3, 10	
UofA	10.200			Grants for Agricultural Research, Special Research Grants	28,799		
UofA	10.200	61553007	R&DC	Grants for Agricultural Research, Special Research Grants - Pass thru from Utah State University	60,019	3, 10	
UofA	10.200		R&DC	Grants for Agricultural Research, Special Research Grants	6,162,750	3, 10	773,747
	10.200 Total				6,259,866		773,747
UofA	10.206			Grants for Agricultural Research - Competitive Research Grants	34,988		
UofA	10.206		R&DC	Grants for Agricultural Research - Competitive Research Grants	135,626	3, 10	
UofA	10.206	Z507223/2005-35605-15388 PENDI	R&DC	Grants for Agricultural Research - Competitive Research Grants - Pass thru from University of Maryland	326,723	3, 10	
	10.206 Total				497,337		-
UofA	10.228		R&DC	Alaska Native Serving and Native Hawaiian Serving Institutions Education Grants	101,281	3, 10	8,000
UofA	10.228			Alaska Native Serving and Native Hawaiian Serving Institutions Education Grants	1,267,569		19,316
	10.228 Total				1,368,850		27,316
UofA	10.302	RCUH LTR JAN 1, 02		Initiative for Future Agriculture and Food Systems - Pass thru from University of Hawaii, HILO	3,273		
UofA	10.303			Integrated Programs	22,494		
UofA	10.303	K009607-AK Amendment 5		Integrated Programs - Pass thru from University of California, Davis	29,698		
UofA	10.303	BJKE27-UA (PO013815)		Integrated Programs - Pass thru from University of Idaho	45,119		
UofA	10.303		R&DC	Integrated Programs	69,044	3, 10	
	10.303 Total				166,355		-
AHFC	10.410			Very Low to Moderate Income Housing Loans	58,686	13	
UofA	10.500	S07048		Cooperative Extension Service - Pass thru from Kansas State University	4,685		
UofA	10.500	UTSTUNV6225		Cooperative Extension Service - Pass thru from University of Wyoming	10,000		
UofA	10.500	S05043.01 (AMENDMENT 2)		Cooperative Extension Service - Pass thru from Kansas State University	23,061		
UofA	10.500	K007797-02	R&DC	Cooperative Extension Service - Pass thru from University of California, Davis	26,126	3, 10	
UofA	10.500	104777-G00189_0		Cooperative Extension Service - Pass thru from Washington State University	187,177		
UofA	10.500		R&DC	Cooperative Extension Service	293,818	3, 10	
UofA	10.500			Cooperative Extension Service	2,636,118		26,781
	10.500 Total				3,180,985		26,781
DEED	10.550			Food Donation	2,232,751	15	2,232,751
DHSS	10.551		FSC	Food Stamps	85,958,092	7, 10	
DEED	10.553	17131	CNC	School Breakfast Program	5,017,872	3, 10	5,017,872
DEED	10.555	17132	CNC	National School Lunch Program	23,312,922	3, 10	23,311,598
DEED	10.556	17133	CNC	Special Milk Program for Children	6,545	3, 10	6,545

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2007
By Federal Agency**

State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
DHSS	10.557			Special Supplemental Nutrition Program for Women, Infants and Children	22,054,460	3, 8	5,573,377
DEED	10.558	17134		Child and Adult Care Food Program	7,619,308		7,557,735
DEED	10.559	17137	CNC	Summer Food Service Program for Children	452,212	3, 10	400,248
DEED	10.560	17135		State Administrative Expenses for Child Nutrition	526,653		
DHSS	10.561		FSC	State Administrative Matching Grants for Food Stamp Program	10,024,457	10	
DHSS	10.565			Commodity Supplemental Food Program	103,551		112,065
DEED	10.568	17138	EFAC	Emergency Food Assistance Program (Administrative Costs)	109,659	10	92,554
DEED	10.574	17400		Team Nutrition Grants	130,753		
DHSS	10.576			Senior Farmers Market Nutrition Program	54,056		52,196
ASMI	10.601	Export Marketing		Market Access Program	4,447,780		
ASMI	10.605	Quality Samples		Quality Samples Program	28,851		
UofA	10.652			Forestry Research	4,743		
UofA	10.652		R&DC	Forestry Research	276,677	3, 10	108,542
	10.652 Total				281,420		108,542
DNR	10.664			Cooperative Forestry Assistance	3,063,258	5, 6	487,060
UofA	10.664			Cooperative Forestry Assistance	17,841		
UofA	10.664		R&DC	Cooperative Forestry Assistance	91,559	3, 10	5,089
	10.664 Total				3,172,658		492,149
DCCED	10.665	National Forest Receipts	SRC	Schools and Roads - Grants to States	9,093,008		9,093,008
DOTPF	10.665		SRC	Schools and Roads - Grants to States	170,000		
	10.665 Total				9,263,008	10	9,093,008
AEA	10.672	06DG11100000204		Rural Development, Forestry, and Communities	24,769		24,769
DCCED	10.672	Mini Grant		Rural Development, Forestry, and Communities	22,814		40,814
	10.672 Total				47,583		65,583
DNR	10.676			Forest Legacy Program	453,302	5	
DNR	10.677			Forest Land Enhancement Program	322,851	6	79,957
DNR	10.680			Forest Health Protection	30,545	5, 6	
UofA	10.680			Forest Health Protection	5,945		
UofA	10.680		R&DC	Forest Health Protection	9,901	3, 10	
	10.680 Total				46,391		-
DEC	10.760			Water and Waste Disposal Systems for Rural Communities	22,305,764		4,446,386
UofA	10.760			Water and Waste Disposal Systems for Rural Communities	81,607		
	10.760 Total				22,387,371		4,446,386
DCCED	10.766	Rural Internet Access		Community Facilities Loans and Grants	817,968		779,296
DCCED	10.769	Rural Business Enterprise		Rural Business Enterprise Grants	10,407		6,577
UofA	10.769		R&DC	Rural Business Enterprise Grants	67,500	3, 10	
UofA	10.769			Rural Business Enterprise Grants	85,479		
	10.769 Total				163,386		6,577
UofA	10.771			Rural Cooperative Development Grants	82,025		
DCCED	10.857	Bulk Fuel Bridge Loans		State Bulk Fuel Revolving Fund Grants	498,979		628,979
AEA	10.859			Assistance to High Energy Cost Rural Communities	807,072	3	672,490
UofA	10.859		R&DC	Assistance to High Energy Cost Rural Communities	25,000	3, 10	
	10.859 Total				832,072		672,490
UofA	10.861	Letter Dated 07/01/2006		Public Television Station Digital Transition Grant Program - Pass thru from Alaska One	39,565		
DNR	10.905			Plant Materials for Conservation	302,514	6	
ARRC	10.999	05DG11100000226		U.S. Department of Agriculture-Forest Service-Whistle Stop	195,708	9	
DFG	10.999			Miscellaneous U.S. Forest Service	754,202		
DOTPF	10.999	USDA 05RO-11100100-127		Design & construct AMHS interpretive portal prototype for Forest Service	12,102		
DOTPF	10.999	USDA 05RO-11100100-120		Design 24' bridge on Forest Service Rd 81 A-Lewis Reef Rd	33,529		
DOTPF	10.999	USDA 05RO-11100100-098		Design for reconstruction of Forest Service Rd 8453, Skater Cabin	43,000		
DOTPF	10.999	USDA-NRM0999K060		Contract with USDA to replace culvert on Plack Rd. Pj 76740	96,377		

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2007
By Federal Agency

State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
DOTPF	10.999	USDA 68-0150-5-009		Design & construct facility for the Plant Materials Center in Palmer	931,177		
UofA	10.999	Contract Signed 1-9-07	R&DC	Miscellaneous - Pass thru from Organic Seed Alliance	192	3, 10	
UofA	10.999	1175035	R&DC	Miscellaneous	857,146	3, 10	20,000
UofA	10.999			Miscellaneous	919,126		
		10.999 Total			3,842,559		20,000
DPS	10.02CA-111001-039			Cooperative Law Enforcement Agreement	56,875		
DEC	10.12-25A-4682			Pesticide Recordkeeping	14,248		
DNR	10.43-0120-4-0169			Spot Revegetation (purchase order)	7,034		
DNR	10.43-0120-5-0113			Spot Revegetation #2 (purchase order)	3,295		
DEC	10.AG-0109-P-07-0012			Forest Service Regulatory Oversight	8,133		
DNR	10.AG0120P060039	AG0120-P-06-0039		Revegetation 2006	2,211		
DEC	10.AG0109P060024/0078			Forest Service Regulatory Oversight	2,083		
DNR	10.L83008			USFS Fire Suppression	7,635,297	6	
DNR	10.Misc			CY07 Misc USFS Fire Suppression	9,281		
		U.S. Department of Agriculture			226,765,662		62,368,886
		U.S. Department of Commerce					
AIDEA	11.300	07-01-05278	PWEDC	Investments for Public Works and Economic Development Facilities	3,850,644	3, 10	
DLWD	11.300		PWEDC	Investments for Public Works and Economic Development Facilities	22,404	6, 10	
UofA	11.300		PWEDC	Investments for Public Works and Economic Development Facilities	499,998	10	
		11.300 Total			4,373,046		-
UofA	11.303			Economic Development - Technical Assistance	110,000		
AIDEA	11.307	07-79-05820	PWEDC	Economic Adjustment Assistance	42,819	3, 10	
DCCED	11.307	Coalition For Economic Development Alaska Rural Visitor	PWEDC	Economic Adjustment Assistance	(6,815)	10	64,768
DCCED	11.307		PWEDC	Economic Adjustment Assistance	59,590	10	8,148
DFG	11.307		PWEDC	Economic Adjustment Assistance	20,516	4, 10	
UofA	11.307		PWEDC	Economic Adjustment Assistance	136,568		
		11.307 Total			252,678		72,916
DFG	11.405			Anadromous Fish Conservation Act Program	266,768		
DFG	11.407			Interjurisdictional Fisheries Act of 1986	119,906		
DFG	11.417			Sea Grant Support	256,602		
UofA	11.417			Sea Grant Support	637,258		
UofA	11.417		R&DC	Sea Grant Support	1,984,892	3, 10	39,089
		11.417 Total			2,878,752		39,089
DCCED	11.419	Coastal Zone Management		Coastal Zone Management Administration Awards	637,359	4	623,998
DMVA	11.419			Coastal Zone Management Administration Awards	78,498		
DNR	11.419			Coastal Zone Management Administration Awards	1,328,738	5, 6	
		11.419 Total			2,044,595		623,998
DFG	11.420			Coastal Zone Management Estuarine Research Reserves	550,537		
UofA	11.420		R&DC	Coastal Zone Management Estuarine Research Reserves	21,098	3, 10	
		11.420 Total			571,635		-
UofA	11.430		R&DC	Undersea Research	1,417,847	3, 10	740,603
UofA	11.431		R&DC	Climate and Atmospheric Research	138,402	3, 10	
UofA	11.432		R&DC	Office of Oceanic and Atmospheric Research (OAR) Joint and Cooperative Institutes	2,709,833	3, 10	267,429
DFG	11.437			Pacific Fisheries Data Program - Pass thru from Pacific States Marine Fisheries Commission	2,188,518		
DFG	11.437			Pacific Fisheries Data Program	4,631,602		
		11.437 Total			6,820,120		-
DCCED	11.438	Fish Revitalization Fish & Game		Pacific Coast Salmon Recovery - Pacific Salmon Treaty Program	3,720,114	4	2,906,587
DFG	11.438			Pacific Coast Salmon Recovery - Pacific Salmon Treaty Program	25,109,198	4	1,833,369

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2007
By Federal Agency

State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
UofA	11.438	L1300-01	R&DC	Pacific Coast Salmon Recovery - Pacific Salmon Treaty Program - Pass thru from Seward Association for Advancement of Science (SAAMS)	4,804	3, 10	
	11.438 Total				28,834,116		4,739,956
DFG	11.439			Marine Mammal Data Program	2,378,259		
UofA	11.439	Award LTR 6/17/03	R&DC	Marine Mammal Data Program - Pass thru from Aleutians East Borough	20,216	3, 10	
UofA	11.439	NA05NMF4391068	R&DC	Marine Mammal Data Program - Pass thru from North Pacific Marine Science Foundation	33,177	3, 10	
UofA	11.439			Marine Mammal Data Program	67,924		
UofA	11.439	ADN 1175033	R&DC	Marine Mammal Data Program	1,102,123	3, 10	
	11.439 Total				3,601,699		-
ASMI	11.452	Alaska Fish Marketing Board		Unallied Industry Projects	2,241,721		
DCCED	11.452	Fish Revitalization Governor's Office		Unallied Industry Projects	2,199,306	4	1,917,395
OG	11.452			Unallied Industry Projects	43,082		
	11.452 Total				4,484,109		1,917,395
UofA	11.460	1067068	R&DC	Special Oceanic and Atmospheric Projects	1,818,868	3, 10	7,783
DFG	11.463			Habitat Conservation	161,782		
UofA	11.467	S07-62784	R&DC	Meteorologic and Hydrologic Modernization Development - Pass thru from UCAR Office of Programs	5,000	3, 10	
UofA	11.472	R0326 F0326-00		Unallied Science Program - Pass thru from North Pacific Research Board	7,880		
UofA	11.472	505	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	11,400	3, 10	
UofA	11.472	509	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	12,046	3, 10	
UofA	11.472	522	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	12,322	3, 10	
UofA	11.472	Project 517	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	12,670	3, 10	
UofA	11.472	A100501	R&DC	Unallied Science Program - Pass thru from Woods Hole Oceanographic Institution	18,831	3, 10	
UofA	11.472	F2631	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	23,795	3, 10	
UofA	11.472	Project 632	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	25,588	3, 10	
UofA	11.472	Project 635	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	29,365	3, 10	
UofA	11.472	Project 614	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	34,979	3, 10	
UofA	11.472	507	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	38,012	3, 10	
UofA	11.472	PO 10263677	R&DC	Unallied Science Program - Pass thru from University of California, San Diego	38,810	3, 10	
UofA	11.472	503		Unallied Science Program - Pass thru from North Pacific Research Board	41,630		
UofA	11.472	Project 607	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	42,450	3, 10	
UofA	11.472	602 NPRB Project	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	44,032	3, 10	
UofA	11.472	512 Project Number	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	47,391	3, 10	
UofA	11.472	511	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	57,236	3, 10	
UofA	11.472	Project 514	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	59,314	3, 10	
UofA	11.472	Project 615		Unallied Science Program - Pass thru from North Pacific Research Board	69,660		
UofA	11.472	NPRB PROJECT #527	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	72,981	3, 10	

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
UofA	11.472	R0320	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	74,846	3, 10	
UofA	11.472	506	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	77,672	3, 10	
UofA	11.472	Project 604	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	80,173	3, 10	
UofA	11.472	Project 617	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	81,920	3, 10	
UofA	11.472	Project 627	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	152,727	3, 10	
UofA	11.472	Project 520	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	395,891	3, 10	
	11.472 Total				1,563,621		-
DFG	11.473			Coastal Services Center	141,663		
UofA	11.473	UA/AOOS MOA		Coastal Services Center - Pass thru from Alaska Ocean Observing System	(605)		
UofA	11.473	PFG	R&DC	Coastal Services Center - Pass thru from Alaska Ocean Observing System	4,294	3, 10	
UofA	11.473	07-5-25535.3734 CA05-22	R&DC	Coastal Services Center - Pass thru from University of Maryland - UMCES	177,428	3, 10	
UofA	11.473	H-2201	R&DC	Coastal Services Center - Pass thru from Seward Association for Advancement of Science (SAAMS)	710,685	3, 10	131,590
	11.473 Total				1,033,465		131,590
DFG	11.477			Fisheries Disaster Relief	858,021		
UofA	11.478		R&DC	Center for Sponsored Coastal Ocean Research - Coastal Ocean Program	163,866	3, 10	
UofA	11.481	Sub Agreement NO. 270040E	R&DC	Educational Partnership Program - Pass thru from NCA&T	33,280	3, 10	
UofA	11.481			Educational Partnership Program	202,466		26,667
	11.481 Total				235,746		26,667
UofA	11.550			Public Telecommunications Facilities Planning and Construction	(3,284)		
UofA	11.552			Technology Opportunities Program	50,497		
DFG	11.999			Miscellaneous NOAA	484,378		
DOTPF	11.999			Space leased by National Weather Service at DOTPF facility in Slana and Ernestine	20		
UofA	11.999	F0418	R&DC	Miscellaneous - Pass thru from North Pacific Research Board	(2,504)	3, 10	
UofA	11.999	F0423	R&DC	Miscellaneous - Pass thru from North Pacific Research Board	(1,931)	3, 10	
UofA	11.999	Letter 11/14/2005		Miscellaneous - Pass thru from Consortium for Oceanographic Research & Education	(1,173)		
UofA	11.999	F0410	R&DC	Miscellaneous - Pass thru from North Pacific Research Board	(1)	3, 10	
UofA	11.999	R1991-02	R&DC	Miscellaneous - Pass thru from Seward Association for Advancement of Science (SAAMS)	25	3, 10	
UofA	11.999	NA16FX2629 #13	R&DC	Miscellaneous - Pass thru from North Pacific Marine Science Foundation	3,661	3, 10	
UofA	11.999	Letter Dated 1/12/07		Miscellaneous - Pass thru from Consortium for Oceanographic Research & Education	4,250		
UofA	11.999	Letter Dated 12/31/2005		Miscellaneous - Pass thru from Consortium for Oceanographic Research & Education	4,250		
UofA	11.999	SC# 1702-61211-01 PO#111222	R&DC	Miscellaneous - Pass thru from Embry-Riddle Aeronautical University	5,409	3, 10	
UofA	11.999	F0401	R&DC	Miscellaneous - Pass thru from North Pacific Research Board	16,389	3, 10	
UofA	11.999	F0407	R&DC	Miscellaneous - Pass thru from North Pacific Research Board	20,650	3, 10	
UofA	11.999	F0413	R&DC	Miscellaneous - Pass thru from North Pacific Research Board	38,046	3, 10	
UofA	11.999	R1991-03	R&DC	Miscellaneous - Pass thru from Seward Association for Advancement of Science (SAAMS)	47,527	3, 10	
UofA	11.999			Miscellaneous	58,135		
UofA	11.999	R0327	R&DC	Miscellaneous - Pass thru from North Pacific Research Board	61,041	3, 10	

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2007
By Federal Agency

State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
UofA	11.999	ADN 1145345	R&DC	Miscellaneous	169,711	3, 10	
	11.999 Total				907,883		-
DPS	11.04 and 05-NMFS-JEA			National Marine Fisheries Joint Enforcement Agreement	1,382,208		
DEC	11.45ABNAON0252			Miscellaneous Inspection Service	21,402		
DEC	11.AB133C06SE3435			NOAA Pribilof Island Restoration	5,312		
DNR	11.NA05OAR4601083			Threatened Alaska Shipwrecks	18,281	5	
DEC	11.NA16AB23292			NOAA Pribilof Island Restoration	49,976		49,976
		U.S. Department of Commerce			66,896,150		8,617,402
		U.S. Department of Defense					
UofA	12.002			Procurement Technical Assistance for Business Firms	304,839		
DEC	12.113			State Memorandum of Agreement Program for the Reimbursement of Technical Services	1,769,242		
UofA	12.114	UM02-09-029	R&DC	Collaborative Research and Development - Pass thru from University of Mississippi	78,194	3, 10	
UofA	12.114	UM 07-11-041	R&DC	Collaborative Research and Development - Pass thru from University of Mississippi	139,690	3, 10	
	12.114 Total				217,884		-
UofA	12.300	R00427 FSU#091004-520-015474	R&DC	Basic and Applied Scientific Research - Pass thru from Florida State University	24,418	3, 10	
UofA	12.300	INDEX 332520 PO426688	R&DC	Basic and Applied Scientific Research - Pass thru from Wayne State University	243,034	3, 10	
UofA	12.300		R&DC	Basic and Applied Scientific Research	4,088,140	3, 10	147,967
	12.300 Total				4,355,592		147,967
AADC	12.400	W91ZRU-06-2-3038		Military Construction, National Guard	13,466,884	3	
DMVA	12.400			Military Construction, National Guard	273,611		
	12.400 Total				13,740,495		-
DMVA	12.401			National Guard Military Operations and Maintenance (O & M) Projects	13,002,925		
DMVA	12.404			National Guard Civilian Youth Opportunities	3,670,793		
DFG	12.420			Military Medical Research and Development	877		
UofA	12.420			Military Medical Research and Development	1,389		
UofA	12.420		R&DC	Military Medical Research and Development	2,385,313	3, 10	5,024
	12.420 Total				2,387,579		5,024
UofA	12.431			Basic Scientific Research	14,497		
UofA	12.431		R&DC	Basic Scientific Research	382,081	3, 10	30,000
	12.431 Total				396,578		30,000
UofA	12.630		R&DC	Basic, Applied, and Advanced Research in Science and Engineering	34,357	3, 10	
UofA	12.910		R&DC	Research and Technology Development	514,382	3, 10	
ARRC	12.999	DTFRDV-04-G-00006		Track Realignment – Elmendorf Air Force Base and Ft. Richardson 2004 - Pass thru from FRA	380,676	9	
ARRC	12.999	DTFRDV-05-G-00006		Northern Line Realignment & Extension - 2005	5,938,755	9	
ARRC	12.999	DTFRDV-05-G-00005		Track Realignment – Elmendorf Air Force Base and Ft. Richardson 2005 - Pass thru from FRA	6,029,080	9	
DCCED	12.999	Delta Junction Missile Defense		Delta Junction Missile Defense Test Bed Facilities Impact	1,732,820		1,712,662
DEED	12.999			Troops to Teachers	88,517		
DFG	12.999			Miscellaneous Army	78,167		
DMVA	12.999			Ground Missile Defense	2,378		
DOTPF	12.999	F65501-95C0017		Maintain Galena Airport to USAF Safety Standards	178,341		
DOTPF	12.999	F65501-96C0006		Maintain King Salmon Airport to USAF Safety Standards	328,619		
DOTPF	12.999	N6871104MDC4010		Funding from US Navy for Adak Airport Operations	655,888		
UofA	12.999	06-84 AND 06-85		Miscellaneous - Pass thru from Academy of Applied Science (AAS)	4,828		
UofA	12.999	885205	R&DC	Miscellaneous - Pass thru from John Hopkins University	17,777	3, 10	
UofA	12.999	SUB UNDER CA W56HZV-04-2-0001	R&DC	Miscellaneous - Pass thru from University of Michigan	138,879	3, 10	

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UofA	12.999		R&DC	Miscellaneous	3,611,694	3, 10	
	12.999 Total				19,186,419		1,712,662
DOTPF	97.999	Memo of Agreement ONLY		Contract for profilagraph testing f runway at Ft Greely. Pj 76732	3,347	6	
DEC	12.USAF Elmendorf	Site cleanup		USAF Elmendorf Site Cleanup	1,687		
DNR	W81G6961354341	W81G6961354341		MLW RAMS Program	15,000		
		U.S. Department of Defense			59,601,119		1,895,653
		<u>U.S. Department of Housing and Urban Development</u>					
AHFC	14.117			Mortgage Insurance - Homes	658,672	13	
AHFC	14.182		S8PBC	Section 8 New Construction/Substantial Rehabilitation	2,575,830	10	
AHFC	14.195		S8PBC	Section 8 Housing Assistance Payments Program - Special Allocations	7,096,662	10	5,029,431
AHFC	14.227			Community Development Block Grants /Technical Assist	84,879		84,879
DCCED	14.228	Community Development Block Grants		Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	4,291,547		4,129,577
DCCED	14.231	Emergency Shelter Grants Program		Emergency Shelter Grants Program	119,463		119,463
AHFC	14.238			Shelter Plus Care	576,150		576,150
AHFC	14.239			HOME Investment Partnerships Program	3,022,348	3	3,018,273
AHFC	14.241			Housing Opportunities for Persons with AIDS	458,446		450,350
AHFC	14.249		S8PBC	Section 8 Moderate Rehabilitation Single Room Occupancy	279,617	10	176,272
UofA	14.515			Alaska Native / Native Hawaiian Institutions Assisting Communities	1,005,754		
AHFC	14.850			Public and Indian Housing	6,703,662	3	
AHFC	14.870			Resident Opportunity and Supportive Services - Homeownership and Family	29,670		28,307
AHFC	14.871			Section 8 Housing Choice Vouchers	27,973,693		
AHFC	14.872			Public Housing Capital Fund	2,523,916		
		U.S. Department of Housing and Urban Development			57,400,309		13,612,702
		<u>U.S. Department of Interior</u>					
DFG	15.222			Cooperative Inspection Agreements With States and Tribes	46,119		
DNR	15.222			Cooperative Inspection Agreements with States and Tribes	99,023	6	
	15.222 Total				145,142		-
DFG	15.224			Cultural Resource Management	9,688		
DNR	15.224			Cultural Resource Management	1,355,631	6	25,810
UofA	15.224	G251-06-W0094	R&DC	Cultural Resource Management - Pass thru from Montana State University	3,565	3, 10	
UofA	15.224	G245-06-W0094	R&DC	Cultural Resource Management - Pass thru from Montana State University	4,963	3, 10	
UofA	15.224			Cultural Resource Management	5,023		
	15.224 Total				1,378,870		25,810
DFG	15.225			Recreation Resource Management	12,212		
UofA	15.225		R&DC	Recreation Resource Management	30,638	3, 10	
	15.225 Total				42,850		-
DCCED	15.226	Payments in Lieu of Taxes		Payments in Lieu of Taxes	6,408,959		6,408,959
DCCED	15.227	National Petroleum Reserve Alaska Impact Mitigation		Distribution of Receipts to State and Local Governments	15,060,598		15,060,598
DNR	15.228			National Fire Plan - Wildland Urban Interface Community Fire Assistance	37,488	6	
DFG	15.231			Fish, Wildlife and Plant Conservation Resource Management	82,359		
UofA	15.231		R&DC	Fish, Wildlife and Plant Conservation Resource Management	21,398	3, 10	
	15.231 Total				103,757		-

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DNR	15.250			Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	186,214	5, 6	3,589
DNR	15.252			Abandoned Mine Land Reclamation (AMLR) Program	2,127,777	6	
UofA	15.423		R&DC	Minerals Management Service (MMS) Environmental Studies Program (ESP)	15,099	3, 10	
DFG	15.605		F&WC	Sport Fish Restoration	17,931,086	10	958,554
ARRC	15.608	DCN 70181-3-G236		Fish and Wildlife Management Assistance	140,739	9	
DFG	15.608			Fish and Wildlife Management Assistance	1,193,299		
UofA	15.608		R&DC	Fish and Wildlife Management Assistance	2,931	3, 10	
	15.608 Total				1,336,969		-
DFG	15.611		F&WC	Wildlife Restoration	9,614,915	10	
DFG	15.614			Coastal Wetlands Planning, Protection and Restoration Act	(152)		
DNR	15.614			Coastal Wetlands Planning, Protection, and Restoration Act	3,094		
	15.614 Total				2,942		-
DFG	15.615			Cooperative Endangered Species Conservation Fund	102,148		
DFG	15.616			Clean Vessel Act	20,137		23,737
DFG	15.625			Wildlife Conservation and Restoration	178,271		
DFG	15.626			Hunter Education and Safety Program	80,001		
UofA	15.630		R&DC	Coastal Program	56,035	3, 10	
UofA	15.631		R&DC	Partners for Fish and Wildlife	8,071	3, 10	
DFG	15.633			Landowner Incentive	72,282		
DFG	15.634			State Wildlife Grants	2,825,848		
DFG	15.636			Alaska Subsistence Management	1,534,189		
UofA	15.642		R&DC	Challenge Cost Share	15,726	3, 10	
UofA	15.643		R&DC	Alaska Migratory Bird Co-Management Council	8,411	3, 10	
UofA	15.805		R&DC	Assistance to State Water Resources Research Institutes	37,444	3, 10	
UofA	15.807		R&DC	Earthquake Hazards Reduction Program	787,459	3, 10	
DNR	15.808			U.S. Geological Survey - Research and Data Collection	1,690,527	5, 6	6,064
UofA	15.808			U.S. Geological Survey - Research and Data Collection	13,731		
UofA	15.808	AV04-AK01	R&DC	U.S. Geological Survey - Research and Data Collection - Pass thru from America View, Inc.	87,859	3, 10	
UofA	15.808	ADN 1056014	R&DC	U.S. Geological Survey - Research and Data Collection	2,649,412	3, 10	
	15.808 Total				4,441,529		6,064
DNR	15.810			National Cooperative Geologic Mapping Program	703,263	5, 6	
UofA	15.811		R&DC	Gap Analysis Program	38,866	3, 10	
UofA	15.812		R&DC	Cooperative Research Units Program	474,785	3, 10	
UofA	15.900			Disposal of Surplus Wildlife	29,636		
UofA	15.900		R&DC	Disposal of Surplus Wildlife	159,682	3, 10	
	15.900 Total				189,318		-
DNR	15.904			Historic Preservation Fund Grants-In-Aid	831,702	5, 6	154,333
UofA	15.904		R&DC	Historic Preservation Fund Grants-In-Aid	33,042	3, 10	
	15.904 Total				864,744		154,333
DNR	15.916			Outdoor Recreation - Acquisition, Development and Planning	846,153	6	459,868
DFG	15.999			Miscellaneous Minerals Management Service	149,157		
DFG	15.999			Miscellaneous National Park Service	212,483		
DFG	15.999			Miscellaneous Bureau of Land Management	323,701		
DFG	15.999			Miscellaneous U.S. Fish and Wildlife Service	974,654		
DNR	15.999			BLM Miscellaneous Fire Billings	2,635		
DOTPF	15.999	FWS-701815J604		Harbor aquatic vegetation study commissioned by Fish & Wildlife Service	20,238		
UofA	15.999	2005-0011-036	R&DC	Miscellaneous - Pass thru from National Fish & Wildlife Foundation	1,018	3, 10	
UofA	15.999	19758 INITIAL 2006	R&DC	Miscellaneous - Pass thru from University of Vermont	4,523	3, 10	
UofA	15.999	Subcontract TAES 570271	R&DC	Miscellaneous - Pass thru from Texas A&M University	5,383	3, 10	

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UofA	15.999	20118 INITIAL 2002	R&DC	Miscellaneous - Pass thru from University of Vermont	9,084	3, 10	
UofA	15.999	AC-279	R&DC	Miscellaneous - Pass thru from Bering Sea Fisherman's Association	29,109	3, 10	
UofA	15.999	ADN 1175248		Miscellaneous	1,185,596		
UofA	15.999	ADN1078006/45-7-0805	R&DC	Miscellaneous	2,979,819	3, 10	194,309
	15.999 Total				5,897,400		194,309
DNR	15.1435-02-04-CA-40364			Onshore Compliance	174,720	6	
DNR	15.701815M333			Izembek Interpretation Panels	13,723		
DNR	15.701816M445	701816M445		Cabin Site Surveys	5,139		
DNR	15.AAI	0203ML1302		Wickersham House	137,007	5	
DNR	15.AAN	H9915040004		NPS Fire Program Analysis	1,392		
DNR	15.AK-C-12-L-1	AK-C-12-L-1		Portage River-Afognak Coastal Protection	1,805		
DNR	15.DDD	LAA-02-0005		Cadastral Project	302,025	6	
DNR	15.H9807050013			Kadyak Archeology Investigation	9,058	5	
DNR	15.H9837041015	H9837041015		South Denali Implementation	23,351		
DNR	15.H9865060001			Wrangell/St. Elias Student Interns	2,750		
DNR	15.LAA040005			BLM Fire Suppression	2,003,299		
DNR	15.P9911060003			05 NPS Planning Assistance	17,409	6	
DNR	15.P9911070004			07 NPS Planning Assistance	50,531	6	
	U.S. Department of Interior				76,316,955		23,295,821
	U.S. Department of Justice						
DHSS	16.202			Prisoner Reentry Initiative Demonstration (Offender Reentry)	63,914		
DHSS	16.523			Juvenile Accountability Incentive Block Grants	375,780		
DPS	16.527			Supervised Visitation, Safe Havens for Children	320		320
DHSS	16.529			Education, Training and Enhanced Services to End Violence Against Women with Disabilities	83,909		
COURT	16.540			Juvenile Justice and Delinquency Prevention - Allocation to States - Pass thru from Center for Democracy & Citizenship, Council for Excellence in Government	1,551		
DHSS	16.540			Juvenile Justice and Delinquency Prevention - Allocation to States	592,477		210,314
	16.540 Total				594,028		210,314
DHSS	16.541			Part E - Developing, Testing and Demonstrating Promising New Programs	2,230,617		1,762,423
DOA	16.541			Part E - Developing, Testing and Demonstrating Promising New Programs	50,000		
DOR	16.541	16-2005-JL-FK (Project #) Grant ID is 16-081860		Part E - Developing, Testing and Demonstrating Promising New Programs	308,333	6	
UofA	16.541	RSA Dated 9/1/06		Part E - Developing, Testing and Demonstrating Promising New Programs - Pass thru from Bristol Bay Area Health Corporation	4,745		
	16.541 Total				2,593,695		1,762,423
UofA	16.542	Agreement Dated 5/25/05 PO39607-0169	R&DC	Part D - Research, Evaluation, Technical Assistance and Training - Pass thru from Purdue University Indianapolis	59,071	3, 10	
DPS	16.543			Missing Children's Assistance	4,100		
DHSS	16.548			Title V - Delinquency Prevention Program	64,905		55,835
UofA	16.550		R&DC	State Justice Statistics Program for Statistical Analysis Centers	30,894	3, 10	
DPS	16.554			National Criminal History Improvement Program (NCHIP)	209,654		
DPS	16.560			National Institute of Justice Research, Evaluation, and Development Project Grants	278,532		
UofA	16.560		R&DC	National Institute of Justice Research, Evaluation, and Development Project Grants	319,399	3, 10	53,326
	16.560 Total				597,931		53,326
DPS	16.564			Crime Laboratory Improvement - Combined Offender DNA Index System Backlog Reduction	57,914		
DPS	16.575			Crime Victim Assistance	1,234,862		1,208,450

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DOA	16.576			Crime Victim Compensation	402,704		
DPS	16.579			Edward Byrne Memorial Formula Grant Program	28,072		28,072
COURT	16.580	2005-RG-CX-1072		Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	200,528	6	
DPS	16.580			Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	3,022,566		
LAW	16.580	2005DDBX1154		Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	717,100		
	16.580 Total				3,940,194		-
COURT	16.585	2003-DC-BX-0059		Drug Court Discretionary Grant Program	55,815		
DOTPF	16.585			Drug seizure money used for increased security and screening.	12,635		
DOTPF	16.585			Drug seizure money used for increased security and screening.	58,330		
	16.585 Total				126,780		-
DPS	16.588			Violence Against Women Formula Grants	1,124,312		471,361
LAW	16.588	2005WFAX0001		Violence Against Women Formula Grants	616,819		
	16.588 Total				1,741,131		471,361
COURT	16.590	2004-WE-AX-0013		Grants to Encourage Arrest Policies and Enforcement of Protection Orders	186,429		
DPS	16.590			Grants to Encourage Arrest Policies and Enforcement of Protection Orders	165,654		86,455
	16.590 Total				352,083		86,455
DPS	16.592			Local Law Enforcement Block Grant Program	40,915		
DPS	16.593			Residential Substance Abuse Treatment for State Prisoners	177,993		
DPS	16.609			Community Prosecution and Project Safe Neighborhoods	362,000		4,160
LAW	16.609	2002GPCX0190		Community Prosecution and Project Safe Neighborhoods	49,146		
	16.609 Total				411,146		4,160
DOA	16.710			Public Safety Partnership and Community Policing Grants	5,398,699		
DPS	16.710			Public Safety Partnership and Community Policing Grants	1,173,197		176,026
	16.710 Total				6,571,896		176,026
DHSS	16.727			Enforcing Underage Drinking Laws Program	348,798		144,947
DPS	16.728			Drug Prevention Program	183,020		
DPS	16.738			Edward Byrne Memorial Justice Assistance Grant Program	535,411		132,460
DPS	16.741			Forensic DNA Capacity Enhancement Program	194,356		
DPS	16.742			Paul Coverdell Forensic Sciences Improvement Grant Program	62,761		
DMVA	16.999			Counterdrug Support Program-Asset Forfeiture	9,101		
DOC	16.999	03-06-05		U. S. Marshall Service Cooperative Agreement Program	246,679		
DOC	16.999	2002-RE-CX-0014		Serious and Violent Offender Reentry Initiative	339,779		
UofA	16.999			Miscellaneous	10,042		
UofA	16.999		R&DC	Miscellaneous	42,076	3, 10	
	16.999 Total				647,677		-
DPS	16.05-2 & CY06			Marijuana Eradication	58,834		
				U.S. Department of Justice	21,794,748		4,334,149
				U.S. Department of Labor			
DLWD	17.002			Labor Force Statistics	714,523	6	
DLWD	17.005			Compensation and Working Conditions	69,322	6	
DLWD	17.203			Labor Certification for Alien Workers	53,392	6	
DLWD	17.207		ESC	Employment Service/Wagner-Peyser Funded Activities	7,810,150	3, 6, 10	
DLWD	17.225			Unemployment Insurance	145,695,415	6, 11	
DLWD	17.235			Senior Community Service Employment Program	1,842,960	6	1,709,043
DLWD	17.245			Trade Adjustment Assistance	590,206	6	

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DLWD	17.258		WIAC	WIA Adult Program	2,341,077	3, 6, 10	
DLWD	17.259		WIAC	WIA Youth Activities	2,591,728	3, 6, 10	1,192,747
DLWD	17.260		WIAC	WIA Dislocated Workers	3,537,259	3, 6, 10	25,316
DLWD	17.261			WIA Pilots, Demonstrations, and Research Projects	3,415,413	6	1,688,545
UofA	17.261	776121		WIA Pilots, Demonstrations, and Research Projects	988,291		
	17.261 Total				4,403,704		1,688,545
DLWD	17.266			Work Incentive Grants	273,338	6	
DLWD	17.503			Occupational Safety and Health - State Program	1,519,963	6	
DLWD	17.504			Consultation Agreements	569,010	6	
UofA	17.600			Mine Health and Safety Grants	54,758		
DHSS	17.720			Disability Employment Policy Development	126,925		
DLWD	17.720			Disability Employment Policy Development	439,046	6	102,987
	17.720 Total				565,971		102,987
DLWD	17.801		ESC	Disabled Veterans' Outreach Program (DVOP)	283,608	3, 6, 10	
DLWD	17.804		ESC	Local Veterans' Employment Representative Program	201,386	3, 6, 10	
U.S. Department of Labor					173,117,770		4,718,638
<u>U.S. Department of State</u>							
UofA	19.999			Miscellaneous	153,517		
U.S. Department of State					153,517		-
<u>U.S. Department of Transportation</u>							
DLWD	17.807			Transition Assistance Program	51,683	6	
UofA	20.100	04-C-GA-ERAU AMEND #007		Aviation Education - Pass thru from Embry-Riddle Aeronautical University	506		
DOTPF	20.106			Airport Improvement Program	201,919,396	6, 19	254,000
UofA	20.108	61049- UAF	R&DC	Aviation Research Grants - Pass thru from Embry- Riddle Aeronautical University	32,777	3, 10	
UofA	20.108	Subcontract #63778	R&DC	Aviation Research Grants - Pass thru from MITRE Corporation	42,274	3, 10	
	20.108 Total				75,051		-
DCCED	20.205	Sea Trails	HPCC	Highway Planning and Construction	8,740	3	
DOTPF	20.205		HPCC	Highway Planning and Construction	346,707,931	3, 6, 10, 19	6,519,052
KABATA	20.205	PJ E 56047	HPCC	Highway Planning and Construction	10,280,546	3, 10	
	20.205 Total				356,997,217		6,519,052
UofA	20.215			Highway Training and Education	3,628		
DOA	20.217			Motor Carrier Safety	173,840		
DOTPF	20.218			National Motor Carrier Safety	407,951		103,610
DNR	20.219			Recreational Trails Program	642,001		374,490
ARRC	20.500		FTC	Federal Transit - Capital Investment Grants	15,243,856	3, 9, 10	
DOTPF	20.500		FTC	Federal Transit - Capital Investment Grants	1,641,819	10	335,431
	20.500 Total				16,885,675		335,431
DOTPF	20.505			Federal Transit - Metropolitan Planning Grants	59,510		11,694
ARRC	20.507		FTC	Federal Transit - Formula Grants	11,040,580	3, 9, 10	
DOTPF	20.509			Formula Grants for Other Than Urbanized Areas	5,097,930		4,361,421
DOTPF	20.513			Capital Assistance Program for Elderly Persons and Persons with Disabilities	238,417		221,809
DOTPF	20.514			Public Transportation Research	14,691		
DOTPF	20.515			State Planning and Research	239,784		213,383
DOTPF	20.516			Job Access - Reverse Commute	283,722		282,115
COURT	20.600		HSC	State and Community Highway Safety - Pass thru from Partners for Progress	15,229	10	
DOTPF	20.600		HSC	State and Community Highway Safety	1,215,558	10	854,013
	20.600 Total				1,230,787		854,013
DOTPF	20.601		HSC	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	12,466	10	2,999
DOTPF	20.602		HSC	Occupant Protection	266,022	10	197,716
DOTPF	20.603		HSC	Federal Highway Safety Data Improvements Incentive Grants	27,587	10	
DOTPF	20.604		HSC	Safety Incentive Grants for Use of Seat Belts	20,756	10	
DOTPF	20.605		HSC	Safety Incentives to Prevent Operation of Motor Vehicles By Intoxicated Persons	133,365	10	
DOTPF	20.607			Alcohol Open Container	2,777,354		1,358,864

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DOTPF	20.609		HSC	Safety Belt Performance Grants	400,839	10	154,531
DOTPF	20.610		HSC	State Traffic Safety Information System Improvements Grants	220,177	10	
DOTPF	20.612		HSC	Incentive Grant Program to Increase Motorcyclist Safety	6,581	10	9,377
DOTPF	20.613		HSC	Child Safety and Child Booster Seat Incentive Grants	14,209	10	
DMVA	20.703			Interagency Hazardous Materials Public Sector Training and Planning Grants	65,023		
UofA	20.762		R&DC	Research Grants	507,836	3, 10	
ARRC	20.999	DTFRDV-03-G-60040		Rail Safety and Infrastructure Improvements – 2003	(1,038)	9	
ARRC	20.999	DTFRDV-03-G-60015		Seward Loading Facility - 2003	4,860	9	
ARRC	20.999	DTFR53-05-G-00005		Luminescent Grade Crossing-R & D - 2005	57,737	9	
ARRC	20.999	DTFRDV-04-G-00005		Rail Safety and Infrastructure Improvements – 2004	175,577	9	
ARRC	20.999	DTFR53-04-H-00005		Track Integrity System – 2004	235,149	9	
ARRC	20.999	DTFRDV-99-G-60005		Anchorage International Airport Rail Passenger Station - 1999	430,721	9	
ARRC	20.999	DTFRDV53-04-G-00007		Anchorage C Street Grade Crossing – 2004	440,819	9	
ARRC	20.999	DTFRDV-06-G-00008		Ft. Wainwright Track Realignment -- 2006	715,093	9	
ARRC	20.999	DTFRDV-02-G-60032		Rail Safety and Infrastructure Improvements – 2002	773,610	9	
ARRC	20.999	DTFRDV-05-G-00007		Rail Safety and Infrastructure Improvements – 2005	2,685,061	9	
ARRC	20.999	DTFRDV-06-G-00007		Locomotive/Railcars to Support Stryker Brigade -- 2006	7,683,026	9	
ARRC	20.999	DTFRDV-06-G-00006		Rail Safety & Infrastructure Improvements --2006	9,486,316	9	
DOTPF	20.999	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	(118)	6	
DOTPF	20.999			Contract with FHWA Office of Acquisition Management for CLARUS.	2,592	6	
DOTPF	20.999	DTFA04-81-F-81018		Pay Half of Electric Billed Through Shared Meter at Kodiak Airport	13,278		
DOTPF	20.999	BRM/09/02/2004		FAA agreement to install Runway End Identifier Lights (REIL) at Ekwok airport. Pj 57882	18,832	6	
DOTPF	20.999	DTFA04-92-89229		Prorated Share of Utilities and Repair/maintenance Cost FAA ARFF Deadhorse Combined Facility	40,287		
DOTPF	20.999	DTFAWA-26-A00009		FAA agreement to install lighting at Tuntutuliak airport.	65,005	6	
DOTPF	20.999	DTFAAL-05-X-00011		FAA agreement to install lighting at King Cove & New Stuyahok arpts.	89,765	6	
DOTPF	20.999	DTFA-AAL03P-45013		FAA agreement to install Precision Approach Path Indicator (PAPI) and Runway End Identifier Lights (REIL) at various airports. PJ 62315	127,592	6	
DOTPF	20.999	DTFH70-07E-0007		Forest Hwy agreement for geotechnical invest. & drilling o Coffman Cove Rd, Aufeis Rd & at Metlakatla	144,983	6	
DOTPF	20.999	DTFA-03-X-02057		Rural Airport Lighting install at various airports. PJ 57794	154,266	6	
DOTPF	20.999	DTFAAL-05-A-00002		FAA agreement for install of Precision Approach Path Indicator (PAPI) & Runway End Identifier Lighting (REIL) at various arpts.	244,095	6	
DOTPF	20.999	AK PFH 2-1(1)		Forest Hwy agreement for improvements to Coffman Cove Rd.	293,374	6	
DOTPF	20.999	DTFA-04-A-00003		FAA agreement for installation of lighting at Chenega & Perryville airports. PJ 57884 & 57892	439,441	6	
DOTPF	20.999	DTFAWA-05-A-00009		FAA agreement to install REIL lights at Stevens Village & King Cove arpts.	670,646	6	
DOTPF	20.999	DTFAAL-05-X-00006		Design & construct FAA facility in Nome reimbursed by FAA through PO	785,965	6	
DOTPF	20.999	DTFA-04-02-X-44090		Runway End Identifier Lighting (REIL) at various airports. PJ 62462	1,264,803	6	
DOTPF	20.999	AK PFH 44-1(1)		Forest Hwy agreement for Glacier Hwy trailhead improvements	1,667,571	6	
UofA	20.999	166331	R&DC	Miscellaneous - Pass thru from University of Washington	53	3, 10	

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UofA	20.999	61049 04-C-GA-ERAU AMEND #011		Miscellaneous - Pass thru from Embry-Riddle Aeronautical University	14,078		
UofA	20.999	61043-UAA/04-C-GA-ERAU #10		Miscellaneous - Pass thru from Embry-Riddle Aeronautical University	32,071		
	20.999 Total				28,755,510		-
DEC	20.DTFAAL-04X-8000			Clean up Contaminated Sites in AK	78,748		
DNR	20.DTHF70-05-E-00020			Sea Trails	26,975		14,500
DNR	20.DTHF70-05-E-00028			Alaska Trails Initiative	1,158,896		802,319
		U.S. Department of Transportation			629,834,713		16,071,324
		<u>U.S. Department of Treasury</u>					
DEED	21.999			Jobs and Growth Tax Relief Reconciliation Act of 2003	727,877		
DNR	21.999			Jobs and Growth Tax Relief Reconciliation Act of 2002	752,425		29,801
DOA	21.999			Jobs and Growth Tax Relief Reconciliation Act of 2002	142,509		
DPS	21.999			Jobs and Growth Tax Relief Reconciliation Act of 2002	282,511		
UofA	21.999		R&DC	Miscellaneous	1,184,028	3, 10	
		U.S. Department of Treasury			3,089,350		29,801
		<u>Office of Personnel Management</u>					
UofA	27.011			Intergovernmental Personnel Act (IPA) Mobility Program	69,567		
		Office of Personnel Management			69,567		-
		<u>U.S. Equal Employment Opportunity Commission</u>					
OG	30.002			Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	86,602		
		U.S. Equal Employment Opportunity Commission			86,602		-
		<u>U.S. General Services Administration</u>					
DOA	39.003			Donation of Federal Surplus Personal Property	926,356	14	
UofA	39.009			Federal Citizen Information Center	(9,689)		
UofA	39.009	30711	R&DC	Federal Citizen Information Center - Pass thru from Northrop Grumman Space Technology	14	3, 10	
		JWE2A/30714JW E2A					
UofA	39.009		R&DC	Federal Citizen Information Center	13,774,383	3, 10	265,690
	39.009 Total				13,764,708		265,690
OG	39.011			Election Reform Payments	1,079,534		
UofA	39.999			Miscellaneous	17,545		
		U.S. General Services Administration			15,788,143		265,690
		<u>Library of Congress</u>					
DEED	42.006	17188		Library of Congress - Library Services	11,961		
		Library of Congress			11,961		-
		<u>National Aeronautics and Space Administration</u>					
UofA	43.001	478959	R&DC	Aerospace Education Services Program - Pass thru from University of Washington	34,690	3, 10	
UofA	43.001		R&DC	Aerospace Education Services Program	214,905	3, 10	75,341
	43.001 Total				249,595		75,341
DMVA	43.002			Technology Transfer	1,366,560		
UofA	43.999	1-0001080910	R&DC	Miscellaneous - Pass thru from University of California, Berkeley	398	3, 10	
UofA	43.999	2627201	R&DC	Miscellaneous - Pass thru from University of Maryland	3,469	3, 10	
UofA	43.999	06-CA84A-05-001	R&DC	Miscellaneous - Pass thru from SETI Institute	3,493	3, 10	
UofA	43.999	MASON FUND		Miscellaneous - Pass thru from George Mason University	3,991		
		200707-E					
UofA	43.999	1541927	R&DC	Miscellaneous - Pass thru from University of Colorado	4,138	3, 10	

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UofA	43.999	SUB NO. NNG06GH12G-06-002	R&DC	Miscellaneous - Pass thru from SETI Institute	8,913	3, 10	
UofA	43.999	0965 G FB372	R&DC	Miscellaneous - Pass thru from University of California, Los Angeles	10,141	3, 10	
UofA	43.999	0000251 (Formerly 402256-1)	R&DC	Miscellaneous - Pass thru from University of Pittsburgh	22,815	3, 10	
UofA	43.999	SUBC #03-12	R&DC	Miscellaneous - Pass thru from Hampton University	28,227	3, 10	
UofA	43.999	PO 3012590	R&DC	Miscellaneous - Pass thru from University of Massachusetts, Dartmouth	48,269	3, 10	
UofA	43.999	PRIME NAG13-03021					
UofA	43.999	Z612902	R&DC	Miscellaneous - Pass thru from University of Maryland	52,732	3, 10	
UofA	43.999		R&DC	Miscellaneous	10,813,075	3, 10	75,278
	43.999 Total				10,999,661		75,278
		National Aeronautics and Space Administration			12,615,816		150,619
		<u>National Endowment for the Arts</u>					
UofA	45.024	EGRANT FILE # 10979		Promotion of the Arts - Grants to Organizations and Individuals - Pass thru from Arts Midwest	9,000		
DEED	45.025	17335		Promotion of the Arts - Partnership Agreements	569,797		197,009
		National Endowment for the Arts			578,797		197,009
		<u>National Endowment for the Humanities</u>					
UofA	45.149			Promotion of the Humanities - Division of Preservation and Access	426,276		
UofA	45.999		R&DC	Miscellaneous	3,242	3, 10	
		National Endowment for the Humanities			429,518		-
		<u>Institute of Museum and Library Services</u>					
DEED	45.310	17336		Grants to States	862,646		688,556
UofA	45.312			National Leadership Grants	125,407		
		Institute of Museum and Library Services			988,053		688,556
		<u>National Science Foundation</u>					
UofA	47.041		R&DC	Engineering Grants	305,939	3, 10	137,500
UofA	47.049	R5286056118	R&DC	Mathematical and Physical Sciences - Pass thru from University of Minnesota	35,985	3, 10	
UofA	47.049		R&DC	Mathematical and Physical Sciences	142,938	3, 10	
UofA	47.049	Sub award NO. 30891-A	R&DC	Mathematical and Physical Sciences - Pass thru from Stanford University	151,343	3, 10	
	47.049 Total				330,266		-
UofA	47.050	UNR-02-72 P.O.12GC0000075	R&DC	Geosciences - Pass thru from University of Nevada, Reno	(8,702)	3, 10	
UofA	47.050	381-15	R&DC	Geosciences - Pass thru from IRIS	6,844	3, 10	
UofA	47.050	Subcontract C029979	R&DC	Geosciences - Pass thru from Utah State University	17,923	3, 10	
UofA	47.050	892069	R&DC	Geosciences - Pass thru from University of Washington	22,104	3, 10	
UofA	47.050	Sub award EAR-0350028-11	R&DC	Geosciences - Pass thru from UNAVCO, Inc.	28,752	3, 10	
UofA	47.050	MBL Subcontract 10705	R&DC	Geosciences - Pass thru from Marine Biological Laboratory	55,044	3, 10	
UofA	47.050	59-001127	R&DC	Geosciences - Pass thru from SRI International	251,855	3, 10	
UofA	47.050			Geosciences	481,537		38,863
UofA	47.050		R&DC	Geosciences	2,567,686	3, 10	8,115
	47.050 Total				3,423,043		46,978
UofA	47.070			Computer and Information Science and Engineering	53,143		
UofA	47.070		R&DC	Computer and Information Science and Engineering	538,427	3, 10	17,697
	47.070 Total				591,570		17,697
UofA	47.074	527144-01	R&DC	Biological Sciences - Pass thru from Stevens Institute of Technology	(355)	3, 10	
UofA	47.074			Biological Sciences	298,758		

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UofA	47.074		R&DC	Biological Sciences	1,959,836	3, 10	76,993
	47.074 Total				2,258,239		76,993
UofA	47.075	420-40-46	R&DC	Social, Behavioral, and Economic Sciences - Pass thru from Iowa State University	20,672	3, 10	
UofA	47.075		R&DC	Social, Behavioral, and Economic Sciences	196,685	3, 10	
	47.075 Total				217,357		-
DNR	47.076			Education and Human Resources	97,857	6	
UofA	47.076			Education and Human Resources	1,580,892		95,032
UofA	47.076		R&DC	Education and Human Resources	4,395,494	3, 10	
	47.076 Total				6,074,243		95,032
UofA	47.078	03-221A	R&DC	Polar Programs - Pass thru from Idaho State University	(1,023)	3, 10	
UofA	47.078	NO. 153556	R&DC	Polar Programs - Pass thru from University of Washington	3,100	3, 10	
UofA	47.078	3872	R&DC	Polar Programs - Pass thru from University of Delaware	20,879	3, 10	
UofA	47.078	ARCUS CONTRACT8.26.0 4 Pending	R&DC	Polar Programs - Pass thru from Arctic Research Consortium of the U.S. (ARCUS)	21,021	3, 10	
UofA	47.078	05-143C	R&DC	Polar Programs - Pass thru from Idaho State University	27,638	3, 10	
UofA	47.078	10228091-002	R&DC	Polar Programs - Pass thru from University of California, San Diego	31,247	3, 10	
UofA	47.078	Pending		Polar Programs - Pass thru from Barrow Arctic Science Consortium	79,218		
UofA	47.078	SDSU SUB#E0003588,E 0004159	R&DC	Polar Programs - Pass thru from San Diego State University	98,915	3, 10	
UofA	47.078			Polar Programs	485,022		305,834
UofA	47.078	Wire 03/23/05 + Personal Ck	R&DC	Polar Programs	10,518,083	3, 10	649,499
	47.078 Total				11,284,100		955,333
UofA	47.079		R&DC	International Science and Engineering (OISE)	8,917	3, 10	
UofA	47.999	UTA4-172	R&DC	Miscellaneous - Pass thru from University of Texas at Austin	(25)	3, 10	
UofA	47.999	JSA 5-09	R&DC	Miscellaneous - Pass thru from Joint Oceanographic Institutes, Inc.	3,321	3, 10	
UofA	47.999			Miscellaneous	9,011		
UofA	47.999	Task Order 06-001		Miscellaneous - Pass thru from Barrow Arctic Science Consortium	30,000		
UofA	47.999	Agreement Dated 7/24/2006		Miscellaneous - Pass thru from Bristol Bay Native Association	66,768		
UofA	47.999		R&DC	Miscellaneous	1,064,284	3, 10	11,105
	47.999 Total				1,173,359		11,105
		National Science Foundation			25,667,033		1,340,638
		<u>U.S. Small Business Administration</u>					
UofA	59.007			7(J) Technical Assistance	1,385		
UofA	59.009			Procurement Assistance to Small Businesses	56,106		
UofA	59.037			Small Business Development Center	424,160		
		U.S. Small Business Administration			481,651		-
		<u>U.S. Department of Veterans' Affairs</u>					
AHFC	64.114			Veterans Housing - Guaranteed and Insured Loans	249,101	13	
DMVA	64.999			State Approving Agency	95,651		
		U.S. Department of Veterans' Affairs			344,752		-
		<u>U.S. Environmental Protection Agency</u>					
AEA	66.034	XA-960429-01		Surveys Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	10,551	5	
DEC	66.034			Surveys Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	360,172		
	66.034 Total				370,723		-

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AEA	66.202	EM-833233-01		Congressionally Mandated Projects	196,047		191,373
DCCED	66.202	Rural Utility Business Advisor		Congressionally Mandated Projects	1,391,714		62,757
DEC	66.202			Congressionally Mandated Projects	28,267,333		2,485,334
UofA	66.202	PO 600661	R&DC	Congressionally Mandated Projects - Pass thru from Fairbanks North Star Borough	14,316	3, 10	
UofA	66.202	PO 600662	R&DC	Congressionally Mandated Projects - Pass thru from Fairbanks North Star Borough	15,817	3, 10	
UofA	66.202	Sub award		Congressionally Mandated Projects - Pass thru from Alaska Native Tribal Health Consortium	22,418		
UofA	66.202	PO 600663	R&DC	Congressionally Mandated Projects - Pass thru from Fairbanks North Star Borough	29,485	3, 10	
UofA	66.202			Congressionally Mandated Projects	40,306		
UofA	66.202			Congressionally Mandated Projects	309,707		
	66.202 Total				30,287,143		2,739,464
DEC	66.432			State Public Water System Supervision	2,215,849		
DOA	66.433			State Underground Water Source Protection	131,700		
DEC	66.436			Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act	34,609		
DEC	66.454			Water Quality Management Planning	113,912		
DEC	66.458			Capitalization Grants for Clean Water State Revolving Funds	4,309,935		4,031,071
DFG	66.461			Regional Wetland Program Development Grants	39,557		
DEC	66.463			Water Quality Cooperative Agreements	71,880		
DEC	66.467			Wastewater Operator Training Grant Program (Technical Assistance)	20,102		
DEC	66.468			Capitalization Grants for Drinking Water State Revolving Fund	10,270,590		8,484,656
DEC	66.471			State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	155,796		
DEC	66.472			Beach Monitoring and Notification Program Implementation Grants	113,481		
DEC	66.474			Water Protection Grants to the States	145,648		
DEC	66.511			Office of Research and Development, Consolidated Research/Training	778,256		
UofA	66.511	ADN 18650153	R&DC	Office of Research and Development Consolidated Research / Training	603,886	3, 10	
	66.511 Total				1,382,142		-
UofA	66.514			Science to Achieve Results (STAR) Fellowship Program	10,331		
DEC	66.605			Performance Partnership Grants	4,797,241		262,937
DEC	66.608			Environmental Information Exchange Network Grant Program and Related Assistance	8,400		
UofA	66.610			Surveys, Studies, Investigations and Special Purpose Grants Within the Office of the Administrator	22,597		
DEC	66.700			Consolidated Pesticide Enforcement Cooperative Agreements	284,503		
UofA	66.708			Pollution Prevention Grants Program	43,200		32,798
DEC	66.804			State and Tribal Underground Storage Tanks Program	185,552		
DEC	66.805			Leaking Underground Storage Tank Trust Fund Program	481,910		
DEC	66.808			Solid Waste Management Grants Assistance	14,181		
DEC	66.809			Superfund State and Indian Tribe Core Program Cooperative Agreements	173,603		
DEC	66.817			State and Tribal Response Program Grants	416,806		
UofA	66.999	PFG	R&DC	Miscellaneous - Pass thru from UNGA Tribal Council	259	3, 10	
UofA	66.999		R&DC	Miscellaneous	5,770	3, 10	
UofA	66.999			Miscellaneous	77,769		34,063
	66.999 Total				83,798		34,063
DEC	66.LUST Trust Cost Recovery			LUST Trust Cost Recovery	214,578		
		U.S. Environmental Protection Agency			56,399,767		15,584,989

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<u>U.S. Department of Energy</u>							
AEA	81.041	GO1608 & GO1756		State Energy Program - Pass thru from University of Washington	14,063		
AEA	81.041	DE-FG-05R021604		State Energy Program	131,637		
AHFC	81.041			State Energy Program	334,155	12	
	81.041 Total				479,855		-
AHFC	81.042			Weatherization Assistance for Low-Income Persons	1,813,389	3	1,615,443
UofA	81.049		R&DC	Office of Science Financial Assistance Program	(580)	3, 10	
UofA	81.049	DOELOC2284::22 85AKUNV	R&DC	Office of Science Financial Assistance Program - Pass thru from University of Wyoming	14,159	3, 10	
	81.049 Total				13,579		-
AEA	81.079	DE-FG36-05GO85001		Regional Biomass Energy Programs	83,283	5	57,917
AEA	81.087	DE-FG36-05GO85038		Renewable Energy Research & Development	99,542	3, 5	
AEA	81.087	DE-FG07-06ID14790		Renewable Energy Research & Development	940,000	3	940,000
	81.087 Total				1,039,542		940,000
UofA	81.089	17839	R&DC	Fossil Energy Research and Development - Pass thru from Sandia National Laboratories	25,580	3, 10	
UofA	81.089	643168	R&DC	Fossil Energy Research and Development - Pass thru from Sandia National Laboratories	65,702	3, 10	
UofA	81.089		R&DC	Fossil Energy Research and Development	131,850	3, 10	
	81.089 Total				223,132		-
UofA	81.104	SUB1 UCD-W/GEC 03-019 PO542760	R&DC	Office of Environmental Cleanup and Acceleration - Pass thru from Columbia University	13,003	3, 10	
UofA	81.113	UM03-02-074	R&DC	Defense Nuclear Nonproliferation Research - Pass thru from University of Mississippi	124,749	3, 10	
AEA	81.117	DE-FC-04R028002		Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	1,772		1,000
AEA	81.117	DE-FG3604GO46015		Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	33,787		
AEA	81.117	DE-FG3604R021600		Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	36,710	5	2,500
AHFC	81.117			Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	21,913		
	81.117 Total				94,182		3,500
AEA	81.119	DE-FG-03R021493		State Energy Program Special Projects	76,035		
AHFC	81.119			State Energy Program Special Projects	87,137		87,137
	81.119 Total				163,172		87,137
UofA	81.999	234042A	R&DC	Miscellaneous - Pass thru from University of Oregon	8,132	3, 10	
UofA	81.999	SUBC# 36461-	R&DC	Miscellaneous - Pass thru from University of California	8,975	3, 10	
UofA	81.999			Miscellaneous	11,738		
UofA	81.999	60-5005-102	R&DC	Miscellaneous - Pass thru from Inland Northwest Research Alliance	16,062	3, 10	
UofA	81.999	234043A	R&DC	Miscellaneous - Pass thru from University of Oregon	21,067	3, 10	
UofA	81.999	17560	R&DC	Miscellaneous - Pass thru from Battelle Pacific Northwest Lab	26,972	3, 10	
UofA	81.999	NO. 9064	R&DC	Miscellaneous - Pass thru from Battelle Pacific Northwest Lab	35,085	3, 10	
UofA	81.999	60-5005-101	R&DC	Miscellaneous - Pass thru from Inland Northwest Research Alliance	36,869	3, 10	
UofA	81.999		R&DC	Miscellaneous	3,027,676	3, 10	239,197
	81.999 Total				3,192,576		239,197
U.S. Department of Energy					7,240,462		2,943,194

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<u>U.S. Department of Education</u>							
DLWD	84.002			Adult Education - State Grant Program	987,989	6	2,046,975
UofA	84.007		SFAC	Federal Supplemental Educational Opportunity Grants	630,579	10	
DEED	84.010	17126		Title I Grants to Local Educational Agencies	27,986,158		27,653,517
DEED	84.011	17127		Migrant Education - State Grant Program	6,256,283		5,584,021
DEED	84.013	17129		Title I Program for Neglected and Delinquent Children	366,906		364,955
UofA	84.021			Overseas - Group Projects Abroad	35,348		
DEED	84.027	17232	SEC	Special Education - Grants to States	33,659,097	10	30,925,014
UofA	84.031			Higher Education - Institutional Aid	4,581,605		93,750
ASLC	84.032		SFAC	Federal Family Education Loans	2,532,748	3, 10, 21	
UofA	84.032		SFAC	Federal Family Education Loans	42,029,209	10	
	84.032 Total				44,561,957		-
UofA	84.033		SFAC	Federal Work-Study Program	689,421	10	
DEED	84.041	17238		Impact Aid	26,838,857		
UofA	84.042		TRIOC	TRIO - Student Support Services	636,799	3, 10	
UofA	84.044		TRIOC	TRIO - Talent Search	1,024,755	3, 10	45,935
UofA	84.047		TRIOC	TRIO - Upward Bound	1,145,501	3, 10	85,587
DEED	84.048	17244		Vocational Education - Basic Grants to States	4,522,439		3,443,240
UofA	84.048	ADN 0570578 Amend 1		Vocational Education - Basic Grants to States	-		43,500
	84.048 Total				4,522,439		3,486,740
DLWD	84.063		SFAC	Federal Pell Grant Program	206,330	10	
UofA	84.063		SFAC	Federal Pell Grant Program	8,927,307	10	
	84.063 Total				9,133,637		-
UofA	84.066		TRIOC	TRIO - Educational Opportunity Centers	524,167	3, 10	
DEED	84.116	17351		Fund for the Improvement of Postsecondary Education	41,713		
UofA	84.116			Fund for the Improvement of Postsecondary Education	296,221		
	84.116 Total				337,934		-
DLWD	84.126			Rehabilitation Services - Vocational Rehabilitation Grants to States	9,876,114	3, 6	157,956
DEED	84.161	17152		Rehabilitation Services - Client Assistance Program	119,554		
DLWD	84.169			Independent Living - State Grants	337,600	6	1,136,400
DEED	84.173	17242	SEC	Special Education - Preschool Grants	1,164,953	10	1,093,891
DLWD	84.177			Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	221,790	6	246,790
DHSS	84.181			Special Education - Grants for Infants and Families with Disabilities	2,108,786		1,552,123
DEED	84.185	17254		Byrd Honors Scholarships	125,250		1,500
DEED	84.186	17255		Safe and Drug-Free Schools and Communities - State Grants	1,649,392		1,550,832
DLWD	84.187			Supported Employment Services for Individuals with Severe Disabilities	184,031	6	
UofA	84.195			Bilingual Education-Professional Development	71,358		39,000
DEED	84.196	17257		Education for Homeless Children and Youth	189,069		148,454
DEED	84.213	17264		Even Start - State Educational Agencies	497,613		465,793
DEED	84.215	17231		Fund for the Improvement of Education	790,049		
UofA	84.215			Fund for the Improvement of Education	840,689		223,752
	84.215 Total				1,630,738		223,752
DLWD	84.224			Assistive Technology	366,882	6	315,000
DEED	84.243	17246		Tech-Prep Education	347,919		
UofA	84.243	RSA EN 0550625		Tech-Prep Education	-		15,958
	84.243 Total				347,919		15,958
DLWD	84.265			Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	13,535	6	
DEED	84.282	17247		Charter Schools	693,468		647,727
DEED	84.287	17271		Twenty-first Century Community Learning Centers	5,357,434		5,277,606
DEED	84.298	17267		State Grants for Innovative Program	661,151		602,840
UofA	84.299			Demonstration Grants for Indian Children	128,297		
UofA	84.306		R&DC	National Institute on the Education of At-Risk Students	299,605	3, 10	
DEED	84.318	17241		Education Technology State Grants	1,943,845		1,882,854

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UofA	84.320	Work Agreement DTD 04-01-2001	R&DC	Alaska Native Educational Planning, Curriculum Development, Teacher Training, and Recruitment Program - Pass thru from Cook Inlet Tribal Council	(4,385)	3, 10	
DEED	84.323	17159		Special Education - State Personnel Development	581,716		55,359
UofA	84.325			Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	200,378		
DEED	84.326	17347		Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	216,579		
UofA	84.330	Agreement Dated 3/30/06 Amend 1	R&DC	Advanced Placement Program - Pass thru from Anchorage School District	5,534	3, 10	
DOC	84.331	V331A010032		Grants to States for Incarcerated Youth Offenders	31,275		
DEED	84.332	17256		Comprehensive School Reform Demonstration	73,679		73,016
UofA	84.333			Demonstration Projects to Ensure Students with Disabilities Receive a Higher Education	202,875		
UofA	84.336			Teacher Quality Enhancement Grants	2,077,462		381,577
UofA	84.342			Preparing Tomorrow's Teachers to Use Technology	162,667		
UofA	84.350			Transition to Teaching	180,158		
UofA	84.356	AMENDED PO # 100-ISER-06	R&DC	Alaska Native Educational Programs - Pass thru from Association of Alaska School Boards	2,174	3, 10	
UofA	84.356	MOA DATED 3/27/2006		Alaska Native Educational Programs - Pass thru from Project GRAD Kenai Peninsula	15,948		
UofA	84.356	MOA 11-30-06		Alaska Native Educational Programs - Pass thru from Doyon Foundation	42,544		
UofA	84.356	Sub award DTD 4/9/05 AMEND #4	R&DC	Alaska Native Educational Programs - Pass thru from Copper River Native Association	76,045	3, 10	
UofA	84.356			Alaska Native Educational Programs	4,717,022		195,063
	84.356 Total				4,853,733		195,063
DEED	84.357	17273		Reading First State Grants	3,352,349		2,702,128
DEED	84.358	17373		Rural Education	38,091		
UofA	84.362	S362A030013	R&DC	Native Hawaiian Education - Pass thru from ALU LIKE, Inc.	214,497	3, 10	
UofA	84.363			School Leadership	109,814		55,252
DEED	84.365	17175		English Language Acquisition Grants	842,546		809,180
DEED	84.366	17252		Mathematics and Science Partnerships	89,478		
UofA	84.366	RSA EN 0560735		Mathematics and Science Partnerships	571,492		55,339
	84.366 Total				660,970		55,339
DEED	84.367	17172		Improving Teacher Quality State Grants	12,971,141		12,263,066
UofA	84.367	HE07.159.01		Improving Teacher Quality State Grants	-		64,097
	84.367 Total				12,971,141		12,327,163
DEED	84.369	17171		Grants for State Assessments and Related Activities	3,580,401		
DEED	84.372	17274		Statewide Data Systems	714,670		
UofA	84.376		SFAC	National Science and Mathematics Access to Retain Talent (SMART) Grants	76,150	10	
DEED	84.999	17300		Consolidated Programs IASA Admin	638,080		
UofA	84.999	Agreement Dated 6/06 Amend 1/07	R&DC	Miscellaneous - Pass thru from Alaska Humanities Forum	61,270	3, 10	
UofA	84.999	92-AK01		Miscellaneous - Pass thru from National Writing Project Corporation	98,577		
UofA	84.999	570602		Miscellaneous	131,990		
	84.999 Total				929,917		-
DEC	81.DE-FG01-06LM00075			Amchitka Medical Screening Program	12,263		
DEC	81.MINV0056			Amchitka Underground Nuclear Test Site - oversight	7,353		
ACPE	84.069A	N069A060002		Leveraging Educational Assistance Partnership Program	47,793		
ACPE	84.069B	N069B060001		Special Leveraging Educational Assistance Partnership Program	80,000		
		U.S. Department of Education			224,127,442		102,299,047
		National Archives and Records Administration					
DEED	89.003	17141		National Historical Publications and Records Grants	5,637		

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UofA	89.003	Agreement Dated 08/09/2005		National Historical Publications and Records Grants - Pass thru from Whitworth College	9,267		
		National Archives and Records Administration			14,904		-
		<u>Denali Commission</u>					
AEA	90.100	DC-2006-T1		Denali Commission Program	417,954	3	
AEA	90.100	Various		Denali Commission Program	19,649,736	3	16,114,304
AHFC	90.100			Denali Commission Program	7,605,621	3	7,491,424
DCCED	90.100	Accelerated Infrastructure		Denali Commission Program	340,898	3, 4	335,948
DCCED	90.100	Mini Grant		Denali Commission Program	393,656	3	391,730
DCCED	90.100	Multi-Use Facilities		Denali Commission Program	2,521,794	3	2,409,409
DEC	90.100			Denali Commission Program	26,540	3	
DHSS	90.100			Denali Commission Program	2,710,033	3	2,403,024
DLWD	90.100			Denali Commission Program	4,976,763	3, 6	5,919,090
DOTPF	90.100			Denali Commission Program	886,794	3, 6	
DPS	90.100			Denali Commission Program	17,365	3	12,210
MHTA	90.100	0104-DC-2003-I17, Amendme		Denali Commission Program	779,716	3	
UofA	90.100		R&DC	Denali Commission Program	2,516	3, 10	
UofA	90.100	Letter Dated 09/15/06		Denali Commission Program - Pass thru from Alaska Public Broadcasting, Inc.	4,526		
UofA	90.100	ADN 770084		Denali Commission Program	1,317,366		26,033
UofA	90.100	Letter Award 10/31/05		Denali Commission Program - Pass thru from Corporation For Public Broadcasting	41,683		
		Denali Commission			41,692,961		35,103,172
		<u>Election Assistance Commission</u>					
OG	90.401			Help America Vote Act Requirements Payments	2,634,585		
		Election Assistance Commission			2,634,585		-
		<u>U.S. Department of Health and Human Services</u>					
UofA	93.001		R&DC	Civil Rights and Privacy Rule Compliance Activities	(3)	3, 10	
DHSS	93.041			Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	25,473		
DHSS	93.042			Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	67,026		
DHSS	93.043			Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	60,243		44,331
DHSS	93.044		AC	Special Program for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	2,022,368	10	1,760,520
DHSS	93.045		AC	Special Program for the Aging - Title III, Part C - Nutrition Services	3,291,879	10	2,307,163
AHFC	93.048			Special Program for the Aging - Title IV and Title II - Discretionary Projects	13,600		13,600
DHSS	93.048			Special Program for the Aging - Title IV and Title II - Discretionary Projects	111,678		
UofA	93.048		R&DC	Special Programs for the Aging - Title IV - and Title II - Discretionary Projects	263,823	3, 10	15,000
	93.048 Total				389,101		28,600
DHSS	93.052			National Family Caregiver Support, Title III, Part E	896,739		897,088
DHSS	93.053		AC	Nutrition Services Incentive Program	266,139	10	
UofA	93.107	Subcontract 919481	R&DC	Model State-Supported Area Health Education Centers - Pass thru from University of Washington	(603)	3, 10	
DHSS	93.110			Maternal and Child Health Federal Consolidated Programs	264,674		
UofA	93.110	PO Y432109 MOD 2	R&DC	Maternal and Child Health Federal Consolidated Programs - Pass thru from University of Arizona, Tucson	11,536	3, 10	
UofA	93.110			Maternal and Child Health Federal Consolidated Programs	96,721		18,561
	93.110 Total				372,931		18,561

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DHSS	93.116			Project Grants and Cooperative Agreements for Tuberculosis Control Programs	714,352		75,500
DHSS	93.127			Emergency Medical Services for Children	114,357		
DHSS	93.130			Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	441,818		
DHSS	93.136			Injury Prevention and Control Research and State and Community Based Programs	442,141		
DPS	93.136			Injury Prevention and Control Research and State and Community Based Programs	-		75,000
	93.136 Total				442,141		75,000
DHSS	93.150			Projects for Assistance in Transition from Homelessness (PATH)	291,214		287,112
UofA	93.178			Nursing Workforce Diversity	57,052		
UofA	93.189	162846		Health Education and Training Centers - Pass thru from University of Washington	170,591		
UofA	93.192			Quentin N. Burdick Program for Rural Interdisciplinary Training	84,495		
DEC	93.210			Tribal Self-Governance Program: Planning and Negotiation Cooperative Agreements and IHS Compacts/Funding Agreements - Pass thru from ANTHC	5,694,694		
DHSS	93.217			Family Planning - Services	487,430		85,100
DPS	93.228			Indian Health Service - Health Management Development Program	256,117		256,118
DHSS	93.230			Consolidated Knowledge Development and Application (KDandA) Program	1,201,859		
DHSS	93.234			Traumatic Brain Injury State Demonstration Grant Program	258,449		
DHSS	93.235			Abstinence Education Program	23,773		20,142
DHSS	93.240			State Capacity Building	197,047		
DHSS	93.241			State Rural Hospital Flexibility Program	371,029		133,326
UofA	93.242	FY04.001.022 AK, FY06.001.012	R&DC	Mental Health Research Grants - Pass thru from University of Colorado HSC	23,956	3, 10	
UofA	93.242		R&DC	Mental Health Research Grants	1,226,384	3, 10	9,146
	93.242 Total				1,250,340		9,146
DHSS	93.243			Substance Abuse and Mental Health Services - Projects of Regional and National Significance	796,516		
UofA	93.247	SUB GSONO0130A B AMEND 2	R&DC	Advanced Education Nursing Grant Program - Pass thru from Oregon Health & Science University	29,829	3, 10	
DHSS	93.251			Universal Newborn Hearing Screening	123,825		
DHSS	93.256			State Planning Grants Health Care Access for the Uninsured	582,486		9,651
DHSS	93.259			Rural Access to Emergency Devices Grant	34,647		
DHSS	93.268			Immunization Grants	14,490,225	23	114,943
UofA	93.273		R&DC	Alcohol Research Programs	333,119	3, 10	
UofA	93.279		R&DC	Drug Abuse and Addiction Research Programs	2,919	3, 10	
UofA	93.279	SUB 320020-1R01DA015966-01A2	R&DC	Drug Abuse and Addiction Research Programs - Pass thru from Pacific Institute for Research and Evaluation, Louisville Center	29,252	3, 10	
UofA	93.279	PHS R01 DA013139 PO710841	R&DC	Drug Abuse and Addiction Research Programs - Pass thru from Medical College of Wisconsin	41,708	3, 10	
UofA	93.279	0057.01.01-1R01DA019640 MOD 1	R&DC	Drug Abuse and Addiction Research Programs - Pass thru from Pacific Institute for Research and Evaluation, Louisville Center	69,430	3, 10	
	93.279 Total				143,309		-
DHSS	93.283			Centers for Disease Control and Prevention: Investigations and Technical Assistance	13,178,843		1,982,311
UofA	93.283	U58/CCU024463		Centers for Disease Control and Prevention - Investigations and Technical Assistance - Pass thru from South East Alaska Regional Health Consortium	86		

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UofA	93.283			Centers for Disease Control and Prevention - Investigations and Technical Assistance	551,524		
	93.283 Total				13,730,453		1,982,311
UofA	93.286		R&DC	Discovery and Applied Research for Technological Innovations to Improve Human Health	(571)	3, 10	
DHSS	93.301			Small Rural Hospital Improvement Grant Program	153,846		151,878
UofA	93.307		R&DC	Minority Health and Health Disparities Research	696,050	3, 10	
UofA	93.358			Advanced Education Nursing Traineeships	35,769		
UofA	93.375		R&DC	Pharmacology, Physiology, and Biological Chemistry Research	89,791	3, 10	
UofA	93.389	G152-06-Z3532	R&DC	National Center for Research Resources - Pass thru from Montana State University	35,482	3, 10	
UofA	93.389			National Center for Research Resources	2,432,695		
UofA	93.389		R&DC	National Center for Research Resources	4,697,605	3, 10	54,416
	93.389 Total				7,165,782		54,416
UofA	93.390		R&DC	Academic Research Enhancement Award	47,012	3, 10	
DHSS	93.556			Promoting Safe and Stable Families	1,109,062		1,393,634
DHSS	93.558			Temporary Assistance for Needy Families	30,936,366	3	
DLWD	93.558			Temporary Assistance for Needy Families	3,424,228	3, 6	
	93.558 Total				34,360,594		-
DOR	93.563			Child Support Enforcement	17,503,715	6	
AHFC	93.568			Low-Income Home Energy Assistance	375,163	3, 4	
DHSS	93.568			Low-Income Home Energy Assistance	8,242,762		
	93.568 Total				8,617,925		-
DCCED	93.569	Community Services Block Grant		Community Services Block Grant	2,345,772		2,231,284
DCCED	93.571	Food & Nutrition		Community Services Block Grant Formula and Discretionary Awards Community Food and Nutrition Programs	11,931		11,931
DHSS	93.575		CCC	Child Care and Development Block Grant	18,991,429	3, 10	6,065,509
COURT	93.586	0601AKSCIT		State Court Improvement Program	3,665	6	
COURT	93.586	0601AKDCID		State Court Improvement Program	34,479	6	
COURT	93.586	G-0501AKSCIP		State Court Improvement Program	45,001		
	93.586 Total				83,145		-
DHSS	93.590			Community-Based Child Abuse Prevention Grants	191,991		164,137
DHSS	93.596		CCC	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	3,544,811	3, 10	
DOR	93.597			Grants to States for Access and Visitation Programs	97,763		
DHSS	93.599			Chafee Education and Training Vouchers Program (ETV)	212,362		
DEED	93.600	17330		Head Start	136,970		44,942
DHSS	93.630			Developmental Disabilities Basic Support and Advocacy Grants	456,007		
UofA	93.632			University Centers for Excellence in Developmental Disabilities Education, Research, and Service	492,849		
DHSS	93.643			Children's Justice Grants to States	101,953		7,500
DHSS	93.645			Child Welfare Services - State Grants	249,717		392,918
UofA	93.648			Child Welfare Services Training Grants	71,479		
DHSS	93.658			Foster Care - Title IV-E	15,701,381	3	
UofA	93.658	EN 663223 Amend 2		Foster Care - Title IV-E	586,377		
	93.658 Total				16,287,758		-
DHSS	93.659			Adoption Assistance	7,546,026		1,156,288
DHSS	93.667			Social Services Block Grant	9,011,048		709,137
DHSS	93.669			Child Abuse and Neglect State Grants	310,098		
DHSS	93.670			Child Abuse and Neglect Discretionary Activities	661,052		385,754
DPS	93.671			Family Violence Prevention and Services/Grants for Battered Women's Shelters Grants to States and Indian Tribes	757,999		721,751
DHSS	93.674			Chafee Foster Care Independence Program	523,347		95,000
DHSS	93.767			State Children's Insurance Program	17,264,492	3	
DHSS	93.768			Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities	626,954		

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DHSS	93.773			Medicare - Hospital Insurance	1,042,206		
LAW	93.775	0601AK5050	MC	State Medicaid Fraud Control Units	102,412	3, 5, 10	
LAW	93.775	0701AK5050	MC	State Medicaid Fraud Control Units	382,049	3, 5, 10	
	93.775 Total				484,461		-
DHSS	93.777		MC	State Survey and Certification of Health Care Providers and Suppliers	248,242	3, 10	
DHSS	93.778		MC	Medical Assistance Program	677,434,047	3, 10, 20	37,500
AHFC	93.779			Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	331,999		327,340
DHSS	93.779			Centers for Medicare and Medicaid Service (CMS) Research, Demonstrations and Evaluations	2,012,563		
	93.779 Total				2,344,562		327,340
DHSS	93.789			Alternatives to Psychiatric Residential Treatment Facilities for Children	19,173		
UofA	93.822			Health Careers Opportunity Program	51,446		
UofA	93.822	Subcontract 169916	R&DC	Health Careers Opportunity Program - Pass thru from University of Washington	55,744	3, 10	
	93.822 Total				107,190		-
UofA	93.824			Basic / Core Area Health Education Centers	880,468		641,095
UofA	93.837	938G Sub award MOD #1	R&DC	Heart and Vascular Diseases Research - Pass thru from MedStar Research Institute	41,059	3, 10	
UofA	93.853		R&DC	Extramural Research Programs in the Neurosciences and Neurological Disorders	270,843	3, 10	
UofA	93.854		R&DC	Biological Basis Research in the Neurosciences	65,287	3, 10	31,962
DHSS	93.887			Health Care and Other Facilities	204,202		
DHSS	93.888			Specially Selected Health Projects	275,202		2,838
UofA	93.888	Subcontract 145952		Specially Selected Health Projects - Pass thru from University of Washington	68,224		
UofA	93.888		R&DC	Specially Selected Health Projects	415,174	3, 10	
UofA	93.888			Specially Selected Health Projects	531,350		58,000
	93.888 Total				1,289,950		60,838
DHSS	93.889			National Bioterrorism Hospital Preparedness Program	1,736,640		1,530,689
DHSS	93.912			Rural Health Care Services Outreach and Rural Health Network Development Program - Pass thru from University of Washington	6,072		
UofA	93.912	P0072828 AMEND 1	R&DC	Rural Health Care Services Outreach and Rural Health Network Development Program - Pass thru from South East Alaska Regional Health Consortium	(1,868)	3, 10	
UofA	93.912	PO 76643	R&DC	Rural Health Care Services Outreach and Rural Health Network Development Program - Pass thru from South East Alaska Regional Health Consortium	64,921	3, 10	
UofA	93.912	PO 74623	R&DC	Rural Health Care Services Outreach and Rural Health Network Development Program - Pass thru from South East Alaska Regional Health Consortium	98,363	3, 10	
UofA	93.912			Rural Health Care Services Outreach and Rural Health Network Development Program	113,760		
	93.912 Total				281,248		-
DHSS	93.913			Grants to States for Operation of Office of Rural Health	114,705		
DHSS	93.917			HIV Care Formula Grants	1,083,448		418,865
UofA	93.928	ANTHC-03-U-6877 MOD 009	R&DC	Special Projects of National Significance - Pass thru from Alaska Native Tribal Health Consortium	124,347	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	289,743		45,518
DHSS	93.940			HIV Prevention Activities - Health Department Based	1,516,383		670,879
DHSS	93.944			Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	178,287		
DHSS	93.945			Assistance Programs for Chronic Disease Prevention and Control	336,085		
DHSS	93.946			Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	220,734		
DHSS	93.958			Block Grants for Community Mental Health Services	586,018		413,188

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DHSS	93.959			Block Grants for Prevention and Treatment of Substance Abuse	3,895,752		4,351,009
UofA	93.969		R&DC	Geriatric Education Centers	108,128	3, 10	
DHSS	93.977			Preventive Health Services - Sexually Transmitted Diseases Control Grants	185,791		
DHSS	93.988			Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	479,290		
DHSS	93.991			Preventive Health and Health Services Block Grant	336,379		
DHSS	93.994			Maternal and Child Health Services Block Grant to the States	952,644		
UofA	93.999	236-01-0003 SUB.		Miscellaneous - Pass thru from Alaska Native Tribal Health Consortium	32		
UofA	93.999	258-070-2-1-12	R&DC	Miscellaneous - Pass thru from Fairbanks Native Association	3,913	3, 10	
UofA	93.999	258-060-2-1-12	R&DC	Miscellaneous - Pass thru from Fairbanks Native Association	12,422	3, 10	
UofA	93.999	FNA 259-060-2-1-12	R&DC	Miscellaneous - Pass thru from Fairbanks Native Association	20,988	3, 10	
UofA	93.999	Pending	R&DC	Miscellaneous - Pass thru from University of California, Los Angeles	121,592	3, 10	
	93.999 Total				158,947		-
DHSS	93.030178D4D-CDC			Adult Lead Surveillance Data	15,744		
DHSS	93.03-HHSH2502004360			Frontier Extended Stay	59,753		
DEC	93.1R13DF003185			State Food Safety and Food Security Task Force Meetings Conference Grant Program	2,523		
DHSS	93.200-2000-07201			NCHS Contract	101,643		
DHSS	93.223-03-4401			Mammography Inspection	37,862		
DHSS	93.230-BHPR-034(03)			National Health Services Corp - Student/Resident Experiences and Rotations in Community Health (SEARCH)	158,000		
DHSS	93.243-03-1045			NIOSH Trauma Registry	67,600		
DEC	93.HHSF223200540013C			FDA Inspections	2,788		
DEC	93.HHSF223200640053C			FDA Food Inspections	340,002		
	U.S. Department of Health and Human Services				897,270,562		30,219,574
	<u>U.S. Corporation for National and Community Service</u>						
DCCED	94.003	Administration		State Commissions	139,728		
DCCED	94.004	Learn & Serve Formula		Learn and Serve America - School and Community Based Programs	26,237		22,178
UofA	94.005			Learn and Serve America - Higher Education	18,899		
DCCED	94.006	Formula /Competitive		AmeriCorps	1,480,535		1,480,535
DCCED	94.007	Education /Disability		Planning and Program Development Grants	16,103		9,688
DCCED	94.009	Program Development and Training		Training and Technical Assistance	50,509		
UofA	94.013			Volunteers in Service to America	6,000		
	U.S. Corporation for National and Community Service				1,738,011		1,512,401
	<u>Social Security Administration</u>						
DLWD	96.001		DISSIC	Social Security - Disability Insurance	4,029,649	6, 10	
DLWD	96.006		DISSIC	Supplemental Security Income	325,470	6, 10	
UofA	96.008			Social Security - Work Incentives Planning and Assistance Program	82,188		
	Social Security Administration				4,437,307		-
	<u>U.S. Department of Homeland Security</u>						
ARRC	83.544	1461-DR-AK		Public Assistance Grants	(3,441)	9	
ARRC	83.544	1316-DR-AK		Public Assistance Grants	55,703	9	
	83.544 Total				52,262		-

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2007
By Federal Agency

State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
ARRC	83.548	1445.00006		Hazard Mitigation Grant	112,741	9	
DMVA	97.004		HLSC	State Domestic Preparedness Equipment Support Program	5,116,034	10	4,989,527
DNR	97.012			Boating Safety Financial Assistance	782,056	5, 6	
DNR	97.013			State Access to the Oil Spill Liability Trust Fund	4,556		
DMVA	97.017			Pre-Disaster Mitigation Competitive Grants	134,328		27,308
DCCED	97.023	Community Assistance Program		Community Assistance Program State Support Services Element	40,616		
DMVA	97.026			Emergency Management Institute - Training Assistance	8,653		
DCCED	97.029	Flood Mitigation Assistance		Flood Mitigation Assistance	4,809		6,955
ARRC	97.036	2641-FM-AK		Disaster Grants - Public Assistance (Presidentially Declared Disasters)	92,513	9	
ARRC	97.036	1663-DR-AK		Disaster Grants - Public Assistance (Presidentially Declared Disasters)	710,861	9	
DMVA	97.036			Disaster Grants - Public Assistance (Presidentially Declared Disasters)	11,552,596	3	7,806,148
	97.036 Total				12,355,970		7,806,148
DMVA	97.039			Hazard Mitigation Grant	1,049,506		1,005,363
DNR	97.041			National Dam Safety Program	21,092		
DMVA	97.042			Emergency Management Performance Grants	1,549,991		301,508
DPS	97.043			State Fire Training Systems Grants	34,944		
DPS	97.044			Assistance to Firefighters Grant	306,731		
DNR	97.046			Fire Management Assistance Grant	2,871,784	5, 6	
DMVA	97.053		HLSC	Citizen Corps	151,252	10	123,560
ARRC	97.056	HSTS04-04-G-GPS540		Port Security Grant Program	244,233	9	
DOTPF	97.056			Port Security Grant Program	43,179	6	
DOTPF	97.056			Port Security Grant Program	80,775	6	
	97.056 Total				368,187		-
DOTPF	97.067		HLSC	Homeland Security Grant Program	568,377	10	
DCCED	97.070	Map Modernization		Map Modernization Management Support	51,094		
DMVA	97.071		HLSC	Metropolitan Medical Response System	188,217	10	188,217
DOTPF	97.072			National Explosives Detection Canine Team Program	99,638		
DMVA	97.073		HLSC	State Homeland Security Program (SHSP)	6,364,054	10	4,680,056
DMVA	97.074		HLSC	Law Enforcement Terrorism Prevention Program (LETPP)	3,182,399	10	2,739,341
ARRC	97.078	HSES-0961079		Buffer Zone Protection Plan (BZPP)	33,113	9	
DMVA	97.078			Buffer Zone Protection Plan (BZPP)	538,785		287,137
	97.078 Total				571,898		287,137
DFG	97.999			Miscellaneous U.S. Coast Guard	4,896		
		U.S. Department of Homeland Security			35,996,085		22,155,120
		<u>U.S. Agency for International Development</u>					
UofA	98.012	FY06-ARO2-U-ALASKA-02		USAID Development Partnerships for University Cooperation and Development - Pass thru from IREX	126,421		
UofA	USAID	65338	R&DC	USAID - Pass thru from University of Hawaii	3,493	3, 10	
UofA	USAID		R&DC	USAID	305,499	3, 10	37,266
UofA	USAID			USAID	798,465		
	USAID Total				1,107,457		37,266
		U.S. Agency for International Development Total			1,233,878		37,266
		Total Federal Financial Assistance			2,644,818,150		347,441,651

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STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2007

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, 2006.
- 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, 2007, using the A-133 criteria, the State of Alaska has 25 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
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended June 30, 2007

Note 7: Food Stamps

Food Stamps - At fiscal year end, June 30, 2007, food stamp inventory was \$0 and during FY07, approximately \$86.0 million were issued.

Note 8: WIC Rebates

During FY07 the Alaska Department of Health and Social Services (DHSS) earned cash rebates of \$4,132,138 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 67,896 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	\$ 9,927,463
U.S. DEPARTMENT OF COMMERCE	12,148,287
U.S. DEPARTMENT OF DEFENSE	11,657,959
U.S. DEPARTMENT OF THE INTERIOR	7,464,322
U.S. DEPARTMENT OF JUSTICE	451,440
U.S. DEPARTMENT OF TRANSPORTATION	582,940
U.S. DEPARTMENT OF TREASURY	1,184,028
U.S. GENERAL SERVICES AGENCY	13,774,397
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION	11,245,265

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2007

	<u>EXPENDITURES</u>
NATIONAL ENDOWMENT FOR THE HUMANITIES	3,242
NATIONAL SCIENCE FOUNDATION	22,484,827
ENVIRONMENTAL PROTECTION AGENCY	669,533
U.S. DEPARTMENT OF ENERGY	3,555,301
U.S. DEPARTMENT OF EDUCATION	654,740
DENALI COMMISSION	2,516
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	8,997,632
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT	308,992
Total Research and Development Cluster	\$ 105,112,884
 B. STUDENT FINANCIAL ASSISTANCE CLUSTER	
U.S. DEPARTMENT OF EDUCATION	
84.007 Federal Supplemental Educational Opportunity Grants	\$ 630,579
84.032 Federal Family Education Loans	44,561,957
84.033 Federal Work-Study Program	689,421
84.063 Federal Pell Grant Program	9,133,637
84.376 National Science and Mathematics Access to Retain Talent(SMART) Grants	76,150
Total Student Financial Aid Cluster	\$ 55,091,744
 C. OTHER CLUSTERS	
FOOD STAMP CLUSTER	
10.551 Food Stamps	\$ 85,958,092
10.561 State Administrative Matching Grants for Food Stamp Program	10,024,457
Total Food Stamp Cluster	\$ 95,982,549

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2007

	<u>EXPENDITURES</u>
CHILD NUTRITION CLUSTER	
10.553 School Breakfast Program	\$ 5,017,872
10.555 National School Lunch Program	23,312,922
10.556 Special Milk Program for Children	6,545
10.559 Summer Food Service Program for Children	452,212
	<hr/>
Total Child Nutrition Cluster	\$ 28,789,551
	<hr/> <hr/>
EMERGENCY FOOD ASSISTANCE CLUSTER	
10.568 Emergency Food Assistance Program (Administrative Costs)	\$ 109,659
	<hr/> <hr/>
SCHOOLS AND ROADS CLUSTER	
10.665 Schools and Roads: Grants to States	\$ 9,263,008
	<hr/> <hr/>
PUBLIC WORKS AND ECONOMIC DEVELOPMENT CLUSTER	
11.300 Grants for Public Works and Economic Development Facilities	\$ 4,373,046
11.307 Economic Adjustment Assistance	252,678
	<hr/>
Total Public Works and Economic Development Cluster	\$ 4,625,724
	<hr/> <hr/>
SECTION 8 PROJECT-BASED CLUSTER	
14.182 Lower Income Housing Assistance Program: Section 8 New Construction/Substantial Rehabilitation	\$ 2,575,830
14.195 Section 8 Housing Assistance Payments Program: Special Allocations	7,096,662
14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	279,617
	<hr/>
Total Section 8 Project-based Cluster	\$ 9,952,109
	<hr/> <hr/>
FISH AND WILDLIFE CLUSTER	
15.605 Sport Fish Restoration	17,931,086
15.611 Wildlife Restoration	9,614,915
	<hr/>
Total Fish and Wildlife Cluster	\$ 27,546,001
	<hr/> <hr/>
EMPLOYMENT SERVICES CLUSTER	
17.207 Employment Service/Wagner-Peyser Funded Activities	\$ 7,810,150
17.801 Disabled Veterans' Outreach Program (DVOP)	283,608
17.804 Local Veterans' Employment Representative Program	201,386
	<hr/>
Total Employment Services Cluster	\$ 8,295,144
	<hr/> <hr/>

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2007

	<u>EXPENDITURES</u>
WORKFORCE INVESTMENT ACT CLUSTER	
17.258 WIA Adult Program	\$ 2,341,077
17.259 WIA Youth Activities	2,591,728
17.260 WIA Dislocated Workers	<u>3,537,259</u>
 Total Workforce Investment Act Cluster	 \$ <u>8,470,064</u>
 HIGHWAY PLANNING AND CONSTRUCTION CLUSTER	
20.205 Highway Planning and Construction	<u>\$ 356,997,217</u>
 FEDERAL TRANSIT CLUSTER	
20.500 Federal Transit: Capital Investment Grants	\$ 16,885,675
20.507 Federal Transit: Formula Grants	<u>11,040,580</u>
 Total Federal Transit Cluster	 \$ <u>27,926,255</u>
 HIGHWAY SAFETY CLUSTER	
20.600 State and Community Highway Safety	\$ 1,230,787
20.601 Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	12,466
20.602 Occupant Protection	266,022
20.603 Federal Highway Safety Data Improvements Incentive Grants	27,587
20.604 Safety Incentive Grants for Use of Seat Belts	20,756
20.605 Safety Incentives to Prevent Operation of Motor Vehicles By Intoxicated Persons	133,365
20.609 Safety Belt Performance Grants	400,839
20.610 State Traffic Safety Information System Improvement Grants	220,177
20.612 Safety Incentives to Prevent Operation of Motor Vehicles By	6,581
 20.613 Child Safety and Child Booster Seat Incentive Grants	 <u>14,209</u>
 Total Highway Safety Cluster	 \$ <u>2,332,789</u>
 SPECIAL EDUCATION CLUSTER	
84.027 Special Education: Grants to States	\$ 33,659,097
84.173 Special Education Preschool Grants	<u>1,164,953</u>
 Total Special Education Cluster	 \$ <u>34,824,050</u>
 TRIO CLUSTER	
84.042 TRIO: Student Support Services	\$ 636,799
84.044 TRIO: Talent Search	1,024,755
84.047 TRIO: Upward Bound	1,145,501
84.066 TRIO: Educational Opportunity Centers	<u>524,167</u>
 Total TRIO Cluster	 \$ <u>3,331,222</u>

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2007

	<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	\$ 2,022,368
93.045 Special Programs for the Aging: Title III, Part C - Nutrition Services	3,291,879
93.053 Nutrition Services Incentive	<u>266,139</u>
Total Administration on Aging Cluster	<u>\$ 5,580,386</u>
 CHILD CARE CLUSTER	
93.575 Child Care and Development Block Grant	\$ 18,991,429
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund	<u>3,544,811</u>
Total Child Care Cluster	<u>\$ 22,536,240</u>
 MEDICAID CLUSTER	
93.775 State Medicaid Fraud Control Units	\$ 484,461
93.777 State Survey and Certification of Health Care Providers and Suppliers	248,242
93.778 Medical Assistance Program	<u>677,434,047</u>
Total Medicaid Cluster	<u>\$ 678,166,750</u>
 DISABILITY INSURANCE/SSI CLUSTER	
96.001 Social Security - Disability Insurance	\$ 4,029,649
96.006 Supplemental Security Income	<u>325,470</u>
Total Disability Insurance/SSI Cluster	<u>\$ 4,355,119</u>
 HOMELAND SECURITY CLUSTER	
97.004 State Domestic Preparedness Equipment Support Program	\$ 5,116,034
97.053 Citizen Corps	151,252
97.067 Homeland Security Grant Program	568,377
97.071 Metropolitan Medical Response System	188,217
97.073 State Homeland Security Program	6,364,054
97.074 Law Enforcement Terrorism Prevention Program (LETPP)	<u>3,182,399</u>
Total Homeland Security Cluster	<u>\$ 15,570,333</u>

Note 11: Unemployment Insurance

Unemployment Insurance - Federal participation in FY07 Unemployment Insurance Benefits was \$3,159,302. Federal participation for program administration was \$20,543,546. UI benefits paid by the State during FY07 was \$120,891,232 and Reed Act distribution was \$2,243,576. (CFDA 17.225)

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2007

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 FY07, AHFC expended \$10,000 from the trust fund in support of ENERGY programs.

Note 13: AHFC Loan Guarantee Programs

During FY07, 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, 2007, are:

Housing and Urban Development FHA Mortgage Insurance	\$ 760,921,483
Department of Veterans' Affairs Mortgage Guarantees	722,819,822
Farmers Home Administration Mortgage Insurance	164,742,288
Total Loan Guarantees and Insurance Programs	<u>\$ 1,648,483,593</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 FY07 the State processed federal property valued at \$3,975,780 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 \$926,357. The ending inventory at June 30, 2007, carried at the donors' acquisition cost was \$8,813,345. (CFDA 39.003)

Note 15: Commodities

DEED administers federal commodities distribution through other governmental and nonprofit agencies. In FY07, commodities distributed totaled \$2,232,751. Commodities are valued at cost. These commodities are not reported in the State of Alaska basic financial statements for the year ended June 30, 2007. (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, 2007, there were 4 outstanding scholarships, which totaled \$33,850.08. (CFDA 84.176)

Note 17: Capitalization Grants for State Revolving Funds

The U.S. Environmental Protection Agency jointly funds the Alaska Clean Water Fund with the State of Alaska. At fiscal year end June 30, 2007, 99 loan commitments totaling \$236,988,718 had been granted. Total loans against these commitments were \$179,497,442 of which \$137,937,910 was federal participation. Of the \$137,937,910, \$4,031,071 was disbursed in FY07. Repayment received during FY07 totaled \$14,235,821. Loans outstanding at June 30, 2007, totaled \$105,534,988. (CFDA 66.458)

Note 18: Capitalization Grants for Drinking Water State Revolving Fund

The EPA jointly funds the Alaska Safe Drinking Water Loan Fund with the State. At fiscal year end June 30, 2007, 81 loan commitments totaling \$128,919,660 had been granted which consists of \$7,821,000 in disadvantaged assistance and \$121,098,660 in loan assistance. Total loans against these commitments were

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2007

\$73,295,939 of which \$60,413,258 was federal participation. Of the \$60,413,258, \$8,484,656 was disbursed in FY07. Repayment received during FY07 totaled \$3,292,368. Loans outstanding at June 30, 2007, totaled \$58,394,639. (CFDA 66.468)

Note 19: Last Resort Housing Loans

DOT/PF made last resort housing loans in compliance with Uniform Relocation Assistance and Real Property Acquisition Act. FY07 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, 2007, totaled \$155,709. Federal share of principal is \$133,165.

Note 20: Medical Assistance Program Deferred Claims

As of June 30, 2007, there is \$8.1 million in deferrals for school based administrative claims. DHSS's claiming methodology was federally approved November 29, 2006. 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) to settle the deferred amounts. On July 31, 2007, the U.S. Department of Health and Human Services' Department Appeals Board decided against Alaska for the private inpatient hospital services claims the Centers for Medicaid Medicare Services disallowed. The State is asking for reconsideration of a narrow question (single point of entry) that involves \$1.3 million of the \$21.4 million federal revenue disallowed in 2006. In 2007 there was a disallowance of \$17.1 million of which DHSS requested reconsideration for the \$1.3 million portion as in 2006. (CFDA 93.778). On October 15, 2007 the U.S. Department of Health and Human Services' Departmental Appeals Board denied this request for reconsideration.

Note 21: Federal Family Education Loan Program (FFELP)

FFELP loans are governed by the Higher Education Act (Act). The Act provides for federal: (a) insurance or reinsurance of eligible loans, (b) interest subsidy payment to eligible lenders with respect to certain Subsidized Stafford loans, and (c) 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 \$82,697,930. (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 (\$5,762) as of June 30, 2007.

Note 23: Immunization Grants

Federal expenditures include vaccines received during FY07 valued at \$12,471,427. (CFDA 93.268)

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2007 Audit

Report: **02-40004-04**
Finding Number: **25**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: **\$6,480,333**

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.

Status/corrective action planned/reasons for no further action:

In February 2007, CMS approved the DHSS claiming plan for the Medicaid school-based administrative costs. Also, in February 2007, DHSS agreed to research prior year claims to make them consistent with the claiming plan and to give CMS a proposal for resolving all claims. DHSS has provided CMS two different proposals for attempting to resolve the prior year claims, one was submitted in April 2007 and a second one was submitted in July 2007. CMS rejected the April proposal in May 2007 and has not yet responded to the second proposal submitted in July 2007. The Department continues to wait for their response.

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 audit finding is resolved in accordance with OMB Circular A-133_.315.

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:

This audit finding is resolved in accordance with OMB Circular A-133_.315.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2007 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:

The Department's Public Assistance Cost Allocation Plan (PACAP) with an effective date of July 1, 2006 was sent to the Division of Cost Allocation (DCA) on April 2, 2007. During this time the department has been working with the DCA on follow-up to questions that have arisen during their review. The DCA approved the PACAP in January 2008. 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 audit finding is resolved in accordance with OMB Circular A-133_.315.

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:

DHSS has implemented positive time reporting requirements for all employees currently working on multiple benefiting programs. DHSS also requires employees working 100 percent of their time for only one grant or program to prepare a "Federal Program Employee Certification Form" signed by the employee, the supervisor, and the appropriate section chief.

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.

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Report: **02-40005-05**
Finding Number: **17**
Fiscal Year: **2004**
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: **93.778**
Questioned Costs: **None**

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: **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: **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

Please refer to response on finding #25, report 02-40004-04.

Report: **02-40005-05**
Finding Number: **19**
Fiscal Year: **2004**
Initial Finding Year: **2002**

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 is resolved in accordance with OMB Circular A-133_.315.

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 is resolved in accordance with OMB Circular A-133_.315.

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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 recommendation has been partially implemented. DHSS has tightened controls over MedPak usage and dispensing fees through changes to Pharmacy POS system implementation, updating the pharmacy billing manual, and provider letters. Regulations have been adopted, effective April 14, 2007, to formalize MedPak usage and dispensing fees. The department is contracting with the University of Oklahoma, School Of Pharmacy, to complete a survey of prescription dispensing costs. 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 department anticipates survey work being completed in FY 08 and anticipates regulations may need to be further modified based on the results of the survey. The department recently hired and trained a new Medicaid pharmacist who will provide additional pharmacy program oversight.

Report: **02-40005-05**
Finding Number: **26**
Fiscal Year: **2004**
Initial Finding Year: **2004**

Prior Audit Finding:

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, 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.

Federal Agency: **USDOE**
State Agency: **U of A**
CFDA: **84.044**
Questioned Costs: **None**

Status/corrective action planned/reasons for no further action:

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 provide needed financial information, thereby delaying verification of participant eligibility. As trust for the program has increased in the region, progress continues. The program served 52 percent low-income and potential first-generation college students in program year 2003-2004, 60 percent in program year 2004-2005, and 56 percent in program year 2005-2006. Overall, this program has progressed in the number of students served. In program year 2004-2005, 186 of 312 program participants met the requirement for low-income and potential first-generation college students. In program year 2005-2006, 221 of 396 program participants met the requirement for low-income and potential first-generation college students. Increased participation among program participants resulted from partnering with personnel from the four school districts served, by working with native Alaskan village councils, and by creating opportunities that appeal to the target group. The grant ended in August 2007.

STATE OF ALASKA
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Report: **02-40006-06**
Finding Number: **2**
Fiscal Year: **2005**
Initial Finding Year: **2005**

Federal Agency: **USDHHS**
State Agency: **DOA, DHSS**
CFDA: **93.283**
Questioned Costs: **\$17,812**
CFDA: **93.778**
Questioned Costs: **\$103,160**

Prior Audit Finding:

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.

Status/corrective action planned/reasons for no further action:

Agency Response – Department of Administration

For FY 2006, the State did not seek reimbursement for these Medicaid eligible services pending corrective action. In FY 2007, the department, in conjunction with staff from the Department of Health and Social Services, implemented a timekeeping process that was approved by the department and should result in claims being made in accordance with federal guidelines.

Agency Response – Department of Health & Social Services

In FY06, DHSS suspended the reimbursement for Medicaid eligible services pending resolution of timekeeping issues. DHSS staff provided OPA staff training called "Medicaid Administrative Claiming for Public Guardian employees." DOA/OPA then devised a methodology for calculation of the reimbursement based on this DHSS training. This methodology was approved both by DHSS and DOA. With the timekeeping issues resolved, DHSS issued the FY 07 RSA.

Report: **02-40006-06**
Finding Number: **9**
Fiscal Year: **2005**
Initial Finding Year: **2004**

Federal Agency: **USDHHS, USDA**
State Agency: **DHSS**
CFDA: **10.557**
Questioned Costs: **\$25,129**
CFDA: **93.658**
Questioned Costs: **\$24,042**
CFDA: **93.959**
Questioned Costs: **\$3,664**

Prior Audit Finding:

The 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.

Status/corrective action planned/reasons for no further action:

This audit finding is resolved in accordance with OMB Circular A-133_.315.

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Report: **02-40006-06**
Finding Number: **10**
Fiscal Year: **2005**
Initial Finding Year: **2005**

Federal Agency: **USDHHS,
USDOE, USDA**
State Agency: **DHSS**
CFDA: **93.767**
CFDA: **93.778**
CFDA: **93.658**
CFDA: **93.670**
CFDA: **84.181**
CFDA: **10.557**
Questioned Costs:
Indeterminate

Prior Audit Finding:

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

Status/corrective action planned/reasons for no further action:

This audit finding is resolved in accordance with OMB Circular A-133_.315.

Report: **02-40006-06**
Finding Number: **11**
Fiscal Year: **2005**
Initial Finding Year: **2005**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.558**
Questioned Costs: **None**

Prior Audit Finding:

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

Status/corrective action planned/reasons for no further action:

This audit finding is resolved in accordance with OMB Circular A-133_.315.

Report: **02-40006-06**
Finding Number: **12**
Fiscal Year: **2005**
Initial Finding Year: **2005**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.558**
Questioned Costs: **\$59,774**

Prior Audit Finding:

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

Status/corrective action planned/reasons for no further action:

This audit finding is resolved in accordance with OMB Circular A-133_.315.

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Report: **02-40006-06**
Finding Number: **16**
Fiscal Year: **2005**
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: **93.778**
Questioned Costs: **None**

Status/corrective action planned/reasons for no further action:

Additional changes to the PCA program have resulted in much greater control over the plans of care with resultant cost savings with minimal client impacts. This has occurred without a cost shift to HCBS care. As part of the work under SB 61 from the last session a solicitation via RFP will be awarded and part of the work will be an analysis of additional PCA changes that might be useful to Alaska as we look for changes to make Medicaid more fiscally sustainable. DHSS recently awarded a contract for procurement of a new MMIS system that will include enhanced features and a relational database to improve the claims payment controls. Completion is 2-3 years away.

Report: **02-40006-06**
Finding Number: **17**
Fiscal Year: **2005**
Initial Finding Year: **2002**

Prior Audit Finding:

The State Medicaid director and the DHSS commissioner 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: **None**

Status/corrective action planned/reasons for no further action:

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. A quality assurance manager who is responsible directly to the Deputy Commissioner for Finance and Accountability heads the unit.

The manager has responsibility for department quality improvement efforts including:

- All phases of provider audit activity including contract audits under AS 47.05.200
- Compliance officer contact with CMS
- Department contact for interaction with the Department of Law Medicaid Control Unit
- The Payment Error Rate Measurement (PERM) project

SURS activities remain the responsibility of the Division of Health Care Services. This division reports to the Deputy Commissioner for Medicaid and Health Care Policy.

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Report: **02-40006-06**
Finding Number: **17**
Fiscal Year: **2005**
Initial Finding Year: **2002**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: **None**

Alaska will participate in the federal PERM review beginning February 2008 for claims processed after October 2007. The department has been providing education and training to providers in preparation for the PERM review. The department is continuing to organize staff to respond effectively to this external review process. We are contacting other states to learn from their experience and to have appropriate procedures, processes and trained staff in place and ready to go. DHSS is in the procurement process to obtain the next independent audit contractor per SB 41. This requires an independent audit of eighty Medicaid providers annually. This current contractor is completing the third year of this legislatively mandated review. This is in addition to, and above and beyond, the federal audit requirements for the Medicaid program. We continue to have issues with staff turnover, but continue to recruit and use existing staff to keep the audit and Quality Assurance functions on track.

Report: **02-40006-06**
Finding Number: **18**
Fiscal Year: **2005**
Initial Finding Year: **2003**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: **\$203,504**

Prior Audit Finding:

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

Status/corrective action planned/reasons for no further action:

The department's position on this finding remains unchanged. We understand that CMS expressed to the Division of Legislative Audit that it is their position the DHSS practice of making payment in the next fiscal year applied to the previous year's ULP is allowable per the state plan and Medicaid regulations. Given this position, we do not expect CMS to sustain the questioned costs when they resolve these prior year audit findings. Further, the questioned costs in the UPL calculation are part of the program CMS has disallowed.

Report: **02-40006-06**
Finding Number: **19**
Fiscal Year: **2005**
Initial Finding Year: **2005**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs:
Indeterminate
CFDA: **93.767**
Questioned Costs:
Indeterminate

Prior Audit Finding:

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.

Status/corrective action planned/reasons for no further action:

This audit finding is resolved in accordance with OMB Circular A-133_.315.

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Report: **02-40006-06**
Finding Number: **20**
Fiscal Year: **2005**
Initial Finding Year: **2005**

Prior Audit Finding:

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

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.959**
Questioned Costs: **\$52,342**

Status/corrective action planned/reasons for no further action:

This audit finding is resolved in accordance with OMB Circular A-133_.315.

Report: **02-40006-06**
Finding Number: **21**
Fiscal Year: **2005**
Initial Finding Year: **2005**

Prior Audit Finding:

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

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.959**
Questioned Costs: **\$29,400**

Status/corrective action planned/reasons for no further action:

This audit finding is resolved in accordance with OMB Circular A-133_.315.

Report: **02-40006-06**
Finding Number: **23**
Fiscal Year: **2005**
Initial Finding Year: **2005**

Prior Audit Finding:

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

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.959**
Questioned Costs: **None**

Status/corrective action planned/reasons for no further action:

This audit finding is resolved in accordance with OMB Circular A-133_.315.

Report: **02-40007-07**
Finding Number: **05**
Fiscal Year: **2006**
Initial Finding Year: **2004**

Prior Audit Finding:

DHSS' assistant commissioner, responsible for finance and management services, should ensure that personal services expenditures charged to the Medicaid and Child Care Cluster programs comply with federal cost principles.

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.575 and 93.596**
Questioned Costs: **\$179,560**
CFDA: **93.778**
Questioned Costs: **\$44,120**

Status/corrective action planned/reasons for no further action:

The Division of Senior and Disability Services (DSDS) administrative staff has been given additional training about timelines and requirements for staff to complete Federal Program Employee Certification forms. With this additional training, SDS anticipates that staff will ensure that correct paperwork is filed for all relevant individuals and that the correct names are reported to the appropriate federal agencies in the future.

The Office of Children's Services is implementing positive time keeping among staff providing the background check services under the RSA in question. This change in methodology provides detailed information on the actual time spent performing the services requested under the RSA.

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Report: **02-40007-07**
Finding Number: **06**
Fiscal Year: **2006**
Initial Finding Year: **2005**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.575**
CFDA: **93.658**
CFDA: **93.659**
CFDA: **93.767**
CFDA: **93.778**
Questioned Costs:
Indeterminate

Prior Audit Finding:

DHSS' finance officer should ensure the public assistance cost allocation plan (PACAP) methodologies are properly updated, accurate, and new methodologies are submitted for federal approval.

Status/corrective action planned/reasons for no further action:

The Department's Public Assistance Cost Allocation Plan with an effective date of July 1, 2006 was sent to the Division of Cost Allocation (DCA) on April 2, 2007. During this time the department has been working with the DCA on follow-up to questions that have arisen during their review. The DCA approved the PACAP in January 2008. Beginning FY 08, OCS implemented positive-time keeping for the Foster Care Community Care licensing specialists whose personal service costs were previously allocated through the OCS-22 allocation method. In addition, the department implemented MAXCARS, in the 4th quarter SFY 07, to replace the old CAP spreadsheet system.

Report: **02-40007-07**
Finding Number: **07**
Fiscal Year: **2006**
Initial Finding Year: **2006**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: **\$137,941**

Prior Audit Finding:

DHSS' finance officer should ensure that costs are charged to federal programs in accordance with the DHSS federally approved public assistance cost allocation plan (PACAP).

Status/corrective action planned/reasons for no further action:

The department is working on an adjusting entry in the cost allocation plan for quarter ending December 31, 2007 to correct this claim.

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Report: **02-40007-07**
Finding Number: **08**
Fiscal Year: **2006**
Initial Finding Year: **2006**

Prior Audit Finding:

DHSS' finance officer should improve the controls over categorization and allocation of allowable claims.

Federal Agency: **USDHHS & USDA**

State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: **\$370,900**
CFDA: **10.557**
Questioned Costs: **\$11,501**
CFDA: **93.667**
Questioned Costs: **None**

Status/corrective action planned/reasons for no further action:

The Department's Public Assistance Cost Allocation Plan with an effective date of July 1, 2006 was sent to the Division of Cost Allocation (DCA) on April 2, 2007. During this time the department has been working with the DCA on follow-up to questions that have arisen during their review. The DCA approved the PACAP in January 2008. Additionally, the department implemented use of a new revenue cost allocation system, MAXCARS, the fourth quarter of SFY07. The USDHHS Office of Grants Management has completed their review of this finding as it relates to the Social Services Block Grant, CFDA 93.667. Based on the State's response to this finding and the corrective action taken to resolve this issue, the USDHHS has closed this finding. Further, since the audit reported that the State had unclaimed allowable expenditures in excess of the questioned costs, no collection action will be proposed. Adjustments for the questioned costs related to CFDA 93.778 and 10.557 will be processed in FY 2008.

Report: **02-40007-07**
Finding Number: **09**
Fiscal Year: **2006**
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: **93.778**
Questioned Costs: **None**

Status/corrective action planned/reasons for no further action:

Please see response to item 02-40006-06 #16.

Report: **02-40007-07**
Finding Number: **10**
Fiscal Year: **2006**
Initial Finding Year: **2002**

Prior Audit Finding:

The State Medicaid director and the DHSS commissioner 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: **None**

Status/corrective action planned/reasons for no further action:

Please see response to item 02-40006-06 #17.

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Report: **02-40007-07**
Finding Number: **11**
Fiscal Year: **2006**
Initial Finding Year: **2005**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
CFDA: **93.767**
Questioned Costs:
Indeterminate

Prior Audit Finding:

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.

Status/corrective action planned/reasons for no further action:

This audit finding is resolved in accordance with OMB Circular A-133_.315.

Report: **02-40007-07**
Finding Number: **12**
Fiscal Year: **2006**
Initial Finding Year: **2006**

Federal Agency: **USDHSS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs:
\$21,570,145

Prior Audit Finding:

The Medicaid State Director should ensure that private hospital proportionate share (proshare) payments are made in accordance with federal regulations.

Status/corrective action planned/reasons for no further action:

On July 31, 2007, the U.S. Department of Health and Human Services' Department Appeals Board decided against Alaska upholding in their entirety the Centers for Medicaid and Medicare Services' disallowances for the private inpatient hospital services claims ("ProShare") (Docket Numbers A-06-99, A-06-100, A-07-61/Disallowance Numbers AK/2005/001/MAP, AK/2005/002/MAP, AK/2006/001/MAP/Decision Number 2103). The state asked for reconsideration of a narrow question (Single Point of Entry or SPEP) that involves \$1.3 million of the \$21.6 million questioned costs in this finding. However, DHSS was notified on October 15, 2007, that this request for reconsideration has been denied. Therefore, DHSS will release all remaining receivable balances associated with these payments.

Report: **02-40007-07**
Finding Number: **13**
Fiscal Year: **2006**
Initial Finding Year: **2006**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: **\$3,084**

Prior Audit Finding:

DHSS' director of the Division of Senior and Disabilities Services (DSDS) should take action to improve controls over the processing and payment of Personal Care Services (PCS) and Mentally Retarded/Developmentally Disabled (MRDD) waiver service claims.

Status/corrective action planned/reasons for no further action:

The department does not concur with this recommendation only because of the manner in which the recommendation is characterized. Significant efforts have already been made in regard to compliance of the Division of Senior and

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Report: **02-40007-07**
Finding Number: **13**
Fiscal Year: **2006**
Initial Finding Year: **2006**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: **\$3,084**

Disabilities Services (DSDS). Using the current regulations, policies and procedures and with considerable legal support from the Department of Law, Medicaid providers are receiving substantial ongoing feedback from DSDS regarding the need to accurately and thoroughly document services. The outline of these efforts and specific responses to deficiencies are answered below.

Personal Care Services:

The Personal Care Attendant Program (PCA) has grown significantly since the implementation of the Consumer Directed PCA program in 2001. This alternative service precipitated the need for a significant change in the management and oversight of the program as it led to rapid growth nearly doubling the costs from FY03 to FY05.

The process of implementing new PCA regulations, as mandated in the DSDS FY '06 legislative budget language in conjunction with the APS Healthcare, and DHSS compliance reviews, led to a significant slowing of the program's growth. The program was projected to reach \$97 million for FY06 but in fact was less than \$84 million. Since the implementation of new guiding regulations on April 1, 2006 the growth has been reversed and the projection for the PCA program in FY07 is \$78.5 million.

The 14 legislative mandates which were implemented through the April 1, 2006 regulations were as follows:

- a) It is the intent of the legislature that the Department of Health and Social Services implement regulation changes to 7 AAC 43.750 - to control and reduce costs of the personal care attendant program by:
 - (1) Clearly defining recipient eligibility in the "purpose and scope" section where, absent personal care attendant assistance, an individual would require hospitalization or nursing home care;
 - (2) Clearly defining recipient eligibility in the "purpose and scope" section where, absence of personal attendant care assistance would result in the individual's loss of employment;
 - (3) Deleting "stand-by" assistance as an allowable personal care attendant task;
 - (4) Clearly stating that instrumental activities of daily living are not allowable unless specifically related to an approved task for an activity of daily living need;
 - (5) Adopting an objective client assessment tool that results in a reliable and consistent care plan to be used by personal care attendant providers, personal care attendant agencies, and the department;
 - (6) Requiring physical certification of an individual's condition as stated in the personal care attendant assessment to confirm need for services;

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
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Report: **02-40007-07**
Finding Number: **13**
Fiscal Year: **2006**
Initial Finding Year: **2006**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: **\$3,084**

- (7) Requiring that if more than one personal care attendant services recipient resides in the same home, only one personal care attendant is allowed for both recipients;
- (8) Tightening enrollment criteria for all providers to require specific training and experience;
- (9) Requiring Medicaid certification for personal care attendant provider agencies;
- (10) Requiring that the owner or manager of a personal care attendant agency meet a specified minimum level of education and administrative or business experience in a related field;
- (11) Clearly stating that an individual's assessment function will be conducted by department staff or the department's designee;
- (12) Requiring prior authorization by department staff or the department's designee for all personal care attendant services;
- (13) Including a new regulation that prevents the individual solicitation of clients by personal care attendant agencies and provides consequences for those actions;
- (14) Reviewing consumer-directed services to determine processes or procedures to improve program effectiveness"

DSDS has increased the staff assigned to this program from two (2) to fourteen (14) in the past three years allowing for significantly more oversight and control.

There is a class action lawsuit currently being litigated regarding reduction of services through the use of the new standardized assessment tool. An injunction requiring the State of Alaska to disregard the results of the assessment while the case is being decided was not upheld by the court; however, all of the questions have not been resolved.

Deficiencies cited in the letter for the Personal Care Attendant Program and responses follow:

- **DSDS is not conducting biennial compliance reviews of PCA providers.**

In the past 3 years DSDS has conducted 26 compliance reviews of PCA providers through the provision of the APS and DHSS compliance reviews and 52 Meyers and Stauffer audits completed in response to Senate Bill 41, which mandated 80 audits annually of the Medicaid program.

Furthermore, agencies are now required to be certified every two years which includes a review of their policies regarding several key compliance components.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
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Report: **02-40007-07**
Finding Number: **13**
Fiscal Year: **2006**
Initial Finding Year: **2006**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: **\$3,084**

This process and subsequent development of corrective action plans are laying the groundwork to improve compliance and oversight of PCA providers. Future resolution of roles between DSDS Quality Assurance (QA) staff and quality assurance efforts from the DHSS Office of Program Review will enhance oversight of providers.

- **Authorized Services were not provided but maximum time allowable per the service plan was billed. Timesheets of providers did not support time billed for services.**

Provider education and technical assistance is currently taking place in order to help them understand the requirements of this Medicaid Program. Future resolution of roles between DSDS Quality Assurance (QA) staff and quality assurance efforts from the DHSS Office of Program Review will enhance oversight of providers.

- **Service plans were not properly calculated (16 plans), signed (Personal Care Attendant Signed for the Recipient) or dated.**

Service plans are now being completed by DSDS staff. DSDS staff looks for compliance with regulations and accuracy of calculations. Service plans are then forwarded to agencies for signature of clients or their Power of Attorney. Specific attention is paid to having a legal representative sign when the recipient is unable.

Mental Retardation and Developmental Disabilities Waiver

The Mental Retardation and Developmental Disabilities (MR/DD) Waiver has seen several efforts to improve the compliance of providers with Medicaid rules and state regulations. Beginning in calendar year 2006, 100% of Plans of Care and Cost sheets are being reviewed for compliance. Individual recipient surveys are being completed by Regional Program Specialists with feedback being used to assist providers with compliance issues.

Deficiencies cited in the letter for the MR/DD Waiver Program and responses follow:

- **Unsupported Waiver Service costs due to lack of documentation of services rendered.**

DSDS is developing training opportunities for providers and exploring the use of Regional Program Specialists to complete regular compliance reviews by shifting some of their workload to other staff in the division.

Future resolution of roles between DSDS Quality Assurance (QA) staff and quality assurance efforts from the DHSS Office of Program Review will enhance oversight of providers.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2007 Audit

Report: **02-40007-07**
Finding Number: **14**
Fiscal Year: **2006**
Initial Finding Year: **2006**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
CFDA: **93.767**
Questioned Costs:
Indeterminate

Prior Audit Finding:

We recommend the DHSS finance officer ensure the information reported on Quarterly Medical Assistance expenditure reports is accurate and adequately supported.

Status/corrective action planned/reasons for no further action:

This audit finding is resolved in accordance with OMB Circular A-133_.315

Report: **02-40007-07**
Finding Number: **15**
Fiscal Year: **2006**
Initial Finding Year: **2006**

Federal Agency: **USDHSS**
State Agency: **DHSS**
CFDA: **98.778**
Questioned Costs: **None**

Prior Audit Finding:

DHSS' finance officer should ensure all interest liabilities due to federal agencies are accurately reported in accordance with federal regulations.

Status/corrective action planned/reasons for no further action:

At the end of SFY07 the Department encumbered the funds for this liability and at this time is awaiting the annual reporting request from Department of Revenue, Division of Treasury, to provide reporting and process a subsequent transfer of funds to the appropriate Treasury account for payment.

Report: **02-40007-07**
Finding Number: **16**
Fiscal Year: **2006**
Initial Finding Year: **2006**

Federal Agency: **USDA**
State Agency: **DHSS**
CFDA: **10.557**
Questioned Costs: **None**

Prior Audit Finding:

The health program manager for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) at DHSS, Office of Children Services, should establish procedures for reviewing overall program revenue and expenditures, to ensure all expenditures are reported and spending options are not lost.

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 2007 Audit

Report: **02-40007-07**
Finding Number: **18**
Fiscal Year: **2006**
Initial Finding Year: **2006**

Federal Agency: **USDOL**
State Agency: **DLWD**
CFDA: **17.258**
CFDA: **17.259**
CFDA: **17.260**
Questioned Costs: **None**

Prior Audit Finding:

The Division of Business Partnership's (DBP) director should implement established procedures to ensure monitoring activities are performed as required and adequately documented.

Status/corrective action planned/reasons for no further action:

DOLWD concurs that the Division of Business Partnerships' (DBP) monitoring activities can be improved, and attests that significant progress has been made to that end since the initial finding. DBP is working to adopt or modify existing procedures to ensure monitoring activities are performed and documented. The Division is also reviewing the current monitoring policy and revising to make more clear and enforceable. The policy will address both on-site and desk monitoring, and will further explain when the State will accept electronic documents in the form of PDF or fax documents for the purposes of desk monitoring activities.

The Division has developed a single monitoring schedule for all of its programs to include both on-site and desk monitoring. Additionally, the Division will continue to seek guidance from the ETA regarding the requirements of 20 CFR 667.410(b)(3) with respect to monitoring of all sub-recipients, and will seek written affirmation from ETA that desk monitoring is an allowable tool when on-site monitoring is prohibitive.

It is the intent and objective of the DOLWD to fully resolve this finding by the end of State fiscal year 2008.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2007 Audit

Report: **02-40007-07**
Finding Number: **26**
Fiscal Year: **2006**
Initial Finding Year: **2006**

Federal Agency: **HUD**
State Agency: **AHFC**
CFDA: **14.182**
CFDA: **14.195**
CFDA: **14.249**
CFDA: **14.856**
Questioned Costs:
Not determinable

Prior Audit Finding:

Among the six files tested for participants in the Section 8 Single Room Occupancy (SRO) program, one was found to contain no evidence of a required HUD form documenting participant responsibilities. A second file contained only one of two pages of the required form.

Status/corrective action planned/reasons for no further action:

AHFC considers this finding resolved. The Section 8 SRO program is a unique partnership between AHFC and the owner of the development, Anchorage Neighborhood Housing Services (ANHS). Participant screening occurs jointly between ANHS and AHFC. At the time of the finding, the AHFC function was shared among several staff at the Family Investment Center as part of the Section 8 Housing Choice Voucher program. Partly in response to the audit, program oversight is now assigned to a single individual within the Housing support Compliance section. ANHS also assigned a single point of contact within their organization. The transition occurred in late 2006 with all the files reviewed for completeness by the respective staff. The HUD form referred to in the audit is now obsolete, replaced by an abbreviated HUD form and new AHFC form outlining participant responsibilities. The Administrative Plan is revised to reflect those changes and better delineate screening responsibilities between ANHS and AHFC. The revision date is August 1, 2007, to coincide with renewal of the HUD Housing Assistance Payment contract.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2007 Audit

Report: **02-40007-07**
Finding Number: **27**
Fiscal Year: **2006**
Initial Finding Year: **2006**

Federal Agency: **USDOE**
State Agency: **U of A**
CFDA: **84.032**
CFDA: **84.063**
Questioned Costs: **None**

Prior Audit Finding:

According to the Code of Federal Regulations (CFR), Title 34, Section 668-22, when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period in which the recipient began attendance, the institution must determine the amount of Title IV assistance earned by the student as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs.

According to the CFR, Title 34, Section 668-173, returns of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to the Department of Education or the appropriate FFEL lender as soon as possible, but no later than thirty days after the date the institution determines the student withdrew.

For the program year 2005-2006, the University of Alaska Anchorage failed to identify withdrawn Title IV recipients in a timely manner.

Status/corrective action planned/reasons for no further action:

Corrective action has been taken and this matter has been fully resolved. Corrective action included the following steps:

- For program year 2005-2006, the University of Alaska Anchorage modified the procedure for applying for student withdrawal in person to include a web-based process. Students using the web-based withdrawal process were not captured in the data utilized to determine which students had withdrawn from the institution. Once the university determined the 38 students were missing in the refund calculation, the procedure was changed and the refunds for the missing students were made.
- For program year 2006-2007, a new report was designed to include both populations of students that withdraw in person and online. A review of the Fall 2006 and Spring 2007 semesters indicates no student's returns were processed in excess of 30 days.
- A workflow process was developed that can be launched from an automated scheduler to identify withdrawn students. This is effective for the Fall 2007 semester. This process will run weekly and identify aid applicants with zero credits.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2007 Audit

Report: **02-40007-07**
Finding Number: **28**
Fiscal Year: **2006**
Initial Finding Year: **2006**

Federal Agency: **USDOE**
State Agency: **U of A**
CFDA: **84.031**
Questioned Costs: **None**

Prior Audit Finding:

According to the Code of Federal Regulations (CFR), Title 29, Section 5-5, non-federal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the Department of Labor regulations. This includes a requirement for the contractor or subcontractor to submit to the non-federal entity weekly, for each week in which any contract work is performed a copy of the payroll and a statement of compliance (certified payrolls). For grant awards #P031N000007, #P031N000004, #P031N050007, and #P031N050005-05, the University did not enforce the receipt of all required weekly certified payrolls.

Status/corrective action planned/reasons for no further action:

Corrective action has been taken and this matter has been fully resolved. Corrective action included the following steps:

- The *University of Alaska Fairbanks / Division of Design and Construction Periodic Estimate For Partial Payment* was revised to include a signatory certification by the contractor that the contractor has “complied with all of the labor provisions of said contract, including submittal of certified payrolls with a Statement of Compliance to the owner for work performed during the time period in the payment request.”
- The contractor will not be paid until certified payrolls are received.
- The University of Alaska Fairbanks has incorporated in the *Practices and Procedures Subject: Construction Management* manual the following procedures:
 - Project managers will verify weekly receipt of certified payrolls to insure payrolls comply with wage rates as stated in the General Conditions of the project contract.
 - A log is maintained documenting the university’s efforts to obtain certified payrolls.

Certified payrolls will be archived with completed projects.

STATE OF ALASKA
CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2007

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, 2007*. 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, 2007
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
<u>Alaska Aerospace Development Corporation</u>				
12.400	W91ZRU-06-2-3038		Military Construction, National Guard	13,466,884
	Alaska Aerospace Development Corporation Total			13,466,884
<u>Alaska Commission on Postsecondary Education</u>				
84.069A	N069A060002		Leveraging Educational Assistance Partnership Program	47,793
84.069B	N069B060001		Special Leveraging Educational Assistance Partnership Program	80,000
	Alaska Commission on Postsecondary Education Total			127,793
<u>Alaska Energy Authority</u>				
10.672	06DG11100000204		Rural Development, Forestry, and Communities	24,769
10.859			Assistance to High Energy Cost Rural Communities	807,072
66.034	XA-960429-01		Surveys Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	10,551
66.202	EM-833233-01		Congressionally Mandated Projects	196,047
81.041	GO1608 &GO1756		State Energy Program - Pass thru Univerisity of Washington	14,063
81.041	DE-FG-05R021604		State Energy Program	131,637
81.079	DE-FG36-05GO85001		Regional Biomass Energy Programs	83,283
81.087	DE-FG36-05GO85038		Renewable Energy Research & Development	99,542
81.087	DE-FG07-06ID14790		Renewable Energy Research & Development	940,000
81.117	DE-FC-04R028002		Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	1,772
81.117	DE-FG3604GO46015		Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	33,787
81.117	DE-FG3604R021600		Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	36,710
81.119	DE-FG-03R021493		State Energy Program Special Projects	76,035
90.100	DC-2006-T1		Denali Commission Program	417,954
90.100	Various		Denali Commission Program	19,649,736
	Alaska Energy Authority Total			22,522,958
<u>Alaska Housing Finance Corporation</u>				
10.410			Very Low to Moderate Income Housing Loans	58,686
14.117			Mortgage Insurance - Homes	658,672
14.182		S8PBC	Section 8 New Construction/Substantial Rehabilitation	2,575,830
14.195		S8PBC	Section 8 Housing Assistance Payments Program - Special Allocations	7,096,662
14.227			Community Development Block Grants /Technical Assista	84,879

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2007
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
14.238			Shelter Plus Care	576,150
14.239			HOME Investment Partnerships Program	3,022,348
14.241			Housing Opportunities for Persons with AIDS	458,446
14.249		S8PBC	Section 8 Moderate Rehabilitation Single Room Occupancy	279,617
14.850			Public and Indian Housing	6,703,662
14.870			Resident Opportunity and Supportive Services - Homeownership and Family	29,670
14.871			Section 8 Housing Choice Vouchers	27,973,693
14.872			Public Housing Capital Fund	2,523,916
64.114			Veterans Housing - Guaranteed and Insured Loans	249,101
81.041			State Energy Program	334,155
81.042			Weatherization Assistance for Low-Income Persons	1,813,389
81.117			Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	21,913
81.119			State Energy Program Special Projects	87,137
90.100			Denali Commission Program	7,605,621
93.048			Special Program for the Aging - Title IV and Title II - Discretionary Projects	13,600
93.568			Low-Income Home Energy Assistance	375,163
93.779			Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	331,999
Alaska Housing Finance Corporation Total				62,874,309
<u>Alaska Industrial Development and Export Authority</u>				
11.300	07-01-05278	PWEDC	Investments for Public Works and Economic Development Facilities	3,850,644
11.307	07-79-05820	PWEDC	Economic Adjustment Assistance	42,819
Alaska Industrial Development and Export Authority Total				3,893,463
<u>Alaska Railroad Corporation</u>				
10.999	05DG11100000226		U.S. Department of Agriculture-Forest Service-Whistle Stop	195,708
12.999	DTFRDV-04-G-00006		Track Realignment – Elmendorf Air Force Base and Ft. Richardson 2004 - Pass thru from FRA	380,676
12.999	DTFRDV-05-G-00006		Northern Line Realignment & Extension - 2005	5,938,755
12.999	DTFRDV-05-G-00005		Track Realignment – Elmendorf Air Force Base and Ft. Richardson 2005 - Pass thru from FRA	6,029,080
15.608	DCN 70181-3-G236		Fish and Wildlife Management Assistance	140,739
20.500		FTC	Federal Transit - Capital Investment Grants	15,243,856
20.507		FTC	Federal Transit - Formula Grants	11,040,580
20.999	DTFRDV-03-G-60040		Rail Safety and Infrastructure Improvements – 2003	(1,038)
20.999	DTFRDV-03-G-60015		Seward Loading Facility - 2003	4,860
20.999	DTFR53-05-G-00005		Luminescent Grade Crossing-R & D - 2005	57,737
20.999	DTFRDV-04-G-00005		Rail Safety and Infrastructure Improvements – 2004	175,577
20.999	DTFR53-04-H-00005		Track Integrity System – 2004	235,149
20.999	DTFRDV-99-G-60005		Anchorage International Airport Rail Passenger Station - 1999	430,721

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2007
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
20.999	DTFRDV53-04-G-00007		Anchorage C Street Grade Crossing – 2004	440,819
20.999	DTFRDV-06-G-00008		Ft. Wainwright Track Realignment -- 2006	715,093
20.999	DTFRDV-02-G-60032		Rail Safety and Infrastructure Improvements – 2002	773,610
20.999	DTFRDV-05-G-00007		Rail Safety and Infrastructure Improvements – 2005	2,685,061
20.999	DTFRDV-06-G-00007		Locomotive/Railcars to Support Stryker Brigade -- 2006	7,683,026
20.999	DTFRDV-06-G-00006		Rail Safety & Infrastructure Improvements --2006	9,486,316
83.544	1461-DR-AK		Public Assistance Grants	(3,441)
83.544	1316-DR-AK		Public Assistance Grants	55,703
83.548	1445.00006		Hazard Mitigation Grant	112,741
97.036	2641-FM-AK		Disaster Grants - Public Assistance (Presidentially Declared Disasters)	92,513
97.036	1663-DR-AK		Disaster Grants - Public Assistance (Presidentially Declared Disasters)	710,861
97.056	HSTS04-04-G-GPS540		Port Security Grant Program	244,233
97.078	HSES-0961079		Buffer Zone Protection Plan (BZPP)	33,113
Alaska Railroad Corporation Total				62,902,048
<u>Alaska Student Loan Corporation</u>				
84.032		SFAC	Federal Family Education Loans	2,532,748
Alaska Student Loan Corporation Total				2,532,748
<u>Alaska Seafood Marketing Institute</u>				
10.601	Export Marketing		Market Access Program	4,447,780
10.605	Quality Samples		Quality Samples Program	28,851
11.452	Alaska Fish Marketing Board		Unallied Industry Projects	2,241,721
Alaska Seafood Marketing Institute Total				6,718,352
<u>Alaska Court System / Alaska Judicial Council</u>				
16.540			Juvenile Justice and Delinquency Prevention - Allocation to States - Pass thru from Center for Democracy & Citizenship, Council for Excellence in Government	1,551
16.580	2005-RG-CX-1072		Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	200,528
16.585	2003-DC-BX-0059		Drug Court Discretionary Grant Program	55,815
16.590	2004-WE-AX-0013		Grants to Encourage Arrest Policies and Enforcement of Protection Orders	186,429
20.600		HSC	State and Community Highway Safety - Pass thru from Partners for Progress	15,229
93.586	0601AKSCIT		State Court Improvement Program	3,665
93.586	0601AKDCID		State Court Improvement Program	34,479
93.586	G-0501AKSCIP		State Court Improvement Program	45,001
Alaska Court System / Alaska Judicial Council Total				542,697
<u>Department of Commerce, Community and Economic Development</u>				
10.665	National Forest Receipts	SRC	Schools and Roads - Grants to States	9,093,008

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2007
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
10.672	Mini Grant		Rural Development, Forestry, and Communities	22,814
10.766	Rural Internet Access		Community Facilities Loans and Grants	817,968
10.769	Rural Business Enterprise		Rural Business Enterprise Grants	10,407
10.857	Bulk Fuel Bridge Loans		State Bulk Fuel Revolving Fund Grants	498,979
11.307	Coalition For Economic Development	PWEDC	Economic Adjustment Assistance	(6,815)
11.307	Alaska Rural Visitor	PWEDC	Economic Adjustment Assistance	59,590
11.419	Coastal Zone Management		Coastal Zone Management Administration Awards	637,359
11.438	Fish Revitalization Fish & Game		Pacific Coast Salmon Recovery - Pacific Salmon Treaty Program	3,720,114
11.452	Fish Revitalization Governor's Office		Unallied Industry Projects	2,199,306
12.999	Delta Junction Missile Defense		Delta Junction Missile Defense Test Bed Facilities Impact	1,732,820
14.228	Community Development Block Grants		Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	4,291,547
14.231	Emergency Shelter Grants Program		Emergency Shelter Grants Program	119,463
15.226	Payments in Lieu of Taxes		Payments in Lieu of Taxes	6,408,959
15.227	National Petroleum Reserve Alaska Impact Mitigation		Distribution of Receipts to State and Local Governments	15,060,598
20.205	Sea Trails	HPCC	Highway Planning and Construction	8,740
66.202	Rural Utility Business Advisor		Congressionally Mandated Projects	1,391,714
90.100	Accelerated Infrastructure		Denali Commission Program	340,898
90.100	Mini Grant		Denali Commission Program	393,656
90.100	Multi-Use Facilities		Denali Commission Program	2,521,794
93.569	Community Services Block Grant		Community Services Block Grant	2,345,772
93.571	Food & Nutrition		Community Services Block Grant Formula and Discretionary Awards Community Food and Nutrition Programs	11,931
94.003	Administration		State Commissions	139,728

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2007
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
94.004	Learn & Serve Formula		Learn and Serve America - School and Community Based Programs	26,237
94.006	Formula /Competitive		AmeriCorps	1,480,535
94.007	Education /Disability		Planning and Program Development Grants	16,103
94.009	Program Development and Training		Training and Technical Assistance	50,509
97.023	Community Assistance Program		Community Assistance Program State Support Services Element	40,616
97.029	Flood Mitigation Assistance		Flood Mitigation Assistance	4,809
97.070	Map Modernization		Map Modernization Management Support	51,094
Department of Commerce, Community and Economic Development Total				53,490,253
<u>Department of Environmental Conservation</u>				
10.025			Plant and Animal Disease, Pest Control and Animal Care	459,542
10.760			Water and Waste Disposal Systems for Rural Communities	22,305,764
12.113			State Memorandum of Agreement Program for the Reimbursement of Technical Services	1,769,242
66.034			Surveys Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	360,172
66.202			Congressionally Mandated Projects	28,267,333
66.432			State Public Water System Supervision	2,215,849
66.436			Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act	34,609
66.454			Water Quality Management Planning	113,912
66.458			Capitalization Grants for Clean Water State Revolving Funds	4,309,935
66.463			Water Quality Cooperative Agreements	71,880
66.467			Wastewater Operator Training Grant Program (Technical Assistance)	20,102
66.468			Capitalization Grants for Drinking Water State Revolving Fund	10,270,590
66.471			State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	155,796
66.472			Beach Monitoring and Notification Program Implementation Grants	113,481
66.474			Water Protection Grants to the States	145,648
66.511			Office of Research and Development, Consolidated Research/Training	778,256
66.605			Performance Partnership Grants	4,797,241

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2007
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
66.608			Environmental Information Exchange Network Grant Program and Related Assistance	8,400
66.700			Consolidated Pesticide Enforcement Cooperative Agreements	284,503
66.804			State and Tribal Underground Storage Tanks Program	185,552
66.805			Leaking Underground Storage Tank Trust Fund Program	481,910
66.808			Solid Waste Management Grants Assistance	14,181
66.809			Superfund State and Indian Tribe Core Program Cooperative Agreements	173,603
66.817			State and Tribal Response Program Grants	416,806
90.100			Denali Commission Program	26,540
93.210			Tribal Self-Governance Program: Planning and Negotiation Cooperative Agreements and IHS Compacts/Funding Agreements - Pass thru from ANTHC	5,694,694
10.12-25A-4682			Pesticide Recordkeeping	14,248
10.AG-0109-P-07-0012			Forest Service Regulatory Oversight	8,133
10.AGO109P060024/0078			Forest Service Regulatory Oversight	2,083
11.45ABNAON0252			Miscellaneous Inspection Service	21,402
11.AB133C06SE3435			NOAA Pribilof Island Restoration	5,312
11.NA16AB23292			NOAA Pribilof Island Restoration	49,976
12.USAF Elmendorf Site cleanup			USAF Elmendorf Site Cleanup	1,687
20.DTFAAL-04X-8000			Clean up Contaminated Sites in AK	78,748
66.LUST Trust Cost Recovery			LUST Trust Cost Recovery	214,578
81.DE-FG01-06LM00075			Amchitka Medical Screening Program	12,263
81.MINV0056			Amchitka Underground Nuclear Test Site - oversight	7,353
93.1R13DF003185			State Food Safety and Food Security Task Force Meetings Conference Grant Program	2,523
93.HHSF223200540013C			FDA Inspections	2,788
93.HHSF223200640053C			FDA Food Inspections	340,002
Department of Environmental Conservation Total				84,236,637
<u>Department of Education and Early Development</u>				
10.550			Food Donation	2,232,751
10.553	17131	CNC	School Breakfast Program	5,017,872
10.555	17132	CNC	National School Lunch Program	23,312,922
10.556	17133	CNC	Special Milk Program for Children	6,545
10.558	17134		Child and Adult Care Food Program	7,619,308
10.559	17137	CNC	Summer Food Service Program for Children	452,212
10.560	17135		State Administrative Expenses for Child Nutrition	526,653
10.568	17138	EFAC	Emergency Food Assistance Program (Administrative Costs)	109,659
10.574	17400		Team Nutrition Grants	130,753
12.999			Troops to Teachers	88,517
21.999			Jobs and Growth Tax Relief Reconciliation Act of 2003	727,877
42.006	17188		Library of Congress - Library Services	11,961
45.025	17335		Promotion of the Arts - Partnership Agreements	569,797

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2007
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
45.310	17336		Grants to States	862,646
84.010	17126		Title I Grants to Local Educational Agencies	27,986,158
84.011	17127		Migrant Education - State Grant Program	6,256,283
84.013	17129		Title I Program for Neglected and Delinquent Children	366,906
84.027	17232	SEC	Special Education - Grants to States	33,659,097
84.041	17238		Impact Aid	26,838,857
84.048	17244		Vocational Education - Basic Grants to States	4,522,439
84.116	17351		Fund for the Improvement of Postsecondary Education	41,713
84.161	17152		Rehabilitation Services - Client Assistance Program	119,554
84.173	17242	SEC	Special Education - Preschool Grants	1,164,953
84.185	17254		Byrd Honors Scholarships	125,250
84.186	17255		Safe and Drug-Free Schools and Communities - State Grants	1,649,392
84.196	17257		Education for Homeless Children and Youth	189,069
84.213	17264		Even Start - State Educational Agencies	497,613
84.215	17231		Fund for the Improvement of Education	790,049
84.243	17246		Tech-Prep Education	347,919
84.282	17247		Charter Schools	693,468
84.287	17271		Twenty-first Century Community Learning Centers	5,357,434
84.298	17267		State Grants for Innovative Program	661,151
84.318	17241		Education Technology State Grants	1,943,845
84.323	17159		Special Education - State Personnel Development	581,716
84.326	17347		Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	216,579
84.332	17256		Comprehensive School Reform Demonstration	73,679
84.357	17273		Reading First State Grants	3,352,349
84.358	17373		Rural Education	38,091
84.365	17175		English Language Acquisition Grants	842,546
84.366	17252		Mathematics and Science Partnerships	89,478
84.367	17172		Improving Teacher Quality State Grants	12,971,141
84.369	17171		Grants for State Assessments and Related Activities	3,580,401
84.372	17274		Statewide Data Systems	714,670
84.999	17300		Consolidated Programs IASA Admin	638,080
89.003	17141		National Historical Publications and Records Grants	5,637
93.600	17330		Head Start	136,970
93.938	17308		Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	289,743
Department of Education and Early Development Total				178,411,703

Department of Fish and Game

10.025			Plant and Animal Disease, Pest Control and Animal Care	87,821
10.999			Miscellaneous U.S. Forest Service	754,202
11.307		PWEDC	Economic Adjustment Assistance	20,516
11.405			Anadromous Fish Conservation Act Program	266,768
11.407			Interjurisdictional Fisheries Act of 1986	119,906

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
11.417			Sea Grant Support	256,602
11.420			Coastal Zone Management Estuarine Research Reserves	550,537
11.437			Pacific Fisheries Data Program - Pass thru Pacific States Marine Fisheries Commission	2,188,518
11.437			Pacific Fisheries Data Program	4,631,602
11.438			Pacific Coast Salmon Recovery - Pacific Salmon Treaty Program	25,109,198
11.439			Marine Mammal Data Program	2,378,259
11.463			Habitat Conservation	161,782
11.473			Coastal Services Center	141,663
11.477			Fisheries Disaster Relief	858,021
11.999			Miscellaneous NOAA	484,378
12.420			Military Medical Research and Development	877
12.999			Miscellaneous Army	78,167
15.222			Cooperative Inspection Agreements With States and Tribes	46,119
15.224			Cultural Resource Management	9,688
15.225			Recreation Resource Management	12,212
15.231			Fish, Wildlife and Plant Conservation Resource Management	82,359
15.605		F&WC	Sport Fish Restoration	17,931,086
15.608			Fish and Wildlife Management Assistance	1,193,299
15.611		F&WC	Wildlife Restoration	9,614,915
15.614			Coastal Wetlands Planning, Protection and Restoration Act	(152)
15.615			Cooperative Endangered Species Conservation Fund	102,148
15.616			Clean Vessel Act	20,137
15.625			Wildlife Conservation and Restoration	178,271
15.626			Hunter Education and Safety Program	80,001
15.633			Landowner Incentive	72,282
15.634			State Wildlife Grants	2,825,848
15.636			Alaska Subsistence Management	1,534,189
15.999			Miscellaneous Minerals Management Service	149,157
15.999			Miscellaneous National Park Service	212,483
15.999			Miscellaneous Bureau of Land Management	323,701
15.999			Miscellaneous U.S. Fish and Wildlife Service	974,654
66.461			Regional Wetland Program Development Grants	39,557
97.999			Miscellaneous U.S. Coast Guard	4,896
Department of Fish and Game Total				73,495,667
<u>Department of Health and Social Services</u>				
10.551		FSC	Food Stamps	85,958,092
10.557			Special Supplemental Nutrition Program for Women, Infants and Children	22,054,460
10.561		FSC	State Administrative Matching Grants for Food Stamp Program	10,024,457
10.565			Commodity Supplemental Food Program	103,551
10.576			Senior Farmers Market Nutrition Program	54,056

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
16.202			Prisoner Reentry Initiative Demonstration (Offender Reentry)	63,914
16.523			Juvenile Accountability Incentive Block Grants	375,780
16.529			Education, Training and Enhanced Services to End Violence Against Women with Disabilities	83,909
16.540			Juvenile Justice and Delinquency Prevention - Allocation to States	592,477
16.541			Part E - Developing, Testing and Demonstrating Promising New Programs	2,230,617
16.548			Title V - Delinquency Prevention Program	64,905
16.727			Enforcing Underage Drinking Laws Program	348,798
17.720			Disability Employment Policy Development	126,925
84.181			Special Education - Grants for Infants and Families with Disabilities	2,108,786
90.100			Denali Commission Program	2,710,033
93.041			Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	25,473
93.042			Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	67,026
93.043			Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	60,243
93.044		AC	Special Program for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	2,022,368
93.045		AC	Special Program for the Aging - Title III, Part C - Nutrition Services	3,291,879
93.048			Special Program for the Aging - Title IV and Title II - Discretionary Projects	111,678
93.052			National Family Caregiver Support, Title III, Part E	896,739
93.053		AC	Nutrition Services Incentive Program	266,139
93.110			Maternal and Child Health Federal Consolidated Programs	264,674
93.116			Project Grants and Cooperative Agreements for Tuberculosis Control Programs	714,352
93.127			Emergency Medical Services for Children	114,357
93.130			Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	441,818
93.136			Injury Prevention and Control Research and State and Community Based Programs	442,141
93.150			Projects for Assistance in Transition from Homelessness (PATH)	291,214
93.217			Family Planning - Services	487,430
93.230			Consolidated Knowledge Development and Application (KDandA) Program	1,201,859
93.234			Traumatic Brain Injury State Demonstration Grant Program	258,449
93.235			Abstinence Education Program	23,773

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
93.240			State Capacity Building	197,047
93.241			State Rural Hospital Flexibility Program	371,029
93.243			Substance Abuse and Mental Health Services - Projects of Regional and National Significance	796,516
93.251			Universal Newborn Hearing Screening	123,825
93.256			State Planning Grants Health Care Access for the Uninsured	582,486
93.259			Rural Access to Emergency Devices Grant	34,647
93.268			Immunization Grants	14,490,225
93.283			Centers for Disease Control and Prevention: Investigations and Technical Assistance	13,178,843
93.301			Small Rural Hospital Improvement Grant Program	153,846
93.556			Promoting Safe and Stable Families	1,109,062
93.558			Temporary Assistance for Needy Families	30,936,366
93.568			Low-Income Home Energy Assistance	8,242,762
93.575		CCC	Child Care and Development Block Grant	18,991,429
93.590			Community-Based Child Abuse Prevention Grants	191,991
93.596		CCC	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	3,544,811
93.599			Chafee Education and Training Vouchers Program (ETV)	212,362
93.630			Developmental Disabilities Basic Support and Advocacy Grants	456,007
93.643			Children's Justice Grants to States	101,953
93.645			Child Welfare Services - State Grants	249,717
93.658			Foster Care - Title IV-E	15,701,381
93.659			Adoption Assistance	7,546,026
93.667			Social Services Block Grant	9,011,048
93.669			Child Abuse and Neglect State Grants	310,098
93.670			Child Abuse and Neglect Discretionary Activities	661,052
93.674			Chafee Foster Care Independence Program	523,347
93.767			State Children's Insurance Program	17,264,492
93.768			Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities	626,954
93.773			Medicare - Hospital Insurance	1,042,206
93.777		MC	State Survey and Certification of Health Care Providers and Suppliers	248,242
93.778		MC	Medical Assistance Program	677,434,047
93.779			Centers for Medicare and Medicaid Service (CMS) Research, Demonstrations and Evaluations	2,012,563
93.789			Alternatives to Psychiatric Residential Treatment Facilities for Children	19,173
93.887			Health Care and Other Facilities	204,202
93.888			Specially Selected Health Projects	275,202
93.889			National Bioterrorism Hospital Preparedness Program	1,736,640
93.912			Rural Health Care Services Outreach and Rural Health Network Development Program - Pass thru from University of Washington	6,072

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
93.913			Grants to States for Operation of Office of Rural Health	114,705
93.917			HIV Care Formula Grants	1,083,448
93.940			HIV Prevention Activities - Health Department Based	1,516,383
93.944			Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	178,287
93.945			Assistance Programs for Chronic Disease Prevention and Control	336,085
93.946			Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	220,734
93.958			Block Grants for Community Mental Health Services	586,018
93.959			Block Grants for Prevention and Treatment of Substance Abuse	3,895,752
93.977			Preventive Health Services - Sexually Transmitted Diseases Control Grants	185,791
93.988			Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	479,290
93.991			Preventive Health and Health Services Block Grant	336,379
93.994			Maternal and Child Health Services Block Grant to the States	952,644
93.030178D4D-CDC			Adult Lead Surveillance Data	15,744
93.03- HSH2502004360			Frontier Extended Stay	59,753
93.200-2000-07201			NCHS Contract	101,643
93.223-03-4401			Mammography Inspection	37,862
93.230-BHPR- 034(03)			National Health Services Corp - Student/Resident Experiences and Rotations in Community Health (SEARCH)	158,000
93.243-03-1045			NIOSH Trauma Registry	67,600
Department of Health and Social Services Total				976,796,159
<u>Department of Labor and Workforce Development</u>				
11.300		PWEDC	Investments for Public Works and Economic Development Facilities	22,404
17.002			Labor Force Statistics	714,523
17.005			Compensation and Working Conditions	69,322
17.203			Labor Certification for Alien Workers	53,392
17.207		ESC	Employment Service/Wagner-Peyser Funded Activities	7,810,150
17.225			Unemployment Insurance	145,695,415
17.235			Senior Community Service Employment Program	1,842,960
17.245			Trade Adjustment Assistance	590,206
17.258		WIAC	WIA Adult Program	2,341,077
17.259		WIAC	WIA Youth Activities	2,591,728
17.260		WIAC	WIA Dislocated Workers	3,537,259

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
17.261			WIA Pilots, Demonstrations, and Research Projects	3,415,413
17.266			Work Incentive Grants	273,338
17.503			Occupational Safety and Health - State Program	1,519,963
17.504			Consultation Agreements	569,010
17.720			Disability Employment Policy Development	439,046
17.801		ESC	Disabled Veterans' Outreach Program (DVOP)	283,608
17.804		ESC	Local Veterans' Employment Representative Program	201,386
17.807			Transition Assistance Program	51,683
84.002			Adult Education - State Grant Program	987,989
84.063		SFAC	Federal Pell Grant Program	206,330
84.126			Rehabilitation Services - Vocational Rehabilitation Grants to States	9,876,114
84.169			Independent Living - State Grants	337,600
84.177			Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	221,790
84.187			Supported Employment Services for Individuals with Severe Disabilities	184,031
84.224			Assistive Technology	366,882
84.265			Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	13,535
90.100			Denali Commission Program	4,976,763
93.558			Temporary Assistance for Needy Families	3,424,228
96.001		DISSIC	Social Security - Disability Insurance	4,029,649
96.006		DISSIC	Supplemental Security Income	325,470
Department of Labor and Workforce Development Total				196,972,264
<u>Department of Military and Veterans' Affairs</u>				
11.419			Coastal Zone Management Administration Awards	78,498
12.400			Military Construction, National Guard	273,611
12.401			National Guard Military Operations and Maintenance (O & M) Projects	13,002,925
12.404			National Guard Civilian Youth Opportunities	3,670,793
12.999			Ground Missile Defense	2,378
16.999			Counterdrug Support Program-Asset Forfeiture	9,101
20.703			Interagency Hazardous Materials Public Sector Training and Planning Grants	65,023
43.002			Technology Transfer	1,366,560
64.999			State Approving Agency	95,651
97.004		HLSC	State Domestic Preparedness Equipment Support Program	5,116,034
97.017			Pre-Disaster Mitigation Competitive Grants	134,328
97.026			Emergency Management Institute - Training Assistance	8,653
97.036			Disaster Grants - Public Assistance (Presidentially Declared Disasters)	11,552,596
97.039			Hazard Mitigation Grant	1,049,506
97.042			Emergency Management Performance Grants	1,549,991
97.053		HLSC	Citizen Corps	151,252
97.071		HLSC	Metropolitan Medical Response System	188,217

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
97.073		HLSC	State Homeland Security Program (SHSP)	6,364,054
97.074		HLSC	Law Enforcement Terrorism Prevention Program (LETPP)	3,182,399
97.078			Buffer Zone Protection Plan (BZPP)	538,785
Department of Military and Veterans' Affairs Total				48,400,355
<u>Department of Natural Resources</u>				
10.025			Plant and Animal Disease, Pest Control and Animal Care	764,171
10.156			Federal-State Marketing Improvement Program	16,570
10.162			Inspection Grading and Standardization	7,152
10.163			Market Protection and Promotion	106,747
10.664			Cooperative Forestry Assistance	3,063,258
10.676			Forest Legacy Program	453,302
10.677			Forest Land Enhancement Program	322,851
10.680			Forest Health Protection	30,545
10.905			Plant Materials for Conservation	302,514
11.419			Coastal Zone Management Administration Awards	1,328,738
15.222			Cooperative Inspection Agreements with States and Tribes	99,023
15.224			Cultural Resource Management	1,355,631
15.228			National Fire Plan - Wildland Urban Interface Community Fire Assistance	37,488
15.250			Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	186,214
15.252			Abandoned Mine Land Reclamation (AMLR) Program	2,127,777
15.614			Coastal Wetlands Planning, Protection, and Restoration Act	3,094
15.808			U.S. Geological Survey - Research and Data Collection	1,690,527
15.810			National Cooperative Geologic Mapping Program	703,263
15.904			Historic Preservation Fund Grants-In-Aid	831,702
15.916			Outdoor Recreation - Acquisition, Development and Planning	846,153
15.999			BLM Miscellaneous Fire Billings	2,635
20.219			Recreational Trails Program	642,001
21.999			Jobs and Growth Tax Relief Reconciliation Act of 2002	752,425
47.076			Education and Human Resources	97,857
97.012			Boating Safety Financial Assistance	782,056
97.013			State Access to the Oil Spill Liability Trust Fund	4,556
97.041			National Dam Safety Program	21,092
97.046			Fire Management Assistance Grant	2,871,784
10.43-0120-4-0169			Spot Revegetation (purchase order)	7,034
10.43-0120-5-0113			Spot Revegetation #2 (purchase order)	3,295
10.AG0120P060039	AG0120-P-06-0039		Revegetation 2006	2,211
10.L83008			USFS Fire Suppression	7,635,297
10.Misc			CY07 Misc USFS Fire Suppression	9,281
11.NA05OAR4601083			Threatened Alaska Shipwrecks	18,281

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
15.1435-02-04-CA-40364			Onshore Compliance	174,720
15.701815M333			Izembek Interpretation Panels	13,723
15.701816M445	701816M445		Cabin Site Surveys	5,139
15.AAI	0203ML1302		Wickersham House	137,007
15.AAN	H9915040004		NPS Fire Program Analysis	1,392
15.AK-C-12-L-1	AK-C-12-L-1		Portage River-Afognak Coastal Protection	1,805
15.DDD	LAA-02-0005		Cadastral Project	302,025
15.H9807050013			Kadyak Archeology Investigation	9,058
15.H9837041015	H9837041015		South Denali Implementation	23,351
15.H9865060001			Wrangell/St. Elias Student Interns	2,750
15.LAA040005			BLM Fire Suppression	2,003,299
15.P9911060003			05 NPS Planning Assistance	17,409
15.P9911070004			07 NPS Planning Assistance	50,531
20.DTHF70-05-E-00020			Sea Trails	26,975
20.DTHF70-05-E-00028			Alaska Trails Initiative	1,158,896
W81G6961354341	W81G6961354341		MLW RAMS Program	15,000
Department of Natural Resources Total				31,069,605
<u>Department of Administration</u>				
16.541			Part E - Developing, Testing and Demonstrating Promising New Programs	50,000
16.576			Crime Victim Compensation	402,704
16.710			Public Safety Partnership and Community Policing Grants	5,398,699
20.217			Motor Carrier Safety	173,840
21.999			Jobs and Growth Tax Relief Reconciliation Act of 2002	142,509
39.003			Donation of Federal Surplus Personal Property	926,356
66.433			State Underground Water Source Protection	131,700
Department of Administration Total				7,225,808
<u>Department of Corrections</u>				
16.999	03-06-05		U. S. Marshall Service Cooperative Agreement Program	246,679
16.999	2002-RE-CX-0014		Serious and Violent Offender Reentry Initiative	339,779
84.331	V331A010032		Grants to States for Incarcerated Youth Offenders	31,275
Department of Corrections Total				617,733
<u>Department of Revenue</u>				
16.541	16-2005-JL-FK (Project #) Grant ID is 16-081860		Part E - Developing, Testing and Demonstrating Promising New Programs	308,333
93.563			Child Support Enforcement	17,503,715
93.597			Grants to States for Access and Visitation Programs	97,763
Department of Revenue Total				17,909,811
<u>Department of Transportation and Public Facilities</u>				
10.665		SRC	Schools and Roads - Grants to States	170,000

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
10.999	USDA 05RO-11100100-127		Design & construct AMHS interpretive portal prototype for Forest Service	12,102
10.999	USDA 05RO-11100100-120		Design 24' bridge on Forest Service Rd 81 A-Lewis Reef Rd	33,529
10.999	USDA 05RO-11100100-098		Design for reconstruction of Forest Service Rd 8453, Skater Cabin	43,000
10.999	USDA-NRM0999K060		Contract with USDA to replace culvert on Plack Rd. Pj 76740	96,377
10.999	USDA 68-0150-5-009		Design & construct facility for the Plant Materials Center in Palmer	931,177
11.999			Space leased by National Weather Service at DOTPF facility in Slana and Ernestine	20
12.999	F65501-95C0017		Maintain Galena Airport to USAF Safety Standards	178,341
12.999	F65501-96C0006		Maintain King Salmon Airport to USAF Safety Standards	328,619
12.999	N6871104MDC4010		Funding from US Navy for Adak Airport Operations	655,888
15.999	FWS-701815J604		Harbor aquatic vegetation study commissioned by Fish & Wildlife Service	20,238
16.585			Drug seizure money used for increased security and screening.	12,635
16.585			Drug seizure money used for increased security and screening.	58,330
20.106			Airport Improvement Program	201,919,396
20.205		HPCC	Highway Planning and Construction	346,707,931
20.218			National Motor Carrier Safety	407,951
20.500		FTC	Federal Transit - Capital Investment Grants	1,641,819
20.505			Federal Transit - Metropolitan Planning Grants	59,510
20.509			Formula Grants for Other Than Urbanized Areas	5,097,930
20.513			Capital Assistance Program for Elderly Persons and Persons with Disabilities	238,417
20.514			Public Transportation Research	14,691
20.515			State Planning and Research	239,784
20.516			Job Access - Reverse Commute	283,722
20.600		HSC	State and Community Highway Safety	1,215,558
20.601		HSC	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	12,466
20.602		HSC	Occupant Protection	266,022
20.603		HSC	Federal Highway Safety Data Improvements Incentive Grants	27,587
20.604		HSC	Safety Incentive Grants for Use of Seat Belts	20,756
20.605		HSC	Safety Incentives to Prevent Operation of Motor Vehicles By Intoxicated Persons	133,365
20.607			Alcohol Open Container	2,777,354
20.609		HSC	Safety Belt Performance Grants	400,839
20.610		HSC	State Traffic Safety Information System Improvements Grants	220,177
20.612		HSC	Incentive Grant Program to Increase Motorcyclist Safety	6,581

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
20.613		HSC	Child Safety and Child Booster Seat Incentive Grants	14,209
20.999	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	(118)
20.999			Contract with FHWA Office of Acquisition Management for CLARUS.	2,592
20.999	DTFA04-81-F-81018		Pay Half of Electric Billed Through Shared Meter at Kodiak Airport	13,278
20.999	BRM/09/02/2004		FAA agreement to install Runway End Identifier Lights (REIL) at Ekwok airport. Pj 57882	18,832
20.999	DTFA04-92-89229		Prorated Share of Utilities and Repair/maintenance Cost FAA ARFF Deadhorse Combined Facility	40,287
20.999	DTFAWA-26-A00009		FAA agreement to install lighting at Tuntutuliak airport.	65,005
20.999	DTFAAL-05-X-00011		FAA agreement to install lighting at King Cove & New Stuyahok arpts.	89,765
20.999	DTFA-AAL03P-45013		FAA agreement to install Precision Approach Path Indicator (PAPI) and Runway End Identifier Lights (REIL) at various airports. PJ 62315	127,592
20.999	DTFH70-07E-0007		Forest Hwy agreement for geotechnical invest. & drilling o Coffman Cove Rd, Aufeis Rd & at Metlakatla	144,983
20.999	DTFA-03-X-02057		Rural Airport Lighting install at various airports. PJ 57794	154,266
20.999	DTFAAL-05-A-00002		FAA agreement for install of Precision Approach Path Indicator (PAPI) & Runway End Identifier Lighting (REIL) at various arpts.	244,095
20.999	AK PFH 2-1(1)		Forest Hwy agreement for improvements to Coffman Cove Rd.	293,374
20.999	DTFA-04-A-00003		FAA agreement for installation of lighting at Chenega & Perryville airports. PJ 57884 & 57892	439,441
20.999	DTFAWA-05-A-00009		FAA agreement to install REIL lights at Stevens Village & King Cove arpts.	670,646
20.999	DTFAAL-05-X-00006		Design & construct FAA facility in Nome reimbursed by FAA through PO	785,965
20.999	DTFA-04-02-X-44090		Runway End Identifier Lighting (REIL) at various airports. PJ 62462	1,264,803
20.999	AK PFH 44-1(1)		Forest Hwy agreement for Glacier Hwy trailhead improvements	1,667,571
90.100			Denali Commission Program	886,794
97.056			Port Security Grant Program	43,179
97.056			Port Security Grant Program	80,775
97.067		HLSC	Homeland Security Grant Program	568,377
97.072			National Explosives Detection Canine Team Program	99,638
97.999	Memo of Agreement ONLY		Contract for profilagraph testing f runway at Ft Greely. Pj 76732	3,347
Department of Transportation and Public Facilities Total				571,950,808

Department of Public Safety

16.527			Supervised Visitation, Safe Havens for Children	320
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STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
16.543			Missing Children's Assistance	4,100
16.554			National Criminal History Improvement Program (NCHIP)	209,654
16.560			National Institute of Justice Research, Evaluation, and Development Project Grants	278,532
16.564			Crime Laboratory Improvement - Combined Offender DNA Index System Backlog Reduction	57,914
16.575			Crime Victim Assistance	1,234,862
16.579			Edward Byrne Memorial Formula Grant Program	28,072
16.580			Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	3,022,566
16.588			Violence Against Women Formula Grants	1,124,312
16.590			Grants to Encourage Arrest Policies and Enforcement of Protection Orders	165,654
16.592			Local Law Enforcement Block Grant Program	40,915
16.593			Residential Substance Abuse Treatment for State Prisoners	177,993
16.609			Community Prosecution and Project Safe Neighborhoods	362,000
16.710			Public Safety Partnership and Community Policing Grants	1,173,197
16.728			Drug Prevention Program	183,020
16.738			Edward Byrne Memorial Justice Assistance Grant Program	535,411
16.741			Forensic DNA Capacity Enhancement Program	194,356
16.742			Paul Coverdell Forensic Sciences Improvement Grant Program	62,761
21.999			Jobs and Growth Tax Relief Reconciliation Act of 2002	282,511
90.100			Denali Commission Program	17,365
93.228			Indian Health Service - Health Management Development Program	256,117
93.671			Family Violence Prevention and Services/Grants for Battered Women's Shelters Grants to States and Indian Tribes	757,999
97.043			State Fire Training Systems Grants	34,944
97.044			Assistance to Firefighters Grant	306,731
10.02CA-111001-039			Cooperative Law Enforcement Agreement	56,875
11.04 and 05-NMFS-JEA			National Marine Fisheries Joint Enforcement Agreement	1,382,208
16.05-2 & CY06			Marijuana Eradication	58,834
Department of Public Safety Total				12,009,223
<u>Knik Arm Bridge Toll Authority</u>				
20.205	PJ E 56047	HPCC	Highway Planning and Construction	10,280,546
Knik Arm Bridge Toll Authority Total				10,280,546

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
<u>Department of Law</u>				
16.580	2005DDBX1154		Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	717,100
16.588	2005WFAX0001		Violence Against Women Formula Grants	616,819
16.609	2002GPCX0190		Community Prosecution and Project Safe Neighborhoods	49,146
93.775	0601AK5050	MC	State Medicaid Fraud Control Units	102,412
93.775	0701AK5050	MC	State Medicaid Fraud Control Units	382,049
Department of Law Total				<u>1,867,526</u>
<u>Mental Health Trust Authority</u>				
90.100	0104-DC-2003-I17, Amendm		Denali Commission Program	779,716
Mental Health Trust Authority Total				<u>779,716</u>
<u>Office of the Governor</u>				
11.452			Unallied Industry Projects	43,082
30.002			Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	86,602
39.011			Election Reform Payments	1,079,534
90.401			Help America Vote Act Requirements Payments	2,634,585
Office of the Governor Total				<u>3,843,803</u>
<u>University of Alaska</u>				
10.001			Agricultural Research - Basic and Applied Research	473
10.001		R&DC	Agricultural Research - Basic and Applied Research	1,415,803
10.200	41535053	R&DC	Grants for Agricultural Research, Special Research Grants - Pass thru from Utah State University	8,298
10.200			Grants for Agricultural Research, Special Research Grants	28,799
10.200	61553007	R&DC	Grants for Agricultural Research, Special Research Grants - Pass thru from Utah State University	60,019
10.200		R&DC	Grants for Agricultural Research, Special Research Grants	6,162,750
10.206			Grants for Agricultural Research - Competitive Research Grants	34,988
10.206		R&DC	Grants for Agricultural Research - Competitive Research Grants	135,626
10.206	Z507223/2005-35605-15388 PENDI	R&DC	Grants for Agricultural Research - Competitive Research Grants - Pass thru from University of Maryland	326,723
10.228		R&DC	Alaska Native Serving and Native Hawaiian Serving Institutions Education Grants	101,281
10.228			Alaska Native Serving and Native Hawaiian Serving Institutions Education Grants	1,267,569
10.302	RCUH LTR JAN 1, 02		Initiative for Future Agriculture and Food Systems - Pass thru from University of Hawaii, HILO	3,273
10.303			Integrated Programs	22,494

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
10.303	K009607-AK Amendment 5		Integrated Programs - Pass thru from University of California, Davis	29,698
10.303	BJKE27-UA (PO013815)		Integrated Programs - Pass thru from University of Idaho	45,119
10.303		R&DC	Integrated Programs	69,044
10.500	S07048		Cooperative Extension Service - Pass thru from Kansas State University	4,685
10.500	UTSTUNV6225		Cooperative Extension Service - Pass thru from University of Wyoming	10,000
10.500	S05043.01 (AMENDMENT 2)		Cooperative Extension Service - Pass thru from Kansas State University	23,061
10.500	K007797-02	R&DC	Cooperative Extension Service - Pass thru from University of California, Davis	26,126
10.500	104777-G00189_0		Cooperative Extension Service - Pass thru from Washington State University	187,177
10.500		R&DC	Cooperative Extension Service	293,818
10.500			Cooperative Extension Service	2,636,118
10.652			Forestry Research	4,743
10.652		R&DC	Forestry Research	276,677
10.664			Cooperative Forestry Assistance	17,841
10.664		R&DC	Cooperative Forestry Assistance	91,559
10.680			Forest Health Protection	5,945
10.680		R&DC	Forest Health Protection	9,901
10.760			Water and Waste Disposal Systems for Rural Communities	81,607
10.769		R&DC	Rural Business Enterprise Grants	67,500
10.769			Rural Business Enterprise Grants	85,479
10.771			Rural Cooperative Development Grants	82,025
10.859		R&DC	Assistance to High Energy Cost Rural Communities	25,000
10.861	Letter Dated 07/01/2006		Public Television Station Digital Transition Grant Program - Pass thru from Alaska One	39,565
10.999	Contract Signed 1- 9-07	R&DC	Miscellaneous - Pass thru from Organic Seed Alliance	192
10.999	1175035	R&DC	Miscellaneous	857,146
10.999			Miscellaneous	919,126
11.300		PWEDC	Investments for Public Works and Economic Development Facilities	499,998
11.303			Economic Development - Technical Assistance	110,000
11.307		PWEDC	Economic Adjustment Assistance	136,568
11.417			Sea Grant Support	637,258
11.417		R&DC	Sea Grant Support	1,984,892
11.420		R&DC	Coastal Zone Management Estuarine Research Reserves	21,098
11.430		R&DC	Undersea Research	1,417,847
11.431		R&DC	Climate and Atmospheric Research	138,402
11.432		R&DC	Office of Oceanic and Atmospheric Research (OAR) Joint and Cooperative Institutes	2,709,833

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
11.438	L1300-01	R&DC	Pacific Coast Salmon Recovery - Pacific Salmon Treaty Program - Pass thru from Seward Association for Advancement of Science (SAAMS)	4,804
11.439	Award LTR 6/17/03	R&DC	Marine Mammal Data Program - Pass thru from Aleutians East Borough	20,216
11.439	NA05NMF4391068	R&DC	Marine Mammal Data Program - Pass thru from North Pacific Marine Science Foundation	33,177
11.439			Marine Mammal Data Program	67,924
11.439	ADN 1175033	R&DC	Marine Mammal Data Program	1,102,123
11.460	1067068	R&DC	Special Oceanic and Atmospheric Projects	1,818,868
11.467	S07-62784	R&DC	Meteorologic and Hydrologic Modernization Development - Pass thru from UCAR Office of Programs	5,000
11.472	R0326 F0326-00		Unallied Science Program - Pass thru from North Pacific Research Board	7,880
11.472	505	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	11,400
11.472	509	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	12,046
11.472	522	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	12,322
11.472	Project 517	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	12,670
11.472	A100501	R&DC	Unallied Science Program - Pass thru from Woods Hole Oceanographic Institution	18,831
11.472	F2631	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	23,795
11.472	Project 632	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	25,588
11.472	Project 635	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	29,365
11.472	Project 614	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	34,979
11.472	507	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	38,012
11.472	PO 10263677	R&DC	Unallied Science Program - Pass thru from University of California, San Diego	38,810
11.472	503		Unallied Science Program - Pass thru from North Pacific Research Board	41,630
11.472	Project 607	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	42,450
11.472	602 NPRB Project	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	44,032
11.472	512 Project Number	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	47,391
11.472	511	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	57,236
11.472	Project 514	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	59,314

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
11.472	Project 615		Unallied Science Program - Pass thru from North Pacific Research Board	69,660
11.472	NPRB PROJECT #527	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	72,981
11.472	R0320	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	74,846
11.472	506	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	77,672
11.472	Project 604	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	80,173
11.472	Project 617	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	81,920
11.472	Project 627	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	152,727
11.472	Project 520	R&DC	Unallied Science Program - Pass thru from North Pacific Research Board	395,891
11.473	UA/AOOS MOA		Coastal Services Center - Pass thru from Alaska Ocean Observing System	(605)
11.473	PFG	R&DC	Coastal Services Center - Pass thru from Alaska Ocean Observing System	4,294
11.473	07-5-25535.3734 CA05-22	R&DC	Coastal Services Center - Pass thru from University of Maryland - UMCES	177,428
11.473	H-2201	R&DC	Coastal Services Center - Pass thru from Seward Association for Advancement of Science (SAAMS)	710,685
11.478		R&DC	Center for Sponsored Coastal Ocean Research - Coastal Ocean Program	163,866
11.481	Sub Agreement NO. 270040E	R&DC	Educational Partnership Program - Pass thru from NCA&T	33,280
11.481			Educational Partnership Program	202,466
11.550			Public Telecommunications Facilities Planning and Construction	(3,284)
11.552			Technology Opportunities Program	50,497
11.999	F0418	R&DC	Miscellaneous - Pass thru from North Pacific Research Board	(2,504)
11.999	F0423	R&DC	Miscellaneous - Pass thru from North Pacific Research Board	(1,931)
11.999	Letter 11/14/2005		Miscellaneous - Pass thru from Consortium for Oceanographic Research & Education	(1,173)
11.999	F0410	R&DC	Miscellaneous - Pass thru from North Pacific Research Board	(1)
11.999	R1991-02	R&DC	Miscellaneous - Pass thru from Seward Association for Advancement of Science (SAAMS)	25
11.999	NA16FX2629 #13	R&DC	Miscellaneous - Pass thru from North Pacific Marine Science Foundation	3,661
11.999	Letter Dated 1/12/07		Miscellaneous - Pass thru from Consortium for Oceanographic Research & Education	4,250
11.999	Letter Dated 12/31/2005		Miscellaneous - Pass thru from Consortium for Oceanographic Research & Education	4,250

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
11.999	SC# 1702-61211-01 PO#111222	R&DC	Miscellaneous - Pass thru from Embry-Riddle Aeronautical University	5,409
11.999	F0401	R&DC	Miscellaneous - Pass thru from North Pacific Research Board	16,389
11.999	F0407	R&DC	Miscellaneous - Pass thru from North Pacific Research Board	20,650
11.999	F0413	R&DC	Miscellaneous - Pass thru from North Pacific Research Board	38,046
11.999	R1991-03	R&DC	Miscellaneous - Pass thru from Seward Association for Advancement of Science (SAAMS)	47,527
11.999			Miscellaneous	58,135
11.999	R0327	R&DC	Miscellaneous - Pass thru from North Pacific Research Board	61,041
11.999	ADN 1145345	R&DC	Miscellaneous	169,711
12.002			Procurement Technical Assistance for Business Firms	304,839
12.114	UM02-09-029	R&DC	Collaborative Research and Development - Pass thru from University of Mississippi	78,194
12.114	UM 07-11-041	R&DC	Collaborative Research and Development - Pass thru from University of Mississippi	139,690
12.300	R00427 FSU#091004-520-015474	R&DC	Basic and Applied Scientific Research - Pass thru from Florida State University	24,418
12.300	INDEX 332520 PO426688	R&DC	Basic and Applied Scientific Research - Pass thru from Wayne State University	243,034
12.300		R&DC	Basic and Applied Scientific Research	4,088,140
12.420			Military Medical Research and Development	1,389
12.420		R&DC	Military Medical Research and Development	2,385,313
12.431			Basic Scientific Research	14,497
12.431		R&DC	Basic Scientific Research	382,081
12.630		R&DC	Basic, Applied, and Advanced Research in Science and Engineering	34,357
12.910		R&DC	Research and Technology Development	514,382
12.999	06-84 AND 06-85		Miscellaneous - Pass thru from Academy of Applied Science (AAS)	4,828
12.999	885205	R&DC	Miscellaneous - Pass thru from John Hopkins University	17,777
12.999	SUB UNDER CA W56HZV-04-2-0001	R&DC	Miscellaneous - Pass thru from University of Michigan	138,879
12.999		R&DC	Miscellaneous	3,611,694
14.515			Alaska Native / Native Hawaiian Institutions Assisting Communities	1,005,754
15.224	G251-06-W0094	R&DC	Cultural Resource Management - Pass thru from Montana State University	3,565
15.224	G245-06-W0094	R&DC	Cultural Resource Management - Pass thru from Montana State University	4,963
15.224			Cultural Resource Management	5,023
15.225		R&DC	Recreation Resource Management	30,638

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
15.231		R&DC	Fish, Wildlife and Plant Conservation Resource Management	21,398
15.423		R&DC	Minerals Management Service (MMS) Environmental Studies Program (ESP)	15,099
15.608		R&DC	Fish and Wildlife Management Assistance	2,931
15.630		R&DC	Coastal Program	56,035
15.631		R&DC	Partners for Fish and Wildlife	8,071
15.642		R&DC	Challenge Cost Share	15,726
15.643		R&DC	Alaska Migratory Bird Co-Management Council	8,411
15.805		R&DC	Assistance to State Water Resources Research Institutes	37,444
15.807		R&DC	Earthquake Hazards Reduction Program	787,459
15.808			U.S. Geological Survey - Research and Data Collection	13,731
15.808	AV04-AK01	R&DC	U.S. Geological Survey - Research and Data Collection - Pass thru from America View, Inc.	87,859
15.808	ADN 1056014	R&DC	U.S. Geological Survey - Research and Data Collection	2,649,412
15.811		R&DC	Gap Analysis Program	38,866
15.812		R&DC	Cooperative Research Units Program	474,785
15.900			Disposal of Surplus Wildlife	29,636
15.900		R&DC	Disposal of Surplus Wildlife	159,682
15.904		R&DC	Historic Preservation Fund Grants-In-Aid	33,042
15.999	2005-0011-036	R&DC	Miscellaneous - Pass thru from National Fish & Wildlife Foundation	1,018
15.999	19758 INITIAL 2006	R&DC	Miscellaneous - Pass thru from University of Vermont	4,523
15.999	Subcontract TAES 570271	R&DC	Miscellaneous - Pass thru from Texas A&M University	5,383
15.999	20118 INITIAL 2002	R&DC	Miscellaneous - Pass thru from University of Vermont	9,084
15.999	AC-279	R&DC	Miscellaneous - Pass thru from Bering Sea Fisherman's Association	29,109
15.999	ADN 1175248		Miscellaneous	1,185,596
15.999	ADN1078006/45-7-0805	R&DC	Miscellaneous	2,979,819
16.541	RSA Dated 9/1/06		Part E - Developing, Testing and Demonstrating Promising New Programs - Pass thru from Bristol Bay Area Health Corporation	4,745
16.542	Agreement Dated 5/25/05 PO39607-0169	R&DC	Part D - Research, Evaluation, Technical Assistance and Training - Pass thru from Purdue University Indianapolis	59,071
16.550		R&DC	State Justice Statistics Program for Statistical Analysis Centers	30,894
16.560		R&DC	National Institute of Justice Research, Evaluation, and Development Project Grants	319,399
16.999			Miscellaneous	10,042
16.999		R&DC	Miscellaneous	42,076
17.261	776121		WIA Pilots, Demonstrations, and Research Projects	988,291

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17.600			Mine Health and Safety Grants	54,758
19.999			Miscellaneous	153,517
20.100	04-C-GA-ERAU AMEND #007		Aviation Education - Pass thru from Embry-Riddle Aeronautical University	506
20.108	61049- UAF	R&DC	Aviation Research Grants - Pass thru from Embry-Riddle Aeronautical University	32,777
20.108	Subcontract #63778	R&DC	Aviation Research Grants - Pass thru from MITRE Corporation	42,274
20.215			Highway Training and Education	3,628
20.762		R&DC	Research Grants	507,836
20.999	166331	R&DC	Miscellaneous - Pass thru from University of Washington	53
20.999	61049 04-C-GA- ERAU AMEND #011		Miscellaneous - Pass thru from Embry-Riddle Aeronautical University	14,078
20.999	61043-UAA/04-C- GA-ERAU #10		Miscellaneous - Pass thru from Embry-Riddle Aeronautical University	32,071
21.999		R&DC	Miscellaneous	1,184,028
27.011			Intergovernmental Personnel Act (IPA) Mobility Program	69,567
39.009			Federal Citizen Information Center	(9,689)
39.009	30711 JWE2A/30714JW E2A	R&DC	Federal Citizen Information Center - Pass thru from Northrop Grumman Space Technology	14
39.009		R&DC	Federal Citizen Information Center	13,774,383
39.999			Miscellaneous	17,545
43.001	478959	R&DC	Aerospace Education Services Program - Pass thru from University of Washington	34,690
43.001		R&DC	Aerospace Education Services Program	214,905
43.999	1-0001080910	R&DC	Miscellaneous - Pass thru from University of California, Berkeley	398
43.999	2627201	R&DC	Miscellaneous - Pass thru from University of Maryland	3,469
43.999	06-CA84A-05-001	R&DC	Miscellaneous - Pass thru from SETI Institute	3,493
43.999	MASON FUND 200707-E		Miscellaneous - Pass thru from George Mason University	3,991
43.999	1541927	R&DC	Miscellaneous - Pass thru from University of Colorado	4,138
43.999	SUB NO. NNG06GH12G-06- 002	R&DC	Miscellaneous - Pass thru from SETI Institute	8,913
43.999	0965 G FB372	R&DC	Miscellaneous - Pass thru from University of California, Los Angeles	10,141
43.999	0000251 (Formerly 402256- 1)	R&DC	Miscellaneous - Pass thru from University of Pittsburgh	22,815
43.999	SUBC #03-12	R&DC	Miscellaneous - Pass thru from Hampton University	28,227

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43.999	PO 3012590 PRIME NAG13-03021	R&DC	Miscellaneous - Pass thru from University of Massachusetts, Dartmouth	48,269
43.999	Z612902	R&DC	Miscellaneous - Pass thru from University of Maryland	52,732
43.999		R&DC	Miscellaneous	10,813,075
45.024	EGRANT FILE # 10979		Promotion of the Arts - Grants to Organizations and Individuals - Pass thru from Arts Midwest	9,000
45.149			Promotion of the Humanities - Division of Preservation and Access	426,276
45.312			National Leadership Grants	125,407
45.999		R&DC	Miscellaneous	3,242
47.041		R&DC	Engineering Grants	305,939
47.049	R5286056118	R&DC	Mathematical and Physical Sciences - Pass thru from University of Minnesota	35,985
47.049		R&DC	Mathematical and Physical Sciences	142,938
47.049	Sub award NO. 30891-A	R&DC	Mathematical and Physical Sciences - Pass thru from Stanford University	151,343
47.050	UNR-02-72 P.O.12GC000007 5	R&DC	Geosciences - Pass thru from University of Nevada, Reno	(8,702)
47.050	381-15	R&DC	Geosciences - Pass thru from IRIS	6,844
47.050	Subcontract C029979	R&DC	Geosciences - Pass thru from Utah State University	17,923
47.050	892069	R&DC	Geosciences - Pass thru from University of Washington	22,104
47.050	Sub award EAR- 0350028-11	R&DC	Geosciences - Pass thru from UNAVCO, Inc.	28,752
47.050	MBL Subcontract 10705	R&DC	Geosciences - Pass thru from Marine Biological Laboratory	55,044
47.050	59-001127	R&DC	Geosciences - Pass thru from SRI International	251,855
47.050			Geosciences	481,537
47.050		R&DC	Geosciences	2,567,686
47.070			Computer and Information Science and Engineering	53,143
47.070		R&DC	Computer and Information Science and Engineering	538,427
47.074	527144-01	R&DC	Biological Sciences - Pass thru from Stevens Institute of Technology	(355)
47.074			Biological Sciences	298,758
47.074		R&DC	Biological Sciences	1,959,836
47.075	420-40-46	R&DC	Social, Behavioral, and Economic Sciences - Pass thru from Iowa State University	20,672
47.075		R&DC	Social, Behavioral, and Economic Sciences	196,685
47.076			Education and Human Resources	1,580,892
47.076		R&DC	Education and Human Resources	4,395,494
47.078	03-221A	R&DC	Polar Programs - Pass thru from Idaho State University	(1,023)
47.078	NO. 153556	R&DC	Polar Programs - Pass thru from University of Washington	3,100

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47.078	3872	R&DC	Polar Programs - Pass thru from University of Delaware	20,879
47.078	ARCUS CONTRACT8.26.0 4 Pending	R&DC	Polar Programs - Pass thru from Arctic Research Consortium of the U.S. (ARCUS)	21,021
47.078	05-143C	R&DC	Polar Programs - Pass thru from Idaho State University	27,638
47.078	10228091-002	R&DC	Polar Programs - Pass thru from University of California, San Diego	31,247
47.078	Pending		Polar Programs - Pass thru from Barrow Arctic Science Consortium	79,218
47.078	SDSU SUB#E0003588,E 0004159	R&DC	Polar Programs - Pass thru from San Diego State University	98,915
47.078			Polar Programs	485,022
47.078	Wire 03/23/05 + Personal Ck	R&DC	Polar Programs	10,518,083
47.079		R&DC	International Science and Engineering (OISE)	8,917
47.999	UTA4-172	R&DC	Miscellaneous - Pass thru from University of Texas at Austin	(25)
47.999	JSA 5-09	R&DC	Miscellaneous - Pass thru from Joint Oceanographic Institutes, Inc.	3,321
47.999			Miscellaneous	9,011
47.999	Task Order 06-001		Miscellaneous - Pass thru from Barrow Arctic Science Consortium	30,000
47.999	Agreement Dated 7/24/2006		Miscellaneous - Pass thru from Bristol Bay Native Association	66,768
47.999		R&DC	Miscellaneous	1,064,284
59.007			7(J) Technical Assistance	1,385
59.009			Procurement Assistance to Small Businesses	56,106
59.037			Small Business Development Center	424,160
66.202	PO 600661	R&DC	Congressionally Mandated Projects - Pass thru from Fairbanks North Star Borough	14,316
66.202	PO 600662	R&DC	Congressionally Mandated Projects - Pass thru from Fairbanks North Star Borough	15,817
66.202	Sub award		Congressionally Mandated Projects - Pass thru from Alaska Native Tribal Health Consortium	22,418
66.202	PO 600663	R&DC	Congressionally Mandated Projects - Pass thru from Fairbanks North Star Borough	29,485
66.202			Congressionally Mandated Projects	40,306
66.202			Congressionally Mandated Projects	309,707
66.511	ADN 18650153	R&DC	Office of Research and Development Consolidated Research / Training	603,886
66.514			Science to Achieve Results (STAR) Fellowship Program	10,331
66.610			Surveys, Studies, Investigations and Special Purpose Grants Within the Office of the Administrator	22,597
66.708			Pollution Prevention Grants Program	43,200
66.999	PFG	R&DC	Miscellaneous - Pass thru from UNGA Tribal Council	259

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
66.999		R&DC	Miscellaneous	5,770
66.999			Miscellaneous	77,769
81.049		R&DC	Office of Science Financial Assistance Program	(580)
81.049	DOELOC2284::22 85AKUNV	R&DC	Office of Science Financial Assistance Program - Pass thru from University of Wyoming	14,159
81.089	17839	R&DC	Fossil Energy Research and Development - Pass thru from Sandia National Laboratories	25,580
81.089	643168	R&DC	Fossil Energy Research and Development - Pass thru from Sandia National Laboratories	65,702
81.089		R&DC	Fossil Energy Research and Development	131,850
81.104	SUB1 UCD- W/GEC 03-019 PO542760	R&DC	Office of Environmental Cleanup and Acceleration - Pass thru from Columbia University	13,003
81.113	UM03-02-074	R&DC	Defense Nuclear Nonproliferation Research - Pass thru from University of Mississippi	124,749
81.999	234042A	R&DC	Miscellaneous - Pass thru from University of Oregon	8,132
81.999	SUBC# 36461- SOL-06	R&DC	Miscellaneous - Pass thru from University of California	8,975
81.999			Miscellaneous	11,738
81.999	60-5005-102	R&DC	Miscellaneous - Pass thru from Inland Northwest Research Alliance	16,062
81.999	234043A	R&DC	Miscellaneous - Pass thru from University of Oregon	21,067
81.999	17560	R&DC	Miscellaneous - Pass thru from Battelle Pacific Northwest Lab	26,972
81.999	NO. 9064	R&DC	Miscellaneous - Pass thru from Battelle Pacific Northwest Lab	35,085
81.999	60-5005-101	R&DC	Miscellaneous - Pass thru from Inland Northwest Research Alliance	36,869
81.999		R&DC	Miscellaneous	3,027,676
84.007		SFAC	Federal Supplemental Educational Opportunity Grants	630,579
84.021			Overseas - Group Projects Abroad	35,348
84.031			Higher Education - Institutional Aid	4,581,605
84.032		SFAC	Federal Family Education Loans	42,029,209
84.033		SFAC	Federal Work-Study Program	689,421
84.042		TRIOC	TRIO - Student Support Services	636,799
84.044		TRIOC	TRIO - Talent Search	1,024,755
84.047		TRIOC	TRIO - Upward Bound	1,145,501
84.063		SFAC	Federal Pell Grant Program	8,927,307
84.066		TRIOC	TRIO - Educational Opportunity Centers	524,167
84.116			Fund for the Improvement of Postsecondary Education	296,221
84.195			Bilingual Education-Professional Development	71,358
84.215			Fund for the Improvement of Education	840,689
84.299			Demonstration Grants for Indian Children	128,297
84.306		R&DC	National Institute on the Education of At-Risk Students	299,605

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
84.320	Work Agreement DTD 04-01-2001	R&DC	Alaska Native Educational Planning, Curriculum Development, Teacher Training, and Recruitment Program - Pass thru from Cook Inlet Tribal Council	(4,385)
84.325			Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	200,378
84.330	Agreement Dated 3/30/06 Amend 1	R&DC	Advanced Placement Program - Pass thru from Anchorage School District	5,534
84.333			Demonstration Projects to Ensure Students with Disabilities Receive a Higher Education	202,875
84.336			Teacher Quality Enhancement Grants	2,077,462
84.342			Preparing Tomorrow's Teachers to Use Technology	162,667
84.350			Transition to Teaching	180,158
84.356	AMENDED PO # 100-ISER-06	R&DC	Alaska Native Educational Programs - Pass thru from Association of Alaska School Boards	2,174
84.356	MOA DATED 3/27/2006		Alaska Native Educational Programs - Pass thru from Project GRAD Kenai Peninsula	15,948
84.356	MOA 11-30-06		Alaska Native Educational Programs - Pass thru from Doyon Foundation	42,544
84.356	Sub award DTD 4/9/05 AMEND #4	R&DC	Alaska Native Educational Programs - Pass thru from Copper River Native Association	76,045
84.356			Alaska Native Educational Programs	4,717,022
84.362	S362A030013	R&DC	Native Hawaiian Education - Pass thru from ALU LIKE, Inc.	214,497
84.363			School Leadership	109,814
84.366	RSA EN 0560735		Mathematics and Science Partnerships	571,492
84.376		SFAC	National Science and Mathematics Access to Retain Talent (SMART) Grants	76,150
84.999	Agreement Dated 6/06 Amend 1/07	R&DC	Miscellaneous - Pass thru from Alaska Humanities Forum	61,270
84.999	92-AK01		Miscellaneous - Pass thru from National Writing Project Corporation	98,577
84.999	570602		Miscellaneous	131,990
89.003	Agreement Dated 08/09/2005		National Historical Publications and Records Grants - Pass thru from Whitworth College	9,267
90.100		R&DC	Denali Commission Program	2,516
90.100	Letter Dated 09/15/06		Denali Commission Program - Pass thru from Alaska Public Broadcasting, Inc.	4,526
90.100	ADN 770084		Denali Commission Program	1,317,366
90.100	Letter Award 10/31/05		Denali Commission Program - Pass thru from Corporation For Public Broadcasting	41,683
93.001		R&DC	Civil Rights and Privacy Rule Compliance Activities	(3)
93.048		R&DC	Special Programs for the Aging - Title IV - and Title II - Discretionary Projects	263,823
93.107	Subcontract 919481	R&DC	Model State-Supported Area Health Education Centers - Pass thru from University of Washington	(603)

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
93.110	PO Y432109 MOD 2	R&DC	Maternal and Child Health Federal Consolidated Programs - Pass thru from University of Arizona, Tucson	11,536
93.110			Maternal and Child Health Federal Consolidated Programs	96,721
93.178			Nursing Workforce Diversity	57,052
93.189	162846		Health Education and Training Centers - Pass thru from University of Washington	170,591
93.192			Quentin N. Burdick Program for Rural Interdisciplinary Training	84,495
93.242	FY04.001.022 AK, FY06.001.012	R&DC	Mental Health Research Grants - Pass thru from University of Colorado HSC	23,956
93.242		R&DC	Mental Health Research Grants	1,226,384
93.247	SUB GSONO0130A B AMEND 2	R&DC	Advanced Education Nursing Grant Program - Pass thru from Oregon Health & Science University	29,829
93.273		R&DC	Alcohol Research Programs	333,119
93.279		R&DC	Drug Abuse and Addiction Research Programs	2,919
93.279	SUB 320020-1R01DA015966-01A2	R&DC	Drug Abuse and Addiction Research Programs - Pass thru from Pacific Institute for Research and Evaluation, Louisville Center	29,252
93.279	PHS R01 DA013139 PO710841	R&DC	Drug Abuse and Addiction Research Programs - Pass thru from Medical College of Wisconsin	41,708
93.279	0057.01.01-1R01DA019640 MOD 1	R&DC	Drug Abuse and Addiction Research Programs - Pass thru from Pacific Institute for Research and Evaluation, Louisville Center	69,430
93.283	U58/CCU024463		Centers for Disease Control and Prevention - Investigations and Technical Assistance - Pass thru from South East Alaska Regional Health Consortium	86
93.283			Centers for Disease Control and Prevention - Investigations and Technical Assistance	551,524
93.286		R&DC	Discovery and Applied Research for Technological Innovations to Improve Human Health	(571)
93.307		R&DC	Minority Health and Health Disparities Research	696,050
93.358			Advanced Education Nursing Traineeships	35,769
93.375		R&DC	Pharmacology, Physiology, and Biological Chemistry Research	89,791
93.389	G152-06-Z3532	R&DC	National Center for Research Resources - Pass thru from Montana State University	35,482
93.389			National Center for Research Resources	2,432,695
93.389		R&DC	National Center for Research Resources	4,697,605
93.390		R&DC	Academic Research Enhancement Award	47,012
93.632			University Centers for Excellence in Developmental Disabilities Education, Research, and Service	492,849
93.648			Child Welfare Services Training Grants	71,479
93.658	EN 663223 Amend 2		Foster Care - Title IV-E	586,377

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
93.822			Health Careers Opportunity Program	51,446
93.822	Subcontract 169916	R&DC	Health Careers Opportunity Program - Pass thru from University of Washington	55,744
93.824			Basic / Core Area Health Education Centers	880,468
93.837	938G Sub award MOD #1	R&DC	Heart and Vascular Diseases Research - Pass thru from MedStar Research Institute	41,059
93.853		R&DC	Extramural Research Programs in the Neurosciences and Neurological Disorders	270,843
93.854		R&DC	Biological Basis Research in the Neurosciences	65,287
93.888	Subcontract 145952		Specially Selected Health Projects - Pass thru from University of Washington	68,224
93.888		R&DC	Specially Selected Health Projects	415,174
93.888			Specially Selected Health Projects	531,350
93.912	P0072828 AMEND 1	R&DC	Rural Health Care Services Outreach and Rural Health Network Development Program - Pass thru from South East Alaska Regional Health Consortium	(1,868)
93.912	PO 76643	R&DC	Rural Health Care Services Outreach and Rural Health Network Development Program - Pass thru from South East Alaska Regional Health Consortium	64,921
93.912	PO 74623	R&DC	Rural Health Care Services Outreach and Rural Health Network Development Program - Pass thru from South East Alaska Regional Health Consortium	98,363
93.912			Rural Health Care Services Outreach and Rural Health Network Development Program	113,760
93.928	ANTHC-03-U- 6877 MOD 009	R&DC	Special Projects of National Significance - Pass thru from Alaska Native Tribal Health Consortium	124,347
93.969		R&DC	Geriatric Education Centers	108,128
93.999	236-01-0003 SUB.		Miscellaneous - Pass thru from Alaska Native Tribal Health Consortium	32
93.999	258-070-2-1-12	R&DC	Miscellaneous - Pass thru from Fairbanks Native Association	3,913
93.999	258-060-2-1-12	R&DC	Miscellaneous - Pass thru from Fairbanks Native Association	12,422
93.999	FNA 259-060-2-1- 12	R&DC	Miscellaneous - Pass thru from Fairbanks Native Association	20,988
93.999	Pending	R&DC	Miscellaneous - Pass thru from University of California, Los Angeles	121,592
94.005			Learn and Serve America - Higher Education	18,899
94.013			Volunteers in Service to America	6,000
96.008			Social Security - Work Incentives Planning and Assistance Program	82,188
98.012	FY06-ARO2-U- ALASKA-02		USAID Development Partnerships for University Cooperation and Development - Pass thru from IREX	126,421
USAID	65338	R&DC	USAID - Pass thru from University of Hawaii	3,493
USAID		R&DC	USAID	305,499
USAID			USAID	798,465
University of Alaska Total				199,879,281
Total Federal Program Assistance				2,644,818,150

STATEWIDE ABBREVIATIONS

A

AA	Administration on Aging
AAC	Alaska Administrative Code
AADC	Alaska Aerospace Development Corporation
AAL	Actuarial Accrued Liabilities
AAM	Alaska Administrative Manual
ABA	Alaska Bar Association
ACF	Administration for Children and Families
ACS	Alaska Court System
ACOA	Alaska Commission on the Aging
AEA	Alaska Energy Authority
AHCC	Alaska Housing Capital Corporation
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
ALAE	Allocated Loss Adjustment Expenses
AMBBA	Alaska Municipal Bond Bank Authority
AMHS	Alaska Marine Highway System
AMHT	Alaska Mental Health Trust
AMHTA	Alaska Mental Health Trust Authority
AMLR	Abandoned Mine Land Reclamation
AMS	Agricultural Marketing Service
ALSC	Alaska Legal Services Corporation
ANGDA	Alaska Natural Gas Development Authority
ANTHC	Alaska Native Tribal Health Consortium
AOMB	Alaska Office of the Governor, Office of Management and Budget
APC	Annual Pension Cost
APBF	Alaska Public Building Fund
APFC	Alaska Permanent Fund Corporation
APHIS	Animal and Plant Health Inspection Service
AR	Accounts Receivable
ARFF	Aircraft Rescue and Firefighting
ARHCT	Alaska Retiree Health Care Trusts
ARLF	Agriculture Revolving Loan Fund
ARLIS	Alaska Resources Library and Information Services
ARMB	Alaska Retirement Management Board
ARMC	Army Materiel Command (U.S.)

ARMY	Department of the Army, Office of the Chief of Engineers
ARMYMC	Army Medical Command (U.S.)
ARS	Agricultural Research Service
ARRC	Alaska Railroad Corporation
AS	Alaska Statute
ASLC	Alaska Student Loan Corporation
ASMI	Alaska Seafood Marketing Institute
ASPIB	Alaska State Pension Investment Board
AST	Alaska State Troopers
ASTF	Alaska Science and Technology Foundation
ATSDR	Agency for Toxic Substances and Disease Registry
ATVE	Alaska Technical and Vocation Education program

B

BIA	Bureau of Indian Affairs
BJA	Bureau of Justice Assistance
BJS	Bureau of Justice Statistics
BLM	Bureau of Land Management
BLS	Bureau of Labor Statistics
BMA	Bond Market Association
BOP	Bureau of Prisons

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 (Alaska)
CCC	Child Care Cluster
CCDBG	Child Care and Development Block Grant
CCDF	Child Care Development Fund
CCLS	Community Care Licensing Specialists (Foster Care)
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
COPs	Certificates of Participation
COURT	Alaska Court System/Alaska Judicial Council

CPA	Certified Public Accountant
CPD	Office of Community Planning and Development
CPO	Corrections' Program Office
CSED	Child Support Enforcement Division
CSREES	Cooperative State Research, Education, and Extension Service
CWD	Children with Disabilities

D

DAS	Division of Administrative Services
DBP	Division of Business Partnerships
DC	Denali Commission
DCCED	Department of Commerce, Community, and Economic Development (AK)
DCP	Deferred Compensation Plan
DCR	Duff & Phelps Credit Rating
DCRA	Department of Community and Regional Affairs (Alaska)
DEA	Drug Enforcement Administration
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)
DKC	Denali Kid Care
DLA	Defense Logistics Agency
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)
EDA	Economic Development Administration
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
ERISA	Employee Retirement Income Security Act of 1974
ESEA	Elementary and Secondary Education Act
ESS	Education Support Services
ETA	Employment and Training Administration
ETS	Enterprise Technology Services
ETV	Education and Training Vouchers

F

F&M	Facilities and Maintenance
FAA	Federal Aviation Administration
FAS	Foreign Agricultural Service
FASB	Financial Accounting Standards Board
FDA	Food and Drug Administration
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
FNMA	Federal National Mortgage Association
FNS	Food and Nutrition Service
FRA	Federal Railroad Administration
FSA	Farm Service Agency
FSIS	Food Safety and Inspection Service
FTA	Federal Transit Administration
FSSLA	First Special Session Law of Alaska
FVPSP	Family Violence Prevention and Services Program

FX Forward Foreign Currency Forward Exchange Contracts
FY Fiscal Year

G

GAAP generally accepted accounting principles
GAAS generally accepted auditing standards
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
GFOA Government Finance Officers Association
GNMA Government National Mortgage Association
GSA U.S. General Services Administration

H

HCB Home- and Community-Based Agency
HCFA Health Care Financing Administration
HCS Health Care Services
HFHC Office of Housing – Federal Housing Commissioner
HIPAA Health Insurance Portability and Accountability Act
HIV Human Immunodeficiency Virus
HRA Health Reimbursement Arrangement
HRSA Health Resources and Services Administration
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
IMLS Institute of Museum and Library Services
IRS Internal Revenue System
ISF Information Services Fund
IT Information Technology
ITA International Trade Administration
ITBE International Trade and Business Endowment
ITQSG Improving Teacher Quality State Grants

J

JGTRRA Job Growth Relief Reconciliation Act
JHC Juneau Health Center
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
LAW	Department of Law (Alaska)
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
LMCS	Liquidity Management Cash System
LSC	Legal Services Corporation
LUST	Leaking Underground Storage Tanks

M

MBE/WBE	Minority & Women's Business Enterprises Program
MBIA	Municipal Bond Insurance Association
MD&A	Management's Discussion and Analysis
MEBA	Marine Engineers' Beneficial Association (Pension Plan)
Medicaid	Medical Assistance Program
MEHS	Mt. Edgecumbe High School
MFCU	Medicaid Fraud Control Unit
MIS	Management Information System
MMIS	Medicaid Management Information Systems
MMS	Minerals Management Service
MOA	Memorandum of Agreement
MOE	Maintenance of Effort
MOU	Memorandum of Understanding
MRDD	Mentally Retarded/Developmentally Disabled
MSA	Master Settlement Agreement and Final Judgment
MSCI EAAFE	Morgan Stanley Capital International - Europe, Australasia, and Far East
MSHA	Mine Safety and Health Administration

N

NARA	National Archives and Records Administration
NASA	National Aeronautics and Space Administration
NAVY	U.S. Department of the Navy, Office of the Chief of Naval Research
NBCC	National Breast and Cervical Cancer
NCCCCP	National Comprehensive Cancer Control Program
NCHIP	National Criminal History Improvement Program

NCLB	No Child Left Behind
NEA	National Endowment for the Arts
NEH	National Endowment for the Humanities
NFAH	National Foundation on the Arts and the Humanities
NGA	Notice of Grant Award
NGB	National Guard Bureau
NGNMRS	National Guard and Alaska Naval Militia Retirement System (Alaska)
NHTSA	National Highway Traffic Safety Administration
NICU	Neonatal Intensive Care Unit
NIH	National Institute of Health
NIJ	National Institute of Justice
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
NPS	National Park Service
NRCS	Natural Resources Conservation Service
NRSRO	Nationally Recognized Statistical Rating Organization
NSF	National Science Foundation
NTIA	National Telecommunications and Information Administration
NTS	Nutrition, Transportation, and Support Services program
NTSC	Northern Tobacco Securitization Corporation

O

O&M	Operations and Maintenance
OA	Office of Administration
OAH	Office of Administrative Hearings
OAR	Office of Air and Radiation
OASH	Office of the Assistant Secretary for Health
OASVET	Office of the Assistant Secretary for Veterans Employment & Training
OCOPS	Office of Community Oriented Policing Services
OCS	Office of Children's Services
ODEP	Office of Disability Employment Policy
OEA	Office of Economic Adjustment (USDOD)
OECA	Office of Enforcement and Compliance Assurance
OEE	Office of Environmental Education
OESE	Office of Elementary and Secondary Education
OG	Office of the Governor (Alaska)
OIG	Office of Inspector General
OJJDP	Office of Juvenile Justice and Delinquency Prevention
OJP	Office of Justice Programs

OMB	U.S. Office of Management and Budget
OPA	Office of Population Affairs
OPDR	Office of Policy Development and Research
OPPTS	Office of Prevention, Pesticides, and Toxic Substances
ORD	Office of Research and Development
OS	Secretary of Health and Social Services (USDHHS)
OSDFS	Office of State and Drug-Free Schools
OSERS	Office of Special Education and Rehabilitative Services
OSHA	Occupational Safety and Health Administration
OSMRE	Office of Surface Mining Reclamation and Enforcement
OSWER	Office of Solid Waste and Emergency Response
OVC	Office of Victims of Crime
OW	Office of Water

P

PA	Prior Authorization
PACAP	Public Assistance Cost Allocation Plan
PAPI	Precision Approach Path Indicator
PATH	Projects for Assistance in Transition from Homelessness
PBF	Public Building Fund (Alaska)
PCA	Personal Care Assistant
PERM	Payment Error Rate Measurement
PERS	Public Employees' Retirement System
PERS-DB	Public Employees' Retirement System – Defined Benefits
PERS-DCR	Public Employees' Retirement System – Defined Contribution Retirement
PHMSA	Pipeline and Hazardous Materials Safety Administration
PIH	Office of Public and Indian Housing
POS	Point of Sell
PPA	Prior Period Adjustments
PPT	Petroleum Profit Tax
PVE	Petroleum Violation Escrow

Q

QSP	Quality Sample Program – Forest Service
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R

RBCS	Rural Business-Cooperative Services
RD	Responsibility/Distribution codes
REIL	Runway End Identifier Lights
REIT	Real Estate Investment Trust
REOMB	Recipient Explanations of Medical Benefits
RFP	Request for Proposal
RHF	Retiree Health Fund

RHS	Rural Housing Service
RICR	Restricted Indirect Cost Rate
RMP	Retiree Major Medical Insurance
RMTS	Random Motion Time Study
RPL	Revised Program/Legislative
RSA	Reimbursable Services Agreement
RUS	Rural Utilities Service

S

SAAMS	Seward Association for Advancement of Science
SAMHSA	Substance Abuse and Mental Health Services Administration
SB	Senate Bill
SBA	Small Business Administration
SBJPA	Small Business Job Protection Act of 1996
SBRF	Statutory Budget Reserve Fund
SBS	Supplemental Benefits System (Alaska)
SCHIP	State Children's Health Insurance Program
SEA	State Education Agency
SEARCH	Student/Resident Experiences and Rotations in Community Health
SEP	Senior Employment Program
SF	Division of School Finance
SF Rev Bond	Sport Fishing Revenue Bonds
SFY	State Fiscal Year
SGBG	Social Services Block Grant
SIFMA	Securities Industry and Financial Markets Association
SIR	Self-Insured Retention
SJI	State Justice Institute
SL	Money Market Fund
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
State	State of Alaska
STEP	State Training and Employment Program
SUR	Surveillance and Utilization Review
SWSA	Statewide Single Audit

T

TA	Travel Authorization
TANF	Temporary Assistance for Needy Families
TBA	to-be-announced
TIPS	Treasury Inflation-Protected Securities

TLS	Teaching and Learning Support
TRS	Teachers' Retirement System
TRS-DB	Teachers' Retirement System – Defined Benefits
TRS-DCR	Teachers' Retirement System – Defined Contribution Retirement
TSRs	Tobacco Settlement Revenues
Treasury	Treasury Division, Department of Revenue (Alaska)

U

UAAL	Unfunded Actuarial Accrued Liabilities
UCF	Unitized Cash Fund and/or Unemployment Compensation Fund
UI	Unemployment Insurance
UofA	University of Alaska
UPL	Upper Payment Limit
USAF	Office of the Air Force, Material Command
USAID	U.S. Agency for International Development
USCG	U.S. Coast Guard
USCNCS	U.S. Corporation for National and Community Services
USDA	U.S. Department of Agriculture
USDHHS	U.S. Department of Health and Human Services
USDHS	U.S. Department of Homeland Security
USDOC	U.S. Department of Commerce
USDOD	U.S. Department of Defense
USDOE	U.S. Department of Education
USDOJ	U.S. Department of the Interior
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
USFS	U.S. Forest Service
USFWS	U.S. Fish and Wildlife Service (USDOJ)
USGS	U.S. Geological Survey (USDOJ)
USGSA	U.S. General Services Administrator
USIA	U.S. Information Agency
USSBA	U.S. Small Business Administration
USTREAS	U.S. Treasury

V

VAWA	Violence Against Women Act
VAWGO	Violence Against Women Grants Office
VBA	Veterans Benefits Administration
VSW	Village Safe Water

W

WAFD	Western Alaska Fisheries Disaster
WIA	Workforce Investment Act
WIC	Women, Infants, & Children Special Supplemental Nutrition Program

Y

Y2K	Year 2000
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STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

ANNETTE KREITZER, COMMISSIONER

SARAH PALIN, GOVERNOR

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

PHONE: (907) 465-2200
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March 4, 2008

Ms. Pat Davidson
Legislative Auditor
Division of Legislative Audit
P. O. Box 113300
Juneau, AK 99811-3300

RECEIVED

MAR 04 2008

LEGISLATIVE AUDIT

Dear Ms. Davidson:

Thank you for the opportunity to respond to the Preliminary FY07 Statewide Single Audit recommendations for the Department of Administration (DOA).

Recommendation No. 1

The Department of Administration's director of Enterprise Technology Services (ETS) should implement procedures to properly account for capital assets owned by the Information Services Fund (ISF).

DOA concurs with this recommendation.

Between July and September 2006, ETS contracted with a recognized expert consulting firm in asset management to conduct a study which would identify key needs and process gaps and make recommendations that would help the State of Alaska meet auditing and information management requirements. One of the critical asset management functions identified in their report was to be sure the asset tracking system could interface with the financial system. This information exchange would ensure that capitalization, tracking, and disposal information was accurate and readily available. The study also made recommendations on procedures that should be implemented to ensure a formal inventory reconciliation process was designed and utilized.

ETS has funding earmarked for software and consulting services to begin implementing the asset tracking and management recommendations in the study. The Division intended to issue an RFP to address these recommendations; however, it did not complete the RFP under the previous Director. The current ETS Director is assessing the existing processes and tools within ETS and is familiar with the necessary requirements for asset

tracking. Based upon review of the previous study and the current processes, the new Director will assist in the development of a system and process that will be designed to address the audit findings. Once the requirements are documented, ETS will issue an RFP to assist with the implementation of a system that will enable ETS to properly account for assets within the Information Services Fund.

Recommendation No. 2

The director of the Division of Finance (DOF) should increase review controls for recording year-end financial transactions for reporting in the Comprehensive Annual Financial Report (CAFR).

DOA concurs with this recommendation.

The two situations highlighted in the recommendation related to the sweep amount from the General Fund sub-funds to the Constitutional Budget Reserve Fund (CBRF), and also the amount of rents and royalties that were erroneously offset against charges for services.

The sweep calculation is a very complicated process and there were two different instances that contributed to the \$232 million error. Approximately \$70 million is related to the Department of Transportation and Public Facilities projects that had not yet gone to grant. This was an oversight by DOF, but was ultimately identified and disclosed to the auditors as soon as discovered. The procedures were not completely followed in hopes of saving time. In the future, the procedures will be completely followed and the proper worksheets will be prepared to avoid this error.

The sweep calculation takes on unique aspects each year due to the fact that the legislature appropriates the General Fund surplus in different ways each year. As a result, it is far from a routine calculation that can be replicated. In FY 07, the available balance within the General Fund was appropriated for the purpose of capital projects to the Alaska Capital Income Fund. Our first review of this appropriation language concluded that this was a valid appropriation for capital projects to the Alaska Capital Income Fund; therefore, the balance of the fund was not available for appropriation and was not considered within the CBRF sweep calculation. However, upon later discussions with the Division of Legislative Audit, Office of Management and Budget, and Department of Law, we revised our initial analysis to conclude that the amount was available for appropriation and therefore subject to the CBRF sweep. This conclusion could not be made without the advice of counsel. As a result of this additional information, the amount of the sweep to CBRF was revised, which resulted in an additional \$162 million of available balance. DOF will engage counsel

earlier in the process so that these legal appropriation questions are answered prior to the delivery of the financial statements.

The second situation identified in this recommendation related to the misclassification between rents and royalties and charges for services totaling \$111 million. This misstatement was simply an error in the preparation of the General Fund revenue spreadsheets. The CAFR instructions for this process will be written to more clearly segregate between the fund and government-wide financial statement preparation. This missing distinction contributed to the error.

The Division of Finance is committed to producing a quality CAFR and proud to have been awarded the Certificate of Achievement for Excellence in Financial Reporting from the Governmental Finance Officer's Association for the past four years running. Each year improvements are made to the CAFR preparation process, and the recommendation proposed by the Division of Legislative Audit will assist in that endeavor.

I welcome your findings and recommendations and would like to thank you again for the opportunity to comment.

Sincerely,



Annette Kreitzer

cc: Rachael Petro, Deputy Commissioner
Kevin Brooks, Deputy Commissioner
Kim Garner, Director, Division of Finance
Anand Dubey, Director, Enterprise Technology Services
Eric Swanson, Director, Administrative Services

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STATE OF ALASKA

SARAH PALIN, GOVERNOR

DEPARTMENT OF LAW

ADMINISTRATIVE SERVICES DIVISION

P.O. BOX 110300
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FAX: (907)465-5419

March 11, 2008

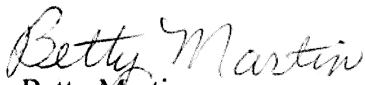
Pat Davidson
Legislative Auditor
Alaska State Legislature
Legislative Budget and Audit Committee
Division of Legislative Audit
PO Box 113300
Juneau, AK 99811-3300

RECEIVED
MAR 12 2008
LEGISLATIVE AUDIT

Dear Ms. Davidson:

I would like to confirm the Department of Law's receipt of the preliminary report titled *State of Alaska Single Audit, for Fiscal Year Ended June 30, 2007*. The report contains no recommendations pertinent to the Department of Law. Thank you for the opportunity to review.

Sincerely,



Betty Martin
Administrative Services Director

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State of Alaska
Department of Revenue
Commissioner's Office



SARAH PALIN, GOVERNOR
333 Willoughby Avenue, 11th Floor
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March 12, 2008

RECEIVED
MAR 12 2008
LEGISLATIVE AUDIT

Pat Davidson
Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

RE: State of Alaska Single Audit for Fiscal Year 2007

Dear Ms. Davidson:

Thank you for the opportunity to respond to the following recommendation in the preliminary audit report for FY2007 for the Department of Revenue.

Recommendation No. 3

We recommend DOR's Chief of Revenue Operations annually report the liability for the petroleum production tax (PPT) credits in the State's Comprehensive Annual Financial Report (CAFR).

The Department of Revenue concurs with your recommendation. The Chief of Revenue Operations, the department's Finance Officer, and the Department of Administration, Division of Finance are working together to ensure that procedures are established to report the liabilities for transferable PPT credits for FY2008 and future years.

Sincerely,

Patrick Galvin
Commissioner

(Intentionally left blank)

STATE OF ALASKA

Department of Education & Early Development

Office of the Commissioner

SARAH PALIN, GOVERNOR

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Juneau, Alaska 99811-0500
(907) 465-2800
(907) 465-4156 Fax*

February 21, 2008

RECEIVED

FEB 27 2008

LEGISLATIVE AUDIT

Pat Davidson, Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

Dear Ms. Davidson:

Thank you for the opportunity to comment on the preliminary audit report on the State of Alaska Single Audit for Fiscal Year Ended June 30, 2007.

Since there were no findings or recommendations made to the Department of Education & Early Development in the report, we have no comment.

Sincerely,



Barbara Thompson
Interim Commissioner

(Intentionally left blank)

STATE OF ALASKA

DEPT. OF HEALTH AND SOCIAL SERVICES
OFFICE OF THE COMMISSIONER

SARAH PALIN, GOVERNOR

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FAX: (907) 465-3068

March 11, 2008

Pat Davidson
Legislative Auditor
Division of Legislative Audit
PO Box 113300
Juneau, AK 99811-3300

RECEIVED

MAR 11 2008

LEGISLATIVE AUDIT

RE: Response to preliminary audit report, FY07 Statewide Single Audit, Department of Health and Social Services (DHSS)

Dear Ms. Davidson:

Thank you for the opportunity to respond to the preliminary State of Alaska Single Audit Report, Department of Health and Social Services, for fiscal year ended June 30, 2007. The department's responses to the recommendations are as follows:

Recommendation No. 4

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

The department partially concurs with the recommendation. DHSS' position and actions are as follows:

The shortfall in the HCS Medicaid Services Component is due to lost federal funds resulting from disallowances issued by the Centers for Medicaid and Medicare (CMS) for the Private ProShare program and IHS Referrals' claims.

AR 22930-06 Health Care Services, AR 22301 HCS Medicaid Component, and AR 22930-07 Health Care Services, AR 22301 HCS Medicaid Component

ProShare came about in SFY 2004 when the Division of Medical Assistance (now Health Care Services) proposed a method to optimize use of Medicaid funding through the Private Hospital Proportionate Share Program. ProShare made payments for certain medical assistance services to qualified private hospitals. The hospital in turn granted funds to qualified community service providers to secure services in rural, remote areas. ProShare funds also were used to refinance medical care for children in juvenile justice facilities. Health Care Services paid the hospitals the ProShare payments and the divisions provided Health Care Services with the matching GF through reimbursable services agreements. The general funds saved through refinancing these grants/services were removed from the divisions' budgets and replaced with federal funds in Health Care Services' budget. The Legislature supported this cost containment effort and about

\$16 million in general funds was replaced with federal funds in that first year. Since 2004, the state has saved approximately \$36 million in GF through ProShare refinancing.

Prior to ProShare, and following its termination, the same services were funded through grant programs that were 100% GF.

In 2006 the Centers for Medicare & Medicaid Services (CMS) decided that Alaska's ProShare program was not allowed and denied reimbursement for these payments. The department appealed this decision, and with the agreement of the Legislature, decided to continue the program until the case was resolved. CMS again disallowed the ProShare claim for 2007. On July 31, 2007 the department learned that it had lost the appeal when the U.S. Department of Health and Human Services Department Appeals Board upheld the disallowed claim.

AR 22930-06 Health Care Services, AR 22301 HCS Medicaid Component

IHS Referrals - In 1999, the Department of Health and Social Services, Health Care Services began the practice of claiming enhanced federal revenue for Medicaid services provided after an Indian Health Service (IHS) facility referral. The federal government reimburses the state about 50% of the cost for most Medicaid claims but Indian Health Service Medicaid claims are reimbursed at 100%. "IHS Referrals" are Medicaid services provided to American Indians/Alaska Natives by non-IHS health care providers based on a referral by an IHS facility. The referral was necessary because these services were not available through the IHS facility. Tracking services resulting from such referrals allowed the department to leverage additional federal funds. The referred claims were originally reimbursed at the regular Medicaid federal participation rate, but once identified as resulting from IHS referrals, the department resubmitted the claims at the enhanced 100 percent federal rate to claim the additional revenue.

In 2003, the Centers for Medicare & Medicaid Services (CMS) disallowed the practice of resubmitting the claims for the additional revenue and the State appealed. Concurrently, South Dakota and Arizona were pursuing similar IHS referral appeals and the decision on Alaska's appeal was postponed until those cases were resolved. South Dakota won their initial case but lost on appeal. In December of 2007, the 9th Circuit Court ruled in favor of CMS on Arizona's appeal. Based on that decision, and the unlikelihood that continued appeal would result in favorable decisions, both Arizona and Alaska decided to discontinue their appeals.

Position and Action:

In the situations above (ProShare and IHS Referrals), the department believed both the ProShare expenditures and the federal maximization of services to IHS eligible clients to be legitimate and the resulting federal claims to be valid. Therefore it was not necessary to "reduce its budget" as there was no "estimated loss of federal revenues". The department acted in good faith with the full knowledge and support of the legislature. The department claimed the federal revenues with the expectation of receiving them. The department is seeking supplementals to cover the lost federal revenues.

SFY07 - AR 22792 - Team Nutrition DEED, AR 22841 - IPEMS State CPS Coordinator, AR 22848 – EMS Data Collection, AR 23025 – EMS Data Collection

Division of Finance's (DOF) policy for establishing unbudgeted RSA structures allows departments to choose one of two options; either to add a sub-AR into the budgeted structure or to create a new total control AR in the unbudgeted structure. There are pros and cons to each method. H&SS has utilized the second method over the last several years.

In SFY07, due to a breakdown in the closeout review process, there were four Division of Public Health unbudgeted RSAs, which were closed prematurely, prior to fully billing the expenditures. As the unbudgeted structure is independent of the budgeted structure, it was not possible to AJE (transfer) the expenditures to the budgeted structure where there was sufficient GF available to cover the shortfalls.

The department discussed with DOF the option of re-opening the RSAs and completing the billing. Though OMB was agreeable and the agencies that requested the services were willing to complete payment, DOF was unwilling to re-open the RSAs.

Position and Action:

The department agrees with Leg Audit's recommendation to strengthen internal controls over the billing and monitoring of revenue collections to prevent revenue shortfalls. The department is reviewing its policy to post unbudgeted RSAs in a separate structure, as well as the procedures for processing unbudgeted RSAs, to ensure these errors are not repeated in the future. The department is seeking supplementals to cover the shortfalls.

SFY05 - AR 22930 – Health Care Services

SFY05 reappropriation period closed with the Health Care Services (HCS) RDU having sufficient receipts to cover expenditures. However, shortly after re-appropriation, it was determined that the National Cancer Prevention and Control Grant had been over-collected. This was due to a formula error in the cost allocation system that claimed 100% federal for those costs rather than charging a portion to GF match. The over-collected receipts were moved from SFY05 to SFY06. The reduction of federal receipts left the HCS Medical Assistance Administration component with a shortfall of 121.2 and the Women's and Adolescents' Services component with a 261.3 shortfall. The division was able to cover a portion of these shortfalls with excess GF surplus from other components. A \$231.5 ratification has been requested by the department during the 2008 Legislative session.

Contact Person: Cheryl Howdyshell, Deputy Commissioner
Finance and Accountability
Telephone: 907-269-7870

Recommendation No. 5

The DHSS finance officer should strengthen procedures to ensure encumbrances are established based on valid obligations existing at fiscal year-end.

The department partially concurs with the recommendation. This encumbrance was related to the Private ProShare refinancing program.

ProShare came about in SFY 2004 when the Division of Medical Assistance (now Health Care Services) proposed a method to optimize use of Medicaid funding through the Private Hospital Proportionate Share Program. ProShare made payments for certain medical assistance services to qualified private hospitals. The hospital in turn granted funds to qualified community service providers to secure services in rural, remote areas. ProShare funds also were used to refinance medical care for children in juvenile justice facilities. Health Care Services paid the hospitals the ProShare payments and the divisions provided Health Care Services with the matching GF through reimbursable services agreements. The general funds saved through refinancing these grants/services were removed from the divisions' budgets and replaced with federal funds in Health Care Services' budget. The Legislature supported this cost containment effort and about \$16 million in general funds was replaced with federal funds in that first year. Since 2004, the state has saved approximately \$36 million in GF through ProShare refinancing.

In 2006 the Centers for Medicare & Medicaid Services (CMS) decided that Alaska's ProShare program was not allowed and denied reimbursement for these payments. The department appealed this decision, and with the agreement of the Legislature, decided to continue the program until the case was resolved. CMS again disallowed the ProShare claim for 2007. On July 31, 2007 the Department Appeals Board (DAB) upheld the disallowed claim. The Department did not contest this decision and the ProShare appeals came to an end.

During the reappropriation period for SFY07, the department established a receivable for the federal share of the questioned Private ProShare payments. Knowing that a decision from the DAB was eminent and that, if the department lost its appeal, the lost federal funds would need to be covered with GF, the department established a management encumbrance of the surplus GF available at year end. The intention of this action was not to pay for obligations with the encumbrance, but to ensure that the funds were not "swept" by DOF in their year-end close out.

The department did not receive notice of the final DAB decision until SFY08 had begun. In late September 2007, the federal receivable established for SFY07 Private ProShare (6070278) was reduced by the non-SPEP share. (SPEP, or single point of entry, was a piece of ProShare for which the department requested additional review.) The reduction of federal revenues automatically increased the GF needed to cover SFY07 obligations. In mid-October the management encumbrance was released.

The department agrees that the management encumbrance inappropriately reserved expenditure authorization. The expenditures already existed in federally reimbursable codes. However, the management encumbrance was established to pay for “valid obligations”. It was simply unknown at the close of reappropriation if those valid obligations would be paid for with federal funds or the reserved GF encumbered funds. The intention was to avoid having GF swept that, as it turned out, was needed to replace lost federal funds.

In retrospect, the department should not have established the management encumbrance, but rather, restricted anticipated federal receipts, thereby showing an increased GF need. The actions were taken as the reappropriation period was coming to a close, time was short, and the department wanted to ensure that the GF were available should they be needed.

- Transaction documentation for a management encumbrance of \$4 million...

If DOF agrees to allow such action, the department agrees to accept the Legislative Audit recommendation to process an adjusting journal entry to charge the \$3.1 million in expenditures to SFY07 and to strengthen procedures to ensure encumbrances established at year-end represent valid obligations.

Contact Person: Cheryl Howdyshell, Deputy Commissioner
Finance and Accountability
Telephone: 907-269-7870

Recommendation No. 6

DHSS’ Division of Public Assistance (DPA) administrative manager should ensure the Temporary Assistance for Needy Families (TANF) state maintenance of effort (MOE) and federal reporting requirements are met.

The department partially concurs with the finding. Due to staff turnover, DHSS inadvertently duplicated previous quarters’ federal reimbursable expenditures during the April 1, 2006 through June 30, 2006 reporting period. This inadvertent error resulted in DHSS reporting expenditures as federal reimbursable and MOE.

DHSS will implement corrective action by reducing the federal reimbursable expenditures for the FFY 06 TANF grant by \$1,966,593 during the December 31, 2007 reporting period. This corrective action will ensure that DHSS is reimbursed for the appropriate amount of federal expenditures, while leaving its reported MOE amount intact, for meeting the requirement for the FFY 06 TANF grant.

DHSS would like to clarify its federal report preparation procedures. It is the responsibility of the DHSS, FMS revenue section to prepare the quarterly federal financial reports. The draft reports are provided to the pertinent division administrative manager for their review and approval. During the divisional review, administrative managers may require revisions to the

draft quarterly federal financial report to ensure federal and state financial compliance. In this instance, during the referenced reporting period, revisions were only partially implemented when the final TANF report was completed.

Contact Person: Cheryl Howdyshell, Deputy Commissioner
Finance and Accountability
Telephone: 907-269-7870

Recommendation No. 7

The DHSS finance officer should improve the controls over categorization and allocation of allowable costs.

The department concurs with this recommendation. DHSS has been transitioning from one allocation system, the CAP Excel spreadsheet, to a new system, the Maximus MaxCars. Changing the cost allocation system in and of itself will eliminate the formula and linkage errors that occurred in the old Excel CAP spreadsheet.

In the new MaxCars system for the first two quarters that it was used, 4th quarter ending 6/30/07 and 1st quarter ending 9/30/07, there was not a system in place to double check the statistical information as it was entered. For the 2nd quarter ending 12/31/07, the statistical information was reviewed with the divisions as it was entered, and corrections made. While a formal written procedure has not been completed at this time, major progress has been made to identify errors prior to the CAP being closed to ensure compliance with the approved PACAP. As we continue to improve the MaxCars system we will be able to establish formalized written processes to standardize the MaxCars procedures.

Contact Person: Cheryl Howdyshell, Deputy Commissioner
Finance and Accountability
Telephone: 907-269-7870

Recommendation No. 8

DHSS' finance officer should ensure the public assistance cost allocation plan (PACAP) methodologies are properly updated, accurate, and new methodologies are submitted for federal approval.

The department concurs with this recommendation. In a letter dated January 18, 2008, DHSS received approval from the Division of Cost Allocation (DCA) that the DHSS PACAP submitted to them on April 2, 2007, and subsequently revised on July 13, 2007; July 27, 2007; October 15, 2007; October 27, 2007; October 29, 2007; December 5, 2007; January 1, 2008; and January 14, 2008, with various effectives dates, has been approved.

During DCA's review of the Cost Allocation Plan, other pending amendments were held based on direction of that office. At this time, DHSS is preparing pending amendments for submission.

Contact Person: Cheryl Howdyshell, Deputy Commissioner
Finance and Accountability
Telephone: 907-269-7870

Recommendation No. 9

DHSS' assistant commissioner, responsible for finance and management services, should ensure that personal services expenditures charged to the Child Care Cluster program comply with federal cost principles.

The department concurs with this recommendation. The Office of Children's Services (OCS) conducted an in-depth review of the licensing positions and subsequent claiming of the portion tied to Day Care background checks. This issue was identified when an auditor contacted OCS financial staff in March 2007. OCS initiated corrective action in SFY08 by identifying the positions conducting these responsibilities and ensuring they were positive time-keeping if they were handling multiple responsibilities. OCS has identified \$79,930 of services that should be reversed, and is researching the documentation supporting another \$72,788.

Contact Person: Cheryl Howdyshell, Deputy Commissioner
Finance and Accountability
Telephone: 907-269-7870

Recommendation No. 10

The director of the Division of Health Care Services (DHCS) should implement procedures to ensure periodic risk analyses and security reviews are performed on systems used in the administration of the Medicaid program.

The department partially concurs with this recommendation. The department believes that an appropriate level of analysis and review of the Medicaid Management Information System (MMIS) and other automated data processing systems are ongoing and effective in providing security to state assets, sensitive data, and data processing systems. That review is accomplished through annual independent audit of the department's fiscal intermediary First Health Services Corporation (FH) and through the ongoing work of two units within the Division of Health Care Services (HCS).

Within HCS the Systems Unit provides significant security over the MMIS. All changes and adjustments to automated data processing systems are reviewed and analyzed. Multiple signatures are required prior to system changes being implemented. Pass code access to the system is reviewed monthly to assure that only appropriate access is provided. Access to the system is limited to necessary systems only.

Weekly and monthly reports providing transaction detail and summary information are dispersed for program managers to review. An expenditure trend analysis report (CP-O-14) is provided weekly to managers and upper management. HCS managers meet weekly to discuss any issues that may arise. The Finance Unit within HCS maintains well documented, ongoing, and tight control of assets that are dispensed through these systems. Expenditure analysis is provided weekly and upon request to upper management for their review.

The department contracts with FH to act as its fiscal agent. FH manages and operates the MMIS and other automatic data processing systems that are utilized by the department. By contractual requirement FH annually contracts to perform an independent audit in compliance with Statement on Accounting Standards 70, and SAS 70 report. This annual review was most recently conducted by Boyce, Spady, & Moore PLC, Certified Public Accountants. That audit reviews a broad range of control structures, procedures, and operations related to information technology operations and control procedures related the Medicaid Management Information System (MMIS) and other systems.

However, the auditor has uncovered an area outside of the automated data processing system where better oversight is needed. The identified drug rebate program is a service provided by FH. That service utilizes data available on the information technology systems. That service is an adjunct to the MMIS and other automated data processing systems and does not affect the security of those systems. We agree that these adjunctive systems should receive a period risk analysis to assure appropriate protection of state assets.

Contact Person: Cheryl Howdysshell, Deputy Commissioner
Finance and Accountability
Telephone: 907-269-7870

Recommendation No. 11

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

The Department concurs with this recommendation. Although the Legislative Auditor provided a history of concerns from fiscal years 2004 through 2006, the department will limit its response to those concerns addressed in the auditors "Current Position" section for FY 2007. The department last responded to this finding on April 27, 2007. In the ensuing 9 months the department has undergone a restructuring and has experienced significant staff turnover in the area of utilization control and program integrity. These have necessarily affected the Department's ability to affect the change it desires.

The department is in general agreement that structural improvements need to be made. Plans have recently been decided upon and additional changes in the structure of the utilization control and program integrity function will be made within the current fiscal year. The department has provided certain clarification related to the responsibilities of the utilization control and program

integrity function through a memorandum dated July 16, 2007 addressed to the Department's leadership team (Commissioner, Deputy Commissioners, and Directors). While additional structures and clarification is necessary, that communication was a significant first step.

The Auditor comments that HSSTrack "has proved ineffective at processing and tracking complaints". The Auditor then concludes that the Department has "no means of monitoring program complaints and disseminating information department-wide". The Department disagrees with the comment and the conclusion.

A review of the documentation available during the implementation of Health and Social Services Tracking System (HSSTrack) shows that HSSTrack "is a simple system to collect and track complaints, significant events and inquiries, and critical incidents..." and "HSSTrack is for reporting and tracking events of a significant nature..."

The system was not designed to be a case management system where complaints can be worked, documented, or otherwise processed. HSSTrack has provided what it was designed for – tracking of significant events or critical incidents. HSSTrack uses include assigning and tracking suspense items and the tracking of critical events.

The Auditor indicated that one division is using the system. However, all Medicaid divisions use the system to receive and report significant items. The one division that the Auditor refers to will shortly be reducing its dependence on HSSTrack when they switch to a newer DS3 case management system. Critical items from that system will be reported up to HSSTrack.

The HSSTrack system was designed to provide the Departments upper management with a high level mechanism to timely route a limited amount of information related to the receipt of a complaint, provide basic information to the appropriate party, and provide the capability to monitor for resolution. It was not designed to be a more traditional case tracking and case management tool with capabilities to review work details, capture related documentation, and work the complaint from within the system.

Contact Person: Cheryl Howdyshell, Deputy Commissioner
Finance and Accountability
Telephone: 907-269-7870

Recommendation No. 12

The State's Medicaid director should ensure physician services claims are paid in accordance with the Medicaid state plan.

The Department concurs with this recommendation. The Department believes that the physician service payments have been calculated in accordance with the state plan.

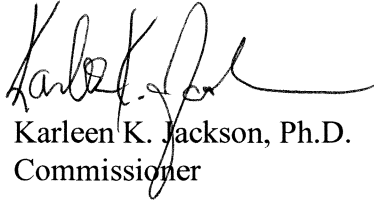
The state plan provides that physician service reimbursements are calculated utilizing the Resource Based Relative Value Scale (RBRVS) methodology. There are three components that comprise the RBRVS payment: Relative Value Unit (RVU), Geographic Practice Cost Index (GPCI), and a conversion factor. The state plan requires the use of the factors published in the Code of Federal Regulations (CFR) for calculation of the RVU. The state plan does not restrict, or otherwise mandate, the amount that must be used for the GPCI or conversion factor. Beyond requiring the use of the RBRVS methodology, the Medicaid state plan makes no other restriction in the calculation of the last two factors.

The department's regulations at 7 AAC 43.108 provide additional structure to the calculation of RBRVS payments. The conversion factor is established in regulation and is not a concern in this audit. The department has utilized the GPCI published in the CFR when possible. However, the Centers for Medicare and Medicaid Services (CMS) has acknowledged errors in their published numbers. The department manages the physician payment system in a manner that assures access to patient care and a reasonable payment rate. The department has recently updated regulations (March 2007) to better support the GPCI calculation process, but maintaining state control and flexibility in the system is necessary.

Contact Person: Cheryl Howdyshell, Deputy Commissioner
Finance and Accountability
Telephone: 907-269-7870

If you have any additional questions, please contact Cheryl Howdyshell at (907)269-7870 or by email cheryl.howdyshell@alaska.gov.

Sincerely,



Karleen K. Jackson, Ph.D.
Commissioner

cc: Cheryl Howdyshell, Deputy Commissioner
Bill Hogan, Deputy Commissioner
Bill Streur, Deputy Commissioner
Laura Baker, Acting Deputy Director of Finance & Accountability
Bob Wright, Audit Manager

STATE OF ALASKA

Department of Labor and Workforce Development

OFFICE OF THE COMMISSIONER

SARAH PALIN, GOVERNOR

P.O. BOX 111149
JUNEAU, ALASKA 99811-1149

PHONE: (907) 465-2700
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March 11, 2008

RECEIVED

MAR 11 2008

LEGISLATIVE AUDIT

Ms. Pat Davidson, Legislative Auditor
P.O. Box 113300
Juneau, AK 99811-3300

Re: SFY07 Statewide Single Audit Preliminary Report Response

Dear Ms. Davidson:

The Department of Labor and Workforce Development (DOLWD) is in receipt of your letter dated February 20, 2008, regarding the preliminary audit report on the State of Alaska Single Audit, for Fiscal Year Ended June 30, 2007.

Outlined below are the DOLWD actions and response to Recommendation Number's 13 and 14, contained within the report.

Recommendation No. 13

DOLWD's finance officer should work together with the administrative manager responsible for the Unemployment Compensation Fund (UCF) to address accounting issues.

Estimating uncollectable accounts:

DOLWD concurs and recognizes that procedures need to be in place and documented to ensure the method for estimating uncollectible accounts receivable is acceptable and reliable, and has developed such procedures. Due to staff turnover, full implementation of this process improvement was delayed. DOLWD is incorporating procedures for the UCF reporting and accounting to include annual review of the estimated uncollectible accounts and will be performing the transactions to reflect those amounts during the month of April. This will allow the department to take into account Permanent Fund Dividend garnishments received.

Proper recording of tax receivable accounts:

DOLWD concurs that a comprehensive analysis of the UCF computer system's output is necessary to ensure transactions processed in the Alaska Statewide Accounting System (AKSAS) are in accordance with generally accepted accounting principles. The conversion of the UCF computer system from that used historically

Ms. Pat Davidson
March 11, 2008
Page 2

to the robust system now known as ESTER has contributed significantly to the change in processes and procedures required for accurate accounting transactions to occur in AKSAS. Documentation on the system's output would aid with transparency of information, provide assurance that accounting processes are necessary and accurate, and facilitate staff training. DOLWD met with Division of Finance Accounting Services staff in September and October of 2007 to address prior period adjustments noted above, and to strategize on a comprehensive corrective action plan. DOLWD is assessing feasible avenues to achieve the required documentation of the UCF Tax System's output and associated accounting transactions to be processed in AKSAS.

Recommendation No. 14

The Business Partnerships Division (DBP) director should implement procedures to ensure monitoring activities are performed as required.

DOLWD concurs that the Division of Business Partnerships monitoring activities can be improved. The director has implemented monitoring programs to ensure the controls over subrecipient monitoring are sufficient for compliance with federal requirements and the goals established in the Alaska Strategic Two-Year State Plan. Staffing issues had contributed to less than full implementation of the monitoring activities during SFY07; however, DOLWD has made forward progress and believes this finding to be fully resolved by the close of SFY08.

If you have any questions regarding this response, please feel free to contact me at 465-2700.

Sincerely,

A handwritten signature in black ink, appearing to read "Clark Bishop". The signature is written in a cursive, somewhat stylized font.

Clark Bishop
Commissioner



STATE OF ALASKA
DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT

Division of Administrative Services

Sarah Palin, Governor
Emil Notti, Commissioner
Sam Thomas, Director

Ms. Pat Davidson
Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, Alaska 99811-3300

March 13, 2008

RECEIVED
MAR 13 2008
LEGISLATIVE AUDIT

Dear Ms. Davidson:

I have reviewed the preliminary audit regarding the FY07 Statewide Single Audit and appreciate the opportunity to respond. The one recommendation states that the Director of Administrative should improve internal controls over the bulk fuel revolving loan program and should seek legal clarification regarding the department's authority to administer the program. The Management Letter discusses three factors as follows:

DCCED does not have adequate controls for monitoring the program... and has not required the contractor to routinely report on the loan activity... DCCED disagrees. The program began in FY05 and throughout that period a detailed accounting was maintained of each community receiving a loan. Prior to the program being transferred to a new Grantee in September 2005 an in depth reconciliation was completed that identified by community, the amount(s) loaned, paid back, and outstanding; amount paid to the grantee for its administrative fees and travel; interest earned; amount held in the bank, and the amount "transferred to the new Grantee.

Since then, the Grantee has periodically prepared various statements reflecting loan amounts, amounts outstanding and cash held. Additionally, DCCED has maintained a summary analysis reflecting the amounts paid to the Grantee for loans, administrative fees, and travel.

DCCED has not properly reflected the financial activity in the State's comprehensive annual financial report. DCCED agrees. This program should be recognized as a revolving loan program and reflected as such in the State's comprehensive annual financial report.

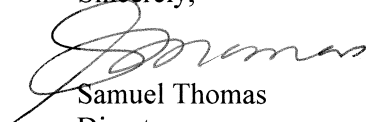
DCCED may lack statutory authority to operate this program as a revolving loan fund. DCCED also believes it lacked statutory authority to implement this revolving loan program. In fiscal year 2005 DCCED presented its concerns to the administration. It was determined that the program could be implemented by DCCED entering into a Grant Agreement with a Grantee whom would then implement and provide the day-to-day administration of the revolving loan program.

It was also supposed to have been a one-year program. It has since evolved into a continuing program.

DCCED believes that if the program is to continue, it should be established in statute as a revolving loan program and administered by DCCED in the same manner as DCCED's other revolving loan programs. And, if the program is not established in statute it should be discontinued. The determination has been made that this program should continue. Legislation has been introduced to establish the loan program in statute.

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,



Samuel Thomas
Director

STATE OF ALASKA

SARAH PALIN, 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

February 21, 2008

RECEIVED
FEB 22 2008
LEGISLATIVE AUDIT

Pat Davidson
Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

Dear Ms. Davidson:

Thank you for the opportunity to comment on the preliminary audit report on the Statewide Single Audit for the Fiscal Year Ended June 30, 2007. Since there were no findings or recommendations for the Department of Fish and Game, we have no comments on the report.

It was a pleasure working with the audit staff from the Division of Legislative Audit, and we appreciate the time and effort spent on the audit of our agency. We are also pleased that there were no material findings.

Sincerely,



Denby S. Lloyd
Commissioner

cc: Tom Lawson, Director, Division of Administrative Services
Cristine O'Sullivan, Finance Officer, Division of Administrative Services

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State of Alaska
Department of
Public Safety

RECEIVED
FEB 27 2008
LEGISLATIVE AUDIT

Sarah Palin, Governor
Walt Monegan, Commissioner

February 21, 2008

Pat Davidson
Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

RE: Preliminary Statewide Single Audit, Fiscal Year Ended June 30, 2007

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,

Walt Monegan
Commissioner

cc: Dan Spencer, Director of Administrative Services

"Public Safety through Public Service"

Office of the Commissioner
5700 E. Tudor Road – Anchorage, AK 99507 – Voice (907) 269-5086 – Fax (907) 269-4543
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STATE OF ALASKA

**SARAH PALIN,
GOVERNOR**

**DEPARTMENT OF CORRECTIONS
Office of the Commissioner**

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Juneau, AK 99811-2000
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FAX: (907) 465-3390

March 12, 2008

RECEIVED

MAR 12 2008

LEGISLATIVE AUDIT

Pat Davidson, CPA
Legislative Auditor
Division of Legislative Audit
P. O. Box 113300
Juneau, AK 99811-3300

Dear Ms. Davidson:

Thank you for the opportunity to respond to your February 20, 2008, preliminary audit report on:

State of Alaska Single Audit, for Fiscal Year Ended June 30, 2007

Recommendation No. 16

The Department of Corrections (DOC) administrative services director should take measures to resolve revenue shortfall issues.

The Department of Corrections (DOC) has reviewed potential shortfalls for the referenced appropriations which result in the following conclusions:

Appropriation 51299-06 Offender Tracking Information System

Appropriation 51299-06 appears to have a shortfall in the amount of \$59,856.00. This shortfall is the result of inadvertently processing a general warrant transaction against an account receivable open item. DOC personnel involved in preparing and processing revenues for restricted receipts have been advised of this situation and measures to provide improved internal controls have been implemented to avoid future occurrences. The remaining \$23,313.01 is anticipated to be collected from the United States Department of Justice, Office of Justice Programs.

Appropriation 50582-05 and 50582-07 Existing Community Residential Centers

Appropriations 50582-05 and 50582-07 have Accounts Receivable open items reflecting the amount of restricted receipts collected by the Department of Law (DOL) on the behalf of the Department of

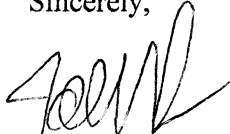
Corrections for these appropriations. The dollar amount DOC used as support documentation when establishing these receivables was taken directly from the FY05 and FY07 total dollar amount of judgments received and collected by the Department of Law's Collection Unit.

DOC has been working jointly with the Department of Law to collect these outstanding amounts. On January 22, 2008 DOC started receiving some transfers of these receipts; however the disposition as to which year and Accounts Receivable to post these funds to is awaiting backup documentation from the DOL.

The Department of Corrections administration is committed to collecting earned revenues, if available, as well as possibly requesting a supplemental appropriation for the remaining balances.

We will take actions to resolve these revenue issues and look forward to assisting your office in any way possible.

Sincerely,

A handwritten signature in black ink, appearing to read 'Joe Schmidt', written in a cursive style.

Joe Schmidt
Commissioner
Department of Corrections

cc: Sharleen Griffin, Administrative Services Director
cc: Laura Lynk, Budget and Finance Manager

STATE OF ALASKA

SARAH PALIN, GOVERNOR

**DEPARTMENT OF TRANSPORTATION
AND PUBLIC FACILITIES**
OFFICE OF THE COMMISSIONER

3132 CHANNEL DRIVE
PO Box 112500
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March 3, 2008

Ms. Pat Davidson, Legislative Auditor
Legislative Budget and Audit Committee
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

RECEIVED
MAR 10 2008
LEGISLATIVE AUDIT

Dear Ms Davidson:

Thank you for allowing me to respond to the findings and recommendations contained in the preliminary audit report, State of Alaska Single Audit, for Fiscal Year Ended June 30, 2007 regarding the Department of Transportation and Public Facilities (DOT&PF). The following are our comments:

Recommendation No. 17

The DOT&PF finance officer should ensure staff responsible for reporting capital asset information for inclusion in the State's Comprehensive Annual Financial Report (CAFR) is properly trained and information is adequately reviewed.

DOT&PF agrees with this recommendation. Training and adequate follow-up will be provided to staff. Procedures have recently been updated regarding development of the infrastructure report. Staff now have a complete training guide for the preparation of the capital asset information and they will provide an adequate review of future reports.

Recommendation No. 18

The DOT&PF finance officer should provide accurate information to DOF accountants so deferred federal revenues for highway and airport projects can be properly reported by fund financial statement.

It appears there was miscommunication between DOF and DOT&PF regarding what needed to be reported in this instance. What made up the deferred revenue number was clearly identified to DOF when it was submitted to them. DOT&PF received no feedback from DOF regarding the information therefore, as far as DOT&PF knew the information was correct.

During the this audit's exit interview, Legislative Audit explained what is required and DOT&PF will provide that breakdown in the future.

If you have any questions, please contact Nancy Slagle at 465-8974.

Sincerely,

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Leo von Scheben, P.E., L.S., M.B.A.
Commissioner

cc: Bob Janes, CPA, Internal Review Chief
Frank Richards, Deputy Commissioner of Highways & Public Facilities
Nancy Slagle, Director, Division of Administrative Services

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



P.O. Box 113300
Juneau, AK 9811-3300
(907) 465-3830
FAX (907)465-2347
legaudit@legis.state.ak.us

March 14, 2008

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 University of Alaska's recommendations are from a separately issued single audit report. Copies of those reports can be obtained directly from 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 four of these recommendations which we believe warrant further comments.

Recommendation No. 10

The director of the Division of Health Care Services (DHCS) should implement procedures to ensure periodic risk analyses and security reviews are performed on systems used in the administration of the Medicaid program.

We have reviewed DHSS' response and nothing contained in the response provided sufficient information to persuade us to revise this recommendation.

The internal controls over the MMIS, described by DHSS, do not replace the requirement for periodic risk analysis prescribed in federal regulation.

Further, the agency response does not address the issue of system security reviews for the drug rebate system. We reaffirm the recommendation and reiterate this includes implementing procedures to ensure biennial security reviews are performed on the drug rebate system.

Recommendation No. 11

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

We have reviewed DHSS' response and nothing contained in the response provided sufficient information to persuade us to revise this recommendation.

A department-wide case management system designed to systematically document, process, and track program complaints is a crucial component of an effective program integrity function. We reaffirm the recommendation that DHSS implement this crucial component.

Recommendation No. 12

The State's Medicaid director should ensure physician services claims are paid in accordance with the Medicaid state plan.

We have reviewed DHSS' response and nothing contained in the response provided sufficient information to persuade us to revise this recommendation.

We disagree with the view that "*The state plan does not restrict, or otherwise mandate, the amount that must be used for the GPCI or conversion factor.*" The state plan mandates the use of the RBRVS methodology as described in 42 CFR 414, which specifically states: "*CMS establishes a Geographic Adjustment Factor for each service in each fee schedule area*" and provides the methodology to be used by CMS. The GPCI are the indices used to calculate the geographic adjustment factor under the RBRVS methodology and are calculated annually by CMS. By referencing 42 CFR 414, the state plan requires physician services reimbursement be calculated using GPCI's as determined by CMS. We reaffirm the recommendation.

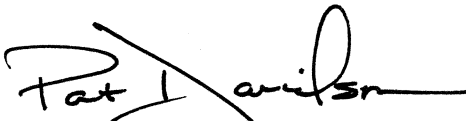
Recommendation No. 15

The Department of Commerce, Community, and Economic Development (DCCED), Director of Administrative Services, should improve internal controls over the bulk fuel revolving loan program and should seek legal clarification regarding the department's authority to administer the program.

We have reviewed DCCED's response and nothing contained in the response provided sufficient information to persuade us to revise this recommendation.

Since the bulk fuel revolving loan program was transferred to a new contractor in 2005, DCCED has not required bank statements or quarterly financial reports. Generally, the contractor provided loan information to DCCED as part of the annual grant application process. Given the large amount of cash maintained by the contractor, we believe more aggressive monitoring of the program is warranted. We affirm our recommendation.

In summary, we reaffirm the findings and recommendations presented in this report.



Pat Davidson, CPA
Legislative Auditor

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