

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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

SUMMARY OF: State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2009

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 \$2.81 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 FY 09, 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. Additionally, the State's FY 09 *Comprehensive Annual Financial Report* includes a Certificate of Achievement for Excellence in Financial Reporting which is presented by the Government Finance Officers Association.

No draw from the Constitutional Budget Reserve Fund (CBRF) was authorized for FY 09. The Legislature appropriated \$1.0 billion from the General Fund to the CBRF during FY 09. Additionally, at the end of FY 09 over \$617 million was swept from General Fund surplus and a variety of General Fund sub-funds and accounts, and transferred to the CBRF. As of June 30, 2009, the CBRF was fully repaid.

The State has substantially complied with the applicable laws and regulations in the administration of its major federal financial assistance programs.

FINDINGS AND RECOMMENDATIONS

This report contains 25 recommendations, of which seven are unresolved issues from last year. Also two of the recommendations are made to Alaska Housing Finance Corporation whose audit was performed by other auditors. Some of the recommendations made in this report require significant changes in procedures or a shifting of priorities and, therefore, may take more than one year to implement. The Summary Schedule of Prior Audit Findings in Section III identifies the current status of most prior audit recommendations not resolved by the release of the FY 09 statewide single audit.

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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

February 25, 2010

Honorable Members of the
Alaska State Legislature

The Honorable Sean Parnell
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, 2009. 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.

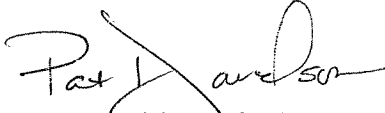
The report includes an opinion on the basic financial statements of the State of Alaska for FY 09, recommendations on financial and compliance matters, and required auditor's reports on internal controls and compliance, and the Schedule of Expenditures of Federal Awards.

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 FY 08 Single Audit contained 22 recommendations; this report presents a total of 25 recommendations, seven of which were presented last year. Included in this year's recommendations are two recommendations made to Alaska Housing Finance Corporation 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.



Pat Davidson, CPA
Legislative Auditor

TABLE OF CONTENTS

Page

ORGANIZATIONAL CHART

SECTION I - AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Independent Auditor's Report I – 1

Management's Discussion and Analysis I – 3

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Assets I – 15

Statement of Activities I – 16

Fund Financial Statements:

Governmental Funds

Balance Sheet I – 18

Reconciliation of the Balance Sheet to
the Statement of Net Assets..... I – 19

Statement of Revenues, Expenditures, and
Changes in Fund Balances..... I – 20

Reconciliation of the Change in Fund Balances to
the Statement of Activities I – 21

Proprietary Funds

Statement of Net Assets..... I – 22

Statement of Revenues, Expenses, and Changes in Fund Net Assets I – 24

Statement of Cash Flows I – 26

TABLE OF CONTENTS

(continued)

Page

SECTION I - AUDITOR'S REPORT AND FINANCIAL STATEMENTS (CONT.)

Fiduciary Funds

Statement of Fiduciary Net Assets I – 28

Statement of Changes in Fiduciary Net Assets I – 29

Component Units

Statement of Net Assets..... I – 31

Statement of Activities I – 32

Notes to the Basic Financial Statements I – 35

Required Supplementary Information:

Budgetary Comparison Schedule – General Fund..... I – 116

Notes to Required Supplementary Information – Budgetary Reporting I – 117

SECTION II - RECOMMENDATIONS AND QUESTIONED COSTS

Introduction..... II – 1

Summary of Recommendations..... II – 3

Findings and Recommendations..... II – 5

Schedule of Findings and Questioned Costs II – 103

TABLE OF CONTENTS

(continued)

Page

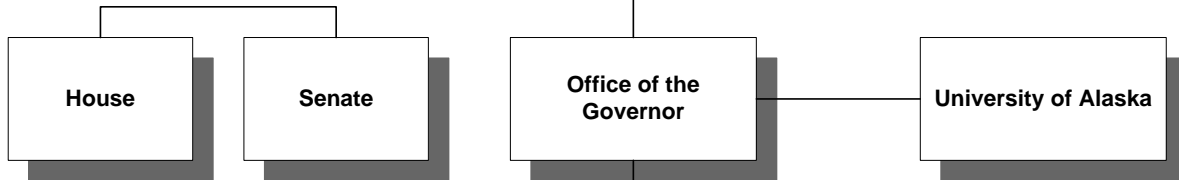
SECTION III – INTERNAL CONTROL AND COMPLIANCE REPORTS AND SUPPLEMENTAL INFORMATION

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 <i>Government Auditing Standards</i>	III – 1
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	III – 5
Schedule of Expenditures of Federal Awards by Federal Agency	III – 9
Notes to the Schedule of Expenditures of Federal Awards	III – 37
Summary Schedule of Prior Audit Findings.....	III – 45
Corrective Action Plan	III – 57

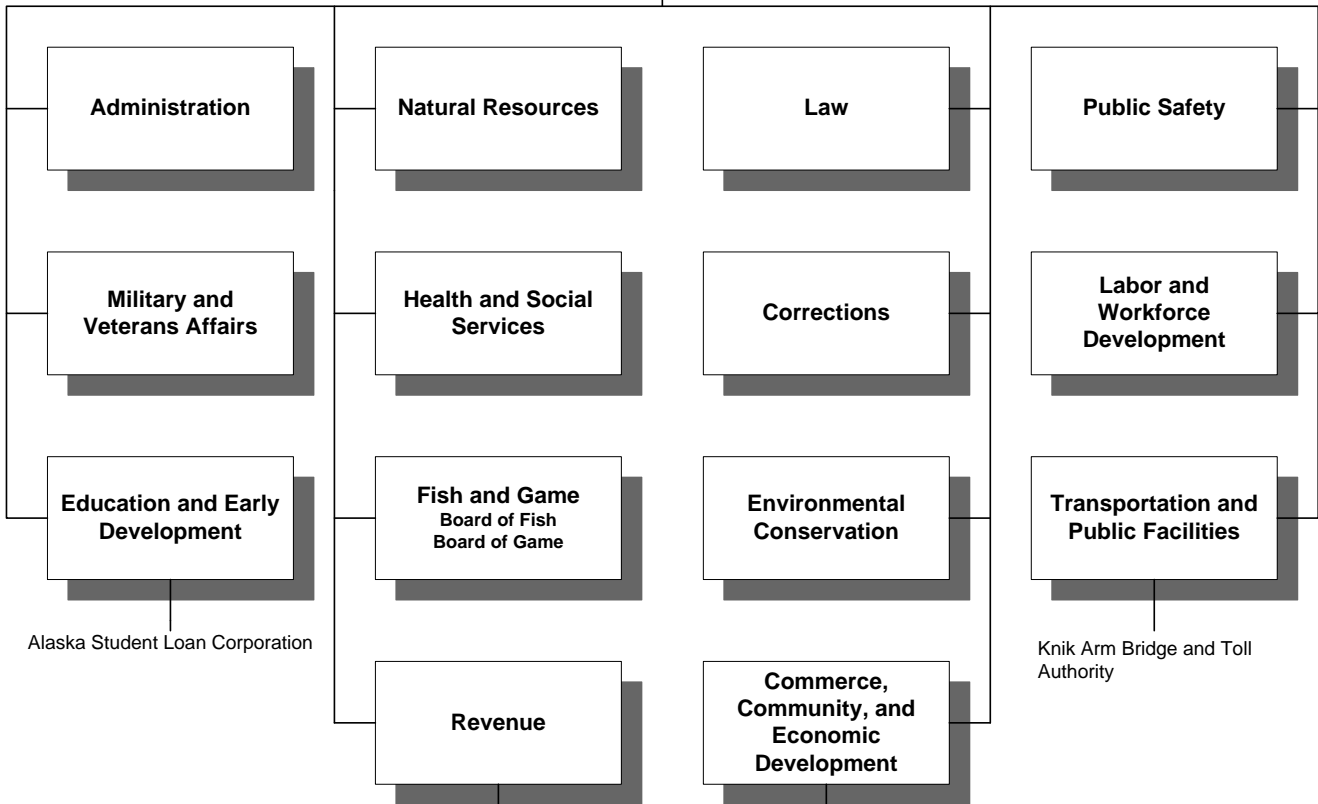
SECTION IV - APPENDICES

Schedule of Expenditures of Federal Awards by State Agency	IV – 1
Statewide Abbreviations.....	IV – 27
Agency Responses.....	IV – 41
Legislative Audit’s Additional Comments	IV – 81

Voters of Alaska



Departments



Alaska Student Loan Corporation

Knik Arm Bridge and Toll Authority

Alaska Housing Finance Corporation
 Alaska Municipal Bond Bank Authority
 Alaska Permanent Fund Corporation
 Alaska Mental Health Trust Authority
 Northern Tobacco Securitization Corporation
 Alaska Natural Gas Development Authority

Alaska Industrial Development and Export Authority
 Alaska Seafood Marketing Institute
 Alaska Railroad Corporation
 Alaska Energy Authority
 Alaska Aerospace Development Corporation

SECTION I – AUDITOR’S REPORT AND FINANCIAL STATEMENT

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



P.O. Box 113300
Juneau, AK 99811-3300
(907) 465-3830
FAX (907) 465-2347

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 fiscal year ended June 30, 2009, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Alaska's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Alaska Permanent Fund, the Fiduciary Funds – Pension and Other Employee Benefit Trust Funds, and one discretely presented component unit: the Alaska Mental Health Trust Authority. Those financial statements reflect total assets, net assets and revenues of the indicated opinion units:

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

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

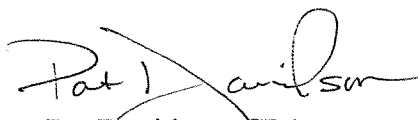
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in

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), the Alaska Municipal Bond Bank Authority (a discretely presented component unit), and the 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 the significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2009, on our consideration of the State's of Alaska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 and other auditors did not audit the information and, accordingly, express no opinion on it.



Pat Davidson, CPA
Legislative Auditor

December 11, 2009

STATE OF ALASKA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the State of Alaska, we offer readers of the State's financial statements this narrative overview and analysis of the financial activities of the State for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the preceding pages of this report, and the financial statements that follow.

Financial Highlights

Government-wide

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

Fund level

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

Long-term debt

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

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

As mentioned earlier, the State has only two major governmental funds, the Alaska Permanent Fund and the General Fund. Together these two funds represent 95.9 percent of total government-wide cash and investments and 85.6 percent of total government-wide net assets (excluding component units). The governmental funds financial statements present detail on each

of these funds, with summarized information on all other governmental funds. In addition, detail for each of the nonmajor governmental funds is available in combining statements elsewhere in this report.

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

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

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

The proprietary fund financial statements are statement numbers 1.21 through 1.23. The International Airports Fund and the Unemployment Compensation Fund are major enterprise funds of the State of Alaska. The International Airports Fund is 9.1 percent of total government-wide liabilities (excluding component units). The Unemployment Compensation Fund is 6.1 percent of the government-wide total revenues (excluding component units). The proprietary funds financial statements present detail on these funds with summarized information on all other proprietary funds. In addition, detail for each of the nonmajor proprietary funds is provided in the combining statements elsewhere in this report.

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

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the component unit statement of activities (statement number 1.42).

Additional Required Supplementary Information

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

Other Supplementary Information

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

Government-wide Financial Analysis

As noted earlier, net assets should serve over time as a useful indicator of a government's financial position. State assets exceeded liabilities by \$51.7 billion at the close of the most recent fiscal year (see table below). By far the largest portion of the State's net assets (58 percent) reflects its investments held in the Alaska Permanent Fund. However, the majority of these assets are not available for future spending since the principal of the fund (\$29.5 billion) may not be spent.

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

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

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

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

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

Financial Analysis of the State's Funds

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

Governmental Funds

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

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

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

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

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

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

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

Alaska Permanent Fund

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

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

The fund is made up of two parts.

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

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

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

General Fund Budgetary Highlights

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

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

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

Budgets for these program areas are difficult to predict. It is not unusual for additional budget authority to be granted when new funding sources become available. However, the increase in the final budget for education and Alaska Permanent Fund Dividend are easily identifiable. The increase in budgetary authority for the education function is mainly attributable to additional funding necessary to support the education formula-driven programs within the Public Education Fund, a subfund of the General Fund. Expenditures for public education and pupil transportation are not included in the original budget. The increase related to the Alaska Permanent Fund Dividend is due to the Alaska Resource Rebate program which was included as a supplemental budget item. Further explanation of this program is included within the economic factors section.

Capital Assets and Debt Administration

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

Capital Assets
(net of depreciation, in millions)

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

In FY 09, buildings and infrastructure increased \$370 million and \$185 million respectively. The capital budget has substantially increased for the past three fiscal years, the increases during the year are a direct result of these budgetary increases. Additional information on the State's capital assets can be found in Note 5 in the notes to the basic financial statements.

Long-term debt. At the end of the current fiscal year, the State had total bonded debt outstanding of \$1,533 million. Of this amount, \$520 million was general obligation bonds, and \$1,013 million of revenue bonds payable comprised of \$372 million issued by the Northern Tobacco Securitization Corporation (NTSC), \$58 million of sport fishing revenue bonds, and \$583 million issued by the International Airport Fund. The general obligation bonds are secured by the full faith, credit, and resources of the State, whereas the NTSC bonds are secured by and payable solely from Tobacco Settlement Revenues (TSRs). Neither the State of Alaska, nor the Alaska Housing Finance Corporation (of which NTSC is a subsidiary) is liable for any debt issued by NTSC. The sport fishing revenue bonds are secured by the sport fishing facilities surcharge imposed under AS 16.05.340 and related federal revenues. The remaining \$583 million are International Airports revenue bonds secured solely by specified revenue sources. The general obligation, NTSC, and sport fishing bonds are reported as governmental activities debt, and the International Airports bonds are reported as business-type activities debt.

Long-term Debt
(Stated in millions)

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

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

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

Significant Facts

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

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

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

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

Economic Factors and Next Year's Budgets and Rates

- The State's average unemployment rate for FY 09 was 7.6 percent, which is higher than the average unemployment rate for FY 08 of 6.4 percent. Alaska's five year average (2005 to 2009) was 6.8 percent. The United States unemployment rate for FY 09 was 7.9 percent.
- The State's major source of unrestricted revenue for the General Fund is petroleum related, which accounted for 70 percent of total revenue, with federal revenue making up another 26 percent, and the balance coming from other sources. As a result, the State's budget is structured around these two revenue sources. During the fiscal year, oil production and the price per barrel declined, resulting in lower tax rates and ultimate decrease of \$4.7 billion in petroleum revenues. Federal funds are generally restricted for use in federal programs and therefore do not provide resources for balancing the State budget.
- FY 09 crude oil and natural gas liquids production for the Alaska North Slope and Cook Inlet averaged 699 thousand barrels per day. This is 28 thousand barrels per day less than in the prior year. FY 09 production, compared to peak production of 2.049 million barrels per day in FY 88, has declined by 66 percent.
- The State of Alaska FY 09 budgeted expenditures include certain items that are unique to Alaska, such as the Alaska Permanent Fund Dividend, the Alaska Resource Rebate, and State-operated Pioneer Homes. The Alaska Permanent Fund Dividend (\$2,069/resident, a historic high in FY 09) and the Alaska Resource Rebate (\$1,200/resident) were paid to each qualifying Alaskan for a total of \$2,016 million. The Alaska Resource Rebate was a one-time payment to each resident for a total amount of \$738.8 million in FY 09.

Requests for Information

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

(Intentionally left blank)

BASIC FINANCIAL STATEMENTS

(Intentionally left blank)

STATE OF ALASKA
Statement of Net Assets
Government-wide
For the Fiscal Year Ended June 30, 2009
(Stated in Thousands)

STATEMENT 1.01

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

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

STATE OF ALASKA
Statement of Activities
Government-wide
For the Fiscal Year Ended June 30, 2009
(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	\$ 515,981	\$ 10,148	\$ 35,456	\$ 2,570
Alaska Permanent Fund Dividend/Resource Rebate	2,015,974	-	-	-
Education	1,647,531	3,045	137,680	1,272
University	410,805	15	173	-
Health and Human Services	2,067,733	41,375	1,020,658	58,823
Law and Justice	270,299	19,485	20,404	310
Public Protection	609,253	158,994	64,447	10,773
Natural Resources	295,183	2,322,398	76,913	25,698
Development	386,298	16,634	84,235	217
Transportation	959,586	57,306	16,465	520,943
Intergovernmental Revenue Sharing	231,574	-	31,125	-
Debt Service	42,662	-	1,226	13,055
Total Governmental Activities	<u>9,452,879</u>	<u>2,629,400</u>	<u>1,488,782</u>	<u>633,661</u>
Business-type Activities:				
Loans	3,514	11,818	1,358	19,311
Unemployment Compensation	199,792	178,073	15,888	-
Airports	117,499	95,244	1,133	56,481
Development	2,062	1,034	736	2,928
Total Business-type Activities	<u>322,867</u>	<u>286,169</u>	<u>19,115</u>	<u>78,720</u>
Total Primary Government	<u>\$ 9,775,746</u>	<u>\$ 2,915,569</u>	<u>\$ 1,507,897</u>	<u>\$ 712,381</u>
Component Units:				
University of Alaska	\$ 768,958	\$ 157,813	\$ 218,672	\$ 3,851
Alaska Housing Finance Corporation	349,417	213,715	53,057	59,530
Alaska Industrial Development and Export Authority	47,516	46,901	261	5,129
Nonmajor Component Units	459,576	220,307	61,562	(4,308)
Total Component Units	<u>\$ 1,625,467</u>	<u>\$ 638,736</u>	<u>\$ 333,552</u>	<u>\$ 64,202</u>

General Revenues:

Taxes:

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

Interest and Investment Income (Loss)

Tobacco Settlement

Payments In from Component Units

Payments In from Primary Government

Other Revenues

Transfers - Internal Activity

Special Items:

Pension Obligation and Other Post Employment

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning of Year

Prior Period Adjustment

Changes in Accounting Principles

Net Assets - End of Year

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

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

STATEMENT 1.02

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

STATE OF ALASKA
Balance Sheet
Government Funds
June 30, 2009
(Stated in Thousands)

STATEMENT 1.11

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

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

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

STATEMENT 1.12

Total Fund Balances - Governmental Funds \$ 45,362,293

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

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

These assets consist of:

Equipment, net of depreciation	293,700	
Buildings, net of depreciation	985,681	
Infrastructure, net of depreciation	2,369,664	
Land	797,245	
Construction in progress	<u>1,358,360</u>	5,804,650

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. (See Statement 1.21) 354,125

Certain revenues are not available to pay for the current period's expenditures and therefore are not reported in the funds. 141,821

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

Claims and judgments, net of federal reimbursement	(135,345)	
Compensated absences	(140,594)	
Pollution remediation	(43,130)	
Capital lease obligations	<u>(410,846)</u>	(729,915)

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

Notes and bonds payable	(1,001,610)	
Unamortized costs of issuance	5,897	
Accrued interest payable	<u>(10,835)</u>	(1,006,548)

Net Assets of Governmental Activities \$ 49,926,426

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

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

STATEMENT 1.13

	General Fund	Alaska Permanent Fund	Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 4,311,323	\$ -	\$ 23,127	\$ 4,334,450
Licenses and Permits	113,988	-	32,472	146,460
Charges for Services	175,723	-	587	176,310
Fines and Forfeitures	13,678	-	628	14,306
Rents and Royalties	1,559,849	651,435	25,935	2,237,219
Premiums and Contributions	16,595	-	12,211	28,806
Interest and Investment Income	(145,218)	(6,326,571)	(8,703)	(6,480,492)
Federal Grants in Aid	2,088,385	-	30,724	2,119,109
Payments In from Component Units	26,392	-	-	26,392
Other Revenues	24,263	-	36,829	61,092
Total Revenues	<u>8,184,978</u>	<u>(5,675,136)</u>	<u>153,810</u>	<u>2,663,652</u>
EXPENDITURES				
Current:				
General Government	677,541	61,293	1,787	740,621
Alaska Permanent Fund Dividend/Resource Rebate	2,015,974	-	-	2,015,974
Education	1,614,892	-	44,079	1,658,971
University	409,072	-	818	409,890
Health and Human Services	2,059,425	-	5,231	2,064,656
Law and Justice	201,383	1,477	-	202,860
Public Protection	620,898	-	77	620,975
Natural Resources	252,016	5,072	82,408	339,496
Development	375,980	-	11,653	387,633
Transportation	1,081,805	-	29,300	1,111,105
Intergovernmental Revenue Sharing	231,364	-	-	231,364
Debt Service:				
Principal	5,794	-	42,620	48,414
Interest and Other Charges	2,461	-	39,453	41,914
Bond Issuance Costs	-	-	524	524
Total Expenditures	<u>9,548,605</u>	<u>67,842</u>	<u>257,950</u>	<u>9,874,397</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,363,627)</u>	<u>(5,742,978)</u>	<u>(104,140)</u>	<u>(7,210,745)</u>
OTHER FINANCING SOURCES (USES)				
Bonds Issued	-	-	165,000	165,000
Bonds Issued Premium	-	-	8,611	8,611
Capital Leases	271,901	-	-	271,901
Transfers In from Other Funds	881,932	-	55,132	937,064
Transfers (Out to) Other Funds	(80,250)	(874,844)	(6,308)	(961,402)
Total Other Financing Sources and Uses	<u>1,073,583</u>	<u>(874,844)</u>	<u>222,435</u>	<u>421,174</u>
Net Change in Fund Balances	<u>(290,044)</u>	<u>(6,617,822)</u>	<u>118,295</u>	<u>(6,789,571)</u>
Fund Balances - Beginning of Year	14,616,466	35,880,930	1,003,693	51,501,089
Prior Period Adjustment	(2,186)	-	-	(2,186)
Changes in Accounting Principles	-	652,961	-	652,961
Fund Balances - End of Year	<u>\$ 14,324,236</u>	<u>\$ 29,916,069</u>	<u>\$ 1,121,988</u>	<u>\$ 45,362,293</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
Government Funds
For the Fiscal Year Ended June 30, 2009
(Stated in Thousands)

STATEMENT 1.14

Net Change in Fund Balances - Total Governmental Funds \$ (6,789,571)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Primarily this is the amount by which capital outlays exceeded depreciation in the current period (Note 4).

Capital outlay	752,532	
Depreciation expense	<u>(309,848)</u>	442,684

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

Net current year revenue		66,108
--------------------------	--	--------

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund.

47,827

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

Bond proceeds	(173,611)	
Accrued interest	(717)	
Repayment of bond principal	48,195	
Amortization of bond issue costs	<u>57</u>	(126,076)

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

(271,901)

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

Claims and judgments	(74,867)	
Compensated absences	(11,402)	
Pollution remediation	5,609	
Capital lease payments	28,608	
Pension obligation	135,668	
Other post employment benefits	<u>(11,780)</u>	71,836

Change in Net Assets of Governmental Activities \$ (6,559,093)

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

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

STATEMENT 1.21

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

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

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

STATEMENT 1.21

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

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

STATEMENT 1.22

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

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

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

STATEMENT 1.22

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

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

STATEMENT 1.23

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

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

This statement continued on next page.

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

STATEMENT 1.23

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

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

STATEMENT 1.31

	Pension and Other Employee Benefit Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 130,329	\$ 152,383
Investments:		150,126
Short-Term Investments	61,349	
U.S. Treasury	347,837	
U.S. Government Agency	134,369	
Foreign Government Bonds	116,470	
Mortgage-Backed	948,598	
Other Asset-Backed	22,687	
Corporate Bonds	656,154	
Yankees	114,997	
Fixed Income Pool	356	
Domestic Equity Pool	4,164,041	
International Equity Pool	1,871,479	
Emerging Markets Equity Pool	619,985	
Private Equity Pool	1,063,516	
Absolute Return Pool	548,424	
Real Estate Pool	2,064,436	
Participant-Directed	1,893,408	
Other Net Investments	147,187	
Investment Loss Trust Fund Assets	1,862	-
Accounts Receivable - Net	2,944	5
Contributions Receivable	36,296	-
Interest and Dividends Receivable	75	-
Due from Other Funds	28,090	-
Other Assets	4,168	-
Total Assets	<u>14,979,057</u>	<u>302,514</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	36,434	2,992
Trust Deposits Payable	-	292,798
Due to Other Funds	14,632	6,724
Total Liabilities	<u>51,066</u>	<u>302,514</u>
NET ASSETS		
Held in Trust for:		
Pension Benefits	12,378,560	-
Postemployment Healthcare Benefits	296,209	-
Individuals, Organizations, and Other Governments	2,253,222	-
Total Net Assets	<u>\$ 14,927,991</u>	<u>\$ -</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, 2009
(Stated in Thousands)

STATEMENT 1.32

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

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

(Intentionally left blank)

STATE OF ALASKA
Statement of Net Assets
Component Units
June 30, 2009
(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	\$ 138,521	\$ 597,912	\$ 349,593	\$ 1,014,944	\$ 2,100,970
Accounts Receivable - Net	23,863	-	-	28,706	52,569
Interest and Dividends Receivable	183	15,854	5,980	18,135	40,152
Due from Primary Government	10,165	19,046	92	8,385	37,688
Due from Component Units	17	123	1,852	62	2,054
Due from Other Governments	32,823	-	285	13,263	46,371
Loans, Notes, and Bonds Receivable	17,755	3,195,444	369,431	713,494	4,296,124
Inventories	7,270	-	-	18,903	26,173
Repossessed Property	-	-	300	-	300
Net Investment in Direct Financing Leases	-	64,802	260,223	-	325,025
Investments in Projects, Partnerships, or Corporations	-	-	83,428	-	83,428
Securities Lending Collateral	-	-	-	22,702	22,702
Restricted Assets	250,262	674,477	105,809	687,017	1,717,565
Other Assets	40,128	50,763	4,295	3,296	98,482
Capital Assets:					
Equipment, Net of Depreciation	101,319	681	-	160,794	262,794
Buildings, Net of Depreciation	550,720	98,370	1,627	37,852	688,569
Infrastructure, Net of Depreciation	32,638	-	-	737,097	769,735
Land	28,490	13,753	600	30,742	73,585
Construction in Progress	120,822	200	-	76,438	197,460
Total Assets	<u>1,354,976</u>	<u>4,731,425</u>	<u>1,183,515</u>	<u>3,571,830</u>	<u>10,841,746</u>
LIABILITIES					
Accounts Payable and Accrued Liabilities	44,197	15,195	2,130	75,227	136,749
Obligations Under Securities Lending	-	-	-	22,702	22,702
Due to Primary Government	-	5,066	408	15,344	20,818
Due to Component Units	-	-	-	1,852	1,852
Due to Other Governments	-	-	-	798	798
Interest Payable	-	13,715	2,322	11,751	27,788
Other Current Liabilities	48,540	149,724	4	2,612	200,880
Long-term Liabilities:					
Portion Due or Payable Within One Year:					
Claims, Judgments, Compensated Absences and Pollution Remediation	-	2,096	-	1,463	3,559
Unearned and Deferred Revenue	1,281	-	-	11,946	13,227
Notes, Bonds, and Leases Payable	6,473	92,945	9,755	80,414	189,587
Other Long-term Debt	-	-	-	2,590	2,590
Other Noncurrent Liabilities	-	1,946	-	357	2,303
Portion Due or Payable After One Year:					
Claims, Judgments, Compensated Absences and Pollution Remediation	-	2,073	-	31,006	33,079
Unearned and Deferred Revenue	15,323	-	4,561	429,990	449,874
Notes, Bonds, and Leases Payable	121,540	2,776,208	182,410	1,338,045	4,418,203
Other Long-term Debt	-	-	-	8,373	8,373
Other Noncurrent Liabilities	7,162	346	7,399	1,703	16,610
Total Liabilities	<u>244,516</u>	<u>3,059,314</u>	<u>208,989</u>	<u>2,036,173</u>	<u>5,548,992</u>
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	705,398	113,004	85,654	390,030	1,294,086
Restricted for:					
Permanent Funds					
Nonexpendable	-	-	-	308,157	308,157
Expendable	-	-	-	84,778	84,778
Education	261,914	-	-	39,963	301,877
Debt Service	4,779	635,816	-	51,569	692,164
Other Purposes	-	59,881	819	42,688	103,388
Unrestricted	138,369	863,410	888,053	618,472	2,508,304
Total Net Assets	<u>\$ 1,110,460</u>	<u>\$ 1,672,111</u>	<u>\$ 974,526</u>	<u>\$ 1,535,657</u>	<u>\$ 5,292,754</u>

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, 2009
(Stated in Thousands)

STATEMENT 1.42

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

General Revenues:

Interest and Investment Income (Loss)
Taxes
Payments In from Component Units
Payments In from Primary Government
Other Revenues

Special Items:

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

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

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

STATEMENT 1.42

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

(Intentionally left blank)

**STATE OF ALASKA
INDEX
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009**

	<i>Page</i>
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	36
A. THE FINANCIAL REPORTING ENTITY	36
B. BASIC FINANCIAL STATEMENTS	40
C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING	40
D. FINANCIAL STATEMENT PRESENTATION	41
E. FISCAL YEAR ENDS	42
F. ASSETS, LIABILITIES, AND NET ASSETS / FUND BALANCE	42
NOTE 2 – BUDGETING, BUDGETARY CONTROL, AND LEGAL COMPLIANCE	45
NOTE 3 – ACCOUNTING CHANGES AND BEGINNING FUND BALANCE / NET ASSETS ADJUSTMENT ...	49
NOTE 4 – DEPOSIT AND INVESTMENT RISK.....	51
A. DEPOSITS AND INVESTMENTS UNDER THE FIDUCIARY RESPONSIBILITY OF THE COMMISSIONER OF REVENUE	51
B. DEPOSITS AND INVESTMENTS UNDER CONTROL OF THE ALASKA RETIREMENT MANAGEMENT BOARD	57
C. DEPOSITS AND INVESTMENTS MAINTAINED BY COMPONENT UNITS WHOSE ACCOUNTS ARE OUTSIDE OF THE STATE TREASURY	74
NOTE 5 – CAPITAL ASSETS	84
NOTE 6 – SHORT-TERM DEBT, BONDS PAYABLE AND OTHER LONG-TERM OBLIGATIONS	88
A. SUMMARY OF CHANGES	88
B. GENERAL OBLIGATION BONDS AND REVENUE BONDS	89
C. CAPITAL AND OPERATING LEASES	91
D. CERTIFICATES OF PARTICIPATION	91
E. DISCRETELY PRESENTED COMPONENT UNITS	92
F. ALASKA HOUSING FINANCE CORPORATION DERIVATIVES	92
NOTE 7 – DEFINED BENEFIT PENSION PLANS	95
A. STATE ADMINISTERED PLANS	95
B. NON-STATE ADMINISTERED PLANS	104
NOTE 8 – DEFINED CONTRIBUTION PENSION PLANS	104
A. STATE ADMINISTERED PLANS	104
B. NON-STATE ADMINISTERED PLANS	106
NOTE 9 – DEFERRED COMPENSATION PLAN	107
NOTE 10 – INTERFUND TRANSACTIONS.....	107
NOTE 11 – RELATED PARTY ACTIVITY	108
NOTE 12 – COMMITMENTS AND CONTINGENCIES	109
A. SICK LEAVE	109
B. SCHOOL DEBT	109
C. RISK MANAGEMENT AND SELF-INSURANCE	109
D. LITIGATION	110
E. FEDERAL GRANTS	111
F. DISASTER RELIEF FUND	111
G. FUTURE LOAN COMMITMENTS	111
H. INVESTMENT COMMITMENTS	111
I. POLLUTION REMEDIATION	111
NOTE 13 – SUBSEQUENT EVENTS	112
A. ALASKA MUNICIPAL BOND BANK AUTHORITY	112
B. ALASKA CLEAN WATER FUND	113
C. ALASKA DRINKING WATER FUND	113
D. ALASKA HOUSING FINANCE CORPORATION	113
E. ALASKA STUDENT LOAN CORPORATION	113
F. PENSION CLAIMS ADMINISTRATION	113

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. THE FINANCIAL REPORTING ENTITY

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

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

BLENDED COMPONENT UNITS

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

The **Alaska Permanent Fund Corporation (APFC)** is a public corporation and government instrumentality in the Department of Revenue (AS 37.13.040). A governor-appointed six-member board manages APFC. The Legislature approves APFC's budget. The purpose of APFC is to manage and invest the assets of the Alaska Permanent Fund (Fund) and other funds designated by law. The Fund is a savings device, restricted as to usage, which belongs to all the people of Alaska. It was created in 1976 when the voters approved an amendment to the State Constitution. The beneficiaries of the Fund are all present and future generations of Alaskans. The Fund represents 68 percent of the total cash and investments and 58 percent of total government-wide net assets excluding discretely presented component units. The Fund is reported as a permanent fund (a governmental fund type), and APFC operations are included in the fund statements. Separately issued financial statements may be obtained from the Alaska Permanent Fund Corporation, P.O. Box 115500, Juneau, AK 99811-5500, or from their web site at www.apfc.org.

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

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

The purpose of NTSC is to purchase future rights, title, and interest in Tobacco Settlement Revenues (TSRs) from the State under the Master Settlement Agreement and Final Judgment (MSA). The MSA resolved cigarette smoking-related litigation between the settling states and the participating manufacturers, released the manufacturers from past and present smoking-related claims, and provides for a continuing release of future smoking-related claims, in exchange for certain payments to be made to the settling states, as well as certain tobacco advertising and marketing restrictions among other things.

NTSC is authorized to issue bonds necessary to provide sufficient funds for carrying out its purpose. When NTSC's obligations with the bonds have been fulfilled, the TSRs revert back to the State under the residual certificate. Consideration paid by NTSC through AHFC to the State for TSRs consisted of a cash amount sent to the State's custodial trust accounts and a residual certificate assigned to the State.

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

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

The **Public Employees' Retirement System** (PERS) was established by Alaska Statute (AS) 39.35.095 (defined benefit) and AS 39.35.700 (defined contribution). The Commissioner of the Department of Administration or the commissioner's designee is the administrator of PERS. The administrator is responsible for the administration of PERS in accordance with State statutes. The Commissioner of the Department of Administration adopts regulations to govern the operation of the PERS. Hearings and rulings on the appeal of the decision of the administrator are in the jurisdiction of the Office of Administrative Hearings (OAH). The Alaska Retirement Management Board (ARMB) approves employers' rates. PERS costs, based upon actuarial valuations, are funded by the State, participating governmental employers, and participants. PERS is reported in the fiduciary fund types as a pension (and other employee benefit) trust fund. The ARMB is the fiduciary of PERS. The Governor appoints the majority of the ARMB.

The **Teachers' Retirement System** (TRS) was established by AS 14.25.009 (defined benefit) and AS 14.25.310 (defined contribution). The Commissioner of the Department of Administration or the commissioner's designee is the administrator of the system. The administrator is responsible for the administration of TRS in accordance with State statutes. The Commissioner of the Department of Administration adopts regulations to govern the operation of the TRS. Hearings and rulings on the appeal of the decision of the administrator are in the jurisdiction of the OAH. The ARMB approves employers' rates. TRS costs, based upon actuarial valuations, are funded by the State, participating governmental employers, and participants. TRS is reported in the fiduciary fund types as a pension (and other employee benefit) trust fund. The ARMB is the fiduciary of TRS. The Governor appoints the majority of the ARMB.

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

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

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

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

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

DISCRETELY PRESENTED COMPONENT UNITS

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

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

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

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

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

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

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

The **Alaska Mental Health Trust Authority** (AMHTA) is established as a public corporation of the State within the Department of Revenue (AS 47.30.011). The Governor appoints the AMHTA board of trustees. The Legislature approves AMHTA's budget. The purpose of AMHTA is to ensure an integrated comprehensive mental health program. As provided in AS 37.14.009, AMHTA is to administer the trust established under the Alaska Mental Health Enabling Act of 1956. AMHTA financial statements may be obtained from the Alaska Mental Health Trust Authority, 3745 Community Park Loop, Suite 200, Anchorage, AK 99508.

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

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

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

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

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

The **Alaska Seafood Marketing Institute** (ASMI) is a public corporation of the State (AS 16.51.010). It is an instrumentality of the State with a legal existence independent of and separate from the State. ASMI is governed by a board of directors appointed by the Governor, and its budget is approved by the Legislature. The purpose of ASMI is to promote all species of seafood and their by-products harvested in Alaska for sale, and to develop market-oriented quality specifications. Exercise of the powers conferred by statute to ASMI is an essential governmental function. ASMI financial statements are included in the Combining Fund section of this CAFR with the Nonmajor Component Units. In addition, fund financial

statements are included as other supplementary information, since there are no separately issued financial statements for ASMI.

B. BASIC FINANCIAL STATEMENTS

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

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

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

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide statements. The fund financial statements are, in substance, very similar to the previous financial reporting model's financial statements. However, the new model emphasis is on major funds (of which the State has four, the General Fund and the Alaska Permanent Fund, both of which are governmental funds, and the International Airports Fund and Unemployment Compensation, which are enterprise funds). All nonmajor funds are summarized into a single column on the respective fund statements: governmental; proprietary, which includes enterprise and internal service fund types; and fiduciary, which includes pension (and other employee benefit) trust funds, and agency funds.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resource management focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements; however, agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

D. FINANCIAL STATEMENT PRESENTATION

The State reports four major funds, the General Fund, and the Alaska Permanent Fund, both of which are governmental funds, and the International Airports Fund and Unemployment Compensation Fund, which are proprietary enterprise funds. The General Fund is the State's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. The Alaska Permanent Fund was created in 1976 to save a portion of the State's one-time oil wealth to produce income to benefit current and future generations. The International Airports Fund was created in 1961 to equip, finance, maintain and operate two international airports located in Anchorage and Fairbanks. The Unemployment Compensation Fund is administered by the Department of Labor and Workforce Development and is used to account for unemployment contributions from employers and unemployment benefits paid to eligible claimants. In addition, the State reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

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

PROPRIETARY FUND TYPES

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

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

FIDUCIARY FUND TYPES

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

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

E. FISCAL YEAR ENDS

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

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

CASH AND INVESTMENTS, CASH AND CASH EQUIVALENTS

The amounts shown on the statements of net assets and the balance sheets as Cash and Investments represent cash on deposit in banks, petty cash, cash invested in various short-term instruments, and other investments of the State and its component units. Investments are stated at fair value, which approximates market value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Investment purchases and sales are recorded on a trade-date basis.

Marketable debt securities are valued each business day using prices obtained from a pricing service when such prices are available; otherwise, such securities are valued at the most current sale price or based on a valuation provided by investment managers. The noninterest bearing deposits are reported at cost, which approximates fair value.

Domestic and international equity securities are valued each business day using prices obtained from a pricing service or prices quoted by one or more independent brokers.

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

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

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

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

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

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

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

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

RECEIVABLES

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

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

INTER/INTRAFUND TRANSACTIONS

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

INVENTORIES

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

CAPITAL ASSETS

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

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

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

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

COMPENSATED ABSENCES

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

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

NET ASSETS / FUND BALANCE

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

FUND BALANCE RESERVES / DESIGNATIONS

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

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

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

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

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

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

RESTRICTED NET ASSETS

Permanent Funds

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

Net Assets Restricted by Enabling Legislation

The government-wide statement of net assets reports \$30.7 billion of restricted net assets for the primary government, of which \$23.4 million is restricted by enabling legislation.

NOTE 2 – BUDGETING, BUDGETARY CONTROL, AND LEGAL COMPLIANCE

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

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

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

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

Governmental funds with annually approved budgets include the General Fund, Special Revenue Funds (with the exception of the Alaska Housing Capital Corporation, Northern Tobacco Securitization Corporation, and Reclamation Bonding Pool), and all Permanent Funds.

SPENDING LIMITS

In 1982, the voters of Alaska approved an amendment to the Alaska Constitution to control state spending. Article IX, section 16, establishes an annual appropriation limit of \$2.5 billion plus adjustments for changes in population and inflation since July 1, 1981. Within this limit, one-third is reserved for capital projects and loan appropriations. For FY 09, the Office of Management and Budget estimated the limit to be approximately \$8.3 billion. The FY 09 budget passed by the legislature and after vetoes was \$6.7 billion (unrestricted General Fund revenues only), or \$1.6 billion less than the constitutional spending limit.

CONSTITUTIONAL BUDGET RESERVE FUND

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

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

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

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

Chapter 14, SLA 1994, section 7	\$ 1,006,038,474
Chapter 14, SLA 1994, section 8	49,608,135
Chapter 14, SLA 1994, section 9	368,581,990
Subtotal FY 94	<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)	<u>(89,264,067)</u>
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)	<u>(94,632,453)</u>
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)	<u>(111,438,806)</u>
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)	<u>(115,416,319)</u>
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)	<u>(130,695,249)</u>
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)	<u>(88,755,533)</u>
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)	<u>(94,626,898)</u>
Subtotal FY 04	<u>5,022,585</u>
Chapter 159, SLA 2004, section 61(d)	94,626,898
Chapter 159, SLA 2004, section 61(e)	34,922,767
Chapter 159, SLA 2004, section 61(f) and Chapter 6, SLA 2005, section 17(a)	125,940
Article IX, section 17(d) Alaska Constitution (FY 05)	<u>(85,513,723)</u>
Subtotal FY 05	<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)	<u>(156,696,777)</u>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Prior Period Adjustments

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

- \$3,685 thousand decrease for the International Airport Fund to record compensated absences which were not previously reported.
- \$2,186 thousand decrease to the General Fund and \$2,186 thousand increase to the Alaska Seafood Marketing Institute (ASMI), non-major discretely presented component without separately issued financial statements. ASMI had inappropriately been reported in the General Fund.

Adoption of New Accounting Pronouncements and Restatements

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

Governmental Accounting Standards Board Statement Number 49

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

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

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

Governmental Accounting Standards Board Statement Number 52

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

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

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

NOTE 4 – DEPOSIT AND INVESTMENT RISK

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

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

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

Invested assets under the fiduciary responsibility of the Commissioner are comprised of the General Fund and Other Non-segregated Investments, Constitutional Budget Reserve Fund, International Airports Fund, Retiree Health Insurance Fund,

Power Cost Equalization Endowment Fund, General Obligation Bond Fund, Mine Reclamation Trust Fund, Alaska Sport Fish Construction Fund as well as the Public School, Alaska Children's, and Investment Loss trust funds (all collectively, Funds).

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

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

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

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

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

Interest Rate Risk

Short-term Fixed Income Pool

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

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

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

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

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

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

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

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

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

Other Fixed Income

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

Credit Risk

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

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

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

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

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

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

The bond indentures governing the investment of tobacco revenue related bond proceeds limit the investment in commercial paper to only those securities rated A-1 or equivalent. At June 30, 2009, the Tobacco Revenue Fixed Income Securities consisted of commercial paper rated A-1.

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

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

Custodial Credit Risk – Deposits

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

	Amount (in thousands)
International Equity Pool	<u>\$ 34</u>

Concentration of Credit Risk

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

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

Treasury’s policy with regard to concentration of credit risk is to prohibit the purchase of more than five percent of a pool’s holdings in corporate bonds backed by any one company or affiliated group. However, such prohibition does not apply to securities backed by the full faith and credit of the U.S. Government.

Foreign Currency Risk

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

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

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

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

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

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

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

The International Equity Pool includes foreign currency forward contracts to buy and sell specified amounts of foreign currencies at specified rates on specified future dates for the purpose of hedging existing security positions. The counterparties to the foreign currency forward contracts consist of a diversified group of financial institutions. Credit risk exposure exists to the extent of non-performance by these counterparties; however, the risk of default is considered to be remote. The market risk is limited to the difference between contractual rates and forward rates at the balance sheet date. At June 30, 2009 the International Equity Pool had no outstanding contracts. The International Equity Pool had no unrealized gains (losses) with respect to forward contracts at June 30, 2009.

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

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

PENSION FUNDS

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

The Department of Revenue, Treasury Division (Treasury) provides staff for the ARMB. Treasury has created a pooled environment by which it manages investments of the Defined Benefit Pension and Health Care Plans as well as the following Defined Contribution Retirement Plans the ARMB has fiduciary responsibility for: Occupational Death and Disability Plan,

Retiree Medical Plan, and Health Reimbursement Arrangement Plan. Additionally, Treasury manages a mix of Pooled Investment Funds and Collective Investment Funds for the Defined Contribution Retirement Participant Directed Pension Plan.

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

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

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

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

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

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

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

Interest Rate Risk

Short-term Fixed Income Pool

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

Other Defined Benefit Fixed Income Pools

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

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

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

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

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

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

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

Defined Benefit Common Trust Funds

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

Defined Contribution Pooled Investment Funds

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

For government, corporate debt, and mortgage-backed securities, duration is limited to ± 0.2 years of the Barclays Capital Aggregate Bond Index. At June 30, 2009, the duration of the government, corporate debt, and mortgage-backed securities was 4.29 years, and the duration of the Barclays Capital Aggregate Bond Index was 4.30 years.

The weighted average maturity of the money market portfolio was 61 days at June 30, 2009.

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

Defined Contribution Collective Investment Funds

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

Credit Risk

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

Short-term Fixed Income Pool investments are limited to instruments with a long-term credit rating of at least A3 or equivalent and instruments with a short-term credit rating of at least P-1 or equivalent. Asset-backed and non-agency mortgage securities must be rated A3 or equivalent. The A3 rating is defined as the median rating of the following three

rating agencies: Standard & Poor's Corporation, Moody's, and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA.

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

Retirement Fixed Income:

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

Corporate debt securities must be investment grade.

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

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

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

International Fixed Income:

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

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

High Yield:

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

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

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

No more than 10 percent of the portfolio's assets may be invested in countries not rated investment grade, including emerging markets.

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

TIPS:

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

Corporate debt securities must be investment grade.

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

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

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

Domestic Equity, International Equity and Emerging Markets Separate Accounts:

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

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

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

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

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

Custodial Credit Risk – Deposits

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

International Fixed Income Pool	\$ 1,031
International Equity Pool	<u>7,960</u>
	<u>\$ 8,991</u>

Foreign Currency Risk

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

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

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

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

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

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

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

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

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

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

Concentration of Credit Risk

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

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

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

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

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

The International Equity and International Fixed Income Pools include foreign currency forward contracts to buy and sell specified amounts of foreign currencies at specified rates on specified future dates for the purpose of hedging existing security positions. At June 30, 2009 the International Equity Pool had one foreign currency forward contract which matured in 22 days. The Pension Funds had net unrealized gains with respect to such contracts, calculated using forward rates at June 30, 2009 as follows (in thousands):

Contract Sales	\$ 2,839
Less: Fair Value	<u>2,817</u>
Net Unrealized Gains	<u>\$ 22</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.

DEFERRED COMPENSATION

The State’s Internal Revenue Code Section 457 Deferred Compensation Plan holds investments in several collective investment funds and an Interest Income Fund. At December 31, 2008, Deferred Compensation Plan investments totaled \$442 million.

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

Interest Rate Risk

Collective Investment and Money Market Funds

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

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

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

Interest Income Fund

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

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

For constant duration synthetic investment contracts, duration cannot exceed the longer of six years or the duration of the Barclays Capital Intermediate Aggregate Index plus one-half year. The aggregate duration of the constant duration synthetic investment contracts was 2.81 years at December 31, 2008. The duration of the Barclays Capital Intermediate Aggregate Index was 2.71 years at December 31, 2008.

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

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

Credit Risk

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

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

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

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

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

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

At December 31, 2008, the investments underlying the synthetic investment contracts and the Reserve consisted of securities with credit quality ratings issued by a nationally recognized statistical rating organization as follows (using the Standard & Poor's rating scale):

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

Concentration of Credit Risk

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

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

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

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

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

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

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

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

Foreign Currency Risk

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

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

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

SUPPLEMENTAL BENEFITS SYSTEM

The State’s Supplemental Benefits System (SBS) holds investments in several collective investment funds, the State’s internally managed Short-term Fixed Income Pool (under the fiduciary responsibility of the Commissioner of Revenue), a Stable Value Fund and wholly-owned Pooled Investment Funds. At January 31, 2009, SBS investments totaled \$1.804 billion.

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

Interest Rate Risk

Collective Investment and Money Market Funds

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

The ARMB does not have a policy to limit interest rate risk for these investments. The weighted average maturity of the money market portfolio was 43.87 days at January 31, 2009.

Short-term Fixed Income Pool

The Investment Loss Trust Fund and the SBS's cash and cash equivalents are invested in the State's internally managed Short-term Fixed Income Pool. As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to 14 months in maturity or 14 months expected average life at the time of purchase. Floating rate securities are limited to three years in maturity or three years expected average life at the time of purchase. Treasury utilizes the actual maturity date for commercial paper and 12 month prepay speeds for other securities. At January 31, 2009, the expected average life of individual fixed rate securities ranged from one day to ten months and the expected average life of floating rate securities ranged from six days to five months.

Stable Value Fund

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

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

For constant duration synthetic investment contracts, duration cannot exceed the longer of six years or the duration of the Barclays Capital Intermediate Aggregate Index plus one-half year. The aggregate duration of the constant duration synthetic investment contracts was 3.02 years at January 31, 2009. The duration of the Barclays Capital Intermediate Aggregate Index was 2.87 years at January 31, 2009.

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

The ARMB does not have a policy to limit interest rate risk for the Reserve. The balance in the Reserve is invested in the custodian's Short-term Investment Fund which had a weighted average maturity of 33 days at January 31, 2009.

Pooled Investment Funds

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

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

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

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

Credit Risk

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

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

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

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

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

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

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

At January 31, 2009, SBS investments consisted of securities with credit quality ratings issued by a nationally recognized statistical rating organization as follows (using the Standard & Poor's rating scale):

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

Custodial Credit Risk

The ARMB does not have a policy for custodial credit risk. At January 31, 2009, SBS's deposits were uncollateralized and uninsured.

Concentration of Credit Risk

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

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

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

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

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

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

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

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

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

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

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

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

At January 31, 2009, SBS had no exposure to a single issuer in excess of five percent of total invested assets.

Foreign Currency Risk

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

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

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

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

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

ALASKA PERMANENT FUND CORPORATION

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

Investments and Related Policies

Carrying value of investments

The Fund investments are reported at fair value in the financial statements. Unrealized gains and losses are reported as components of net income. For marketable debt and equity securities including real estate investment trusts, fair values are obtained from independent sources using published market prices, quotations from national security exchanges, and security pricing services. Fair values of alternative investments that have no readily ascertainable fair value are determined by management using the fair value capital account balances nearest to the balance sheet date, adjusted for subsequent contributions, distributions and management fees. All alternative investments undergo an annual financial statement audit by independent auditors.

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

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

Investment policy

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

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

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

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

Interest Rate Risk

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

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

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

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

Credit Risk

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

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

Custodial Credit Risk

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

Concentration of Credit Risk

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

Foreign Currency Risk

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

Forward Exchange Contracts

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

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

Equity Index Futures

Certain equity managers for the Fund are permitted to buy and sell equity index futures. The net notional fair values of such futures, but not the gross cost nor the gross fair value, are reported on the balance sheet of the Fund. Realized gains and

losses on futures, as well as the net notional unrealized gains and losses, are included in the net increase or decrease in the fair value of investments.

Cash and Temporary Investments

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

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

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

Marketable Debt Securities

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

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

Marketable Debt Credit Ratings

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

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

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

Marketable Debt Duration

In order to manage its interest rate risk on marketable debt securities, the APFC monitors fair values daily and routinely reviews portfolio effective duration in comparison to an established benchmark. At fiscal year end, the aggregate holdings of debt securities were within the required duration range in relation to such benchmarks. At June 30, 2009, the effective duration by investment type, based on fair value, is as follows:

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

Preferred and Common Stock

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

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

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

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

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

Foreign Currency Exposure

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

At June 30, 2009, the Fund's cash holdings and non-domestic public and private equity and debt securities had exposure to foreign currency risk as follows (shown in U.S. dollar equivalent at fair value) (in thousands):

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

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

Real Estate

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

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

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

Alternative Investments

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

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

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

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

Infrastructure investments involve ownership or operating agreements in essential long term service assets with high barriers to entry. Examples of infrastructure assets include toll roads, airports, deep water ports, communication towers and energy generation, storage and transmission facilities. Investments in this class are expected to have inflation protection attributes and exhibit low correlations with other major asset classes in the Fund's investment strategy. The Fund makes commingled infrastructure investments through limited partnership agreements. Infrastructure investment managers provide periodic fair value estimates, which are subject to annual independent audits.

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

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

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

Alaska Certificates of Deposit

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

Securities Lending

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

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

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

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

Investment Income by Source

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

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

Foreign Exchange Contracts and Off-Balance Sheet Risk

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

The counterparties to the FX forward contracts consisted of a diversified group of financial institutions. The Fund is exposed to credit risk to the extent of non-performance by these counterparties. The Fund's market risk as of June 30, 2009 is limited to the difference between contractual rates and forward market rates determined at the end of the fiscal year.

Activity and balances related to FX forward contracts for fiscal year ended June 30, 2009 are summarized as follows (in thousands):

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

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

Activity and balances related to equity index futures for the fiscal year 2009 is summarized as follows (in thousands):

Face Value of Equity Index Futures	\$ 90,285
Net Unrealized Loss on Futures	<u>(1,181)</u>
Fair Value of Equity Index Futures	<u>\$ 89,104</u>
Unrealized Gains	\$ 3,202
Realized Losses	<u>(11,369)</u>
Net Decrease in Fair Value of Futures	<u>\$ (8,167)</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>	
	<u>Capitalize at Value</u>	<u>Useful Life</u>	<u>Capitalize at Value</u>	<u>Useful Life</u>
Land	All	Indefinite	All	Indefinite
Infrastructure	\$ 1,000,000	15-75	\$ 100,000	5-40
Buildings	1,000,000	50	100,000	10-40
Equipment/Software	100,000	3-60	5,000	5-10

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

Capital asset activities for the fiscal year ended June 30, 2009, are as follows (in millions):

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

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

Business-type Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 30	\$ -	\$ -	\$ 30
Construction in progress	242	165	(178)	229
Total capital assets not being depreciated	<u>272</u>	<u>165</u>	<u>(178)</u>	<u>259</u>
Capital assets being depreciated:				
Buildings	632	119	-	751
Equipment	59	11	(1)	69
Infrastructure	585	45	-	630
Total capital assets being depreciated	<u>1,276</u>	<u>175</u>	<u>(1)</u>	<u>1,450</u>
Less accumulated depreciation for:				
Buildings	(183)	(21)	-	(204)
Equipment	(42)	(3)	1	(44)
Infrastructure	(268)	(20)	-	(288)
Total accumulated depreciation	<u>(493)</u>	<u>(44)</u>	<u>1</u>	<u>(536)</u>
Total capital assets being depreciated, net	<u>783</u>	<u>131</u>	<u>-</u>	<u>914</u>
Capital assets, net	<u>\$ 1,055</u>	<u>\$ 296</u>	<u>\$ (178)</u>	<u>\$ 1,173</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), 98.5 million acres have been patented or “tentatively approved.”

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

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

Governmental Activities	<u>Amount</u>
General Government	\$ 4
Education	9
Health and Human Services	11
Law and Justice	3
Natural Resources	2
Public Protection	6
Transportation	274
Depreciation on capital assets held by the state's internal service funds is charged to the various functions based on their use of the assets.	<u>22</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 331</u>
Business-type Activities	
Enterprise	<u>\$ 44</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, 2009 (in millions):

	Beginning Balance Restated	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 69	\$ 1	\$ -	\$ 70
Library, media, and museum collections	56	1	-	57
Construction in progress	300	187	(290)	197
Total capital assets not being depreciated	<u>425</u>	<u>189</u>	<u>(290)</u>	<u>324</u>
Capital assets being depreciated/depleted:				
Land	4	-	-	4
Buildings	1,293	60	-	1,353
Equipment	413	68	(24)	457
Infrastructure	1,011	180	-	1,191
Total capital assets being depreciated/depleted	<u>2,721</u>	<u>308</u>	<u>(24)</u>	<u>3,005</u>
Less accumulated depreciation/depletion for:				
Buildings	(615)	(50)	-	(665)
Equipment	(244)	(30)	23	(251)
Infrastructure	(375)	(46)	-	(421)
Total accumulated depreciation/depletion	<u>(1,234)</u>	<u>(126)</u>	<u>23</u>	<u>(1,337)</u>
Total capital assets being depreciated/depletion, net	<u>1,487</u>	<u>182</u>	<u>(1)</u>	<u>1,668</u>
Capital assets, net	<u>\$ 1,912</u>	<u>\$ 371</u>	<u>\$ (291)</u>	<u>\$ 1,992</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 beginning balance amount for component units includes reclassification activity. The Alaska Railroad Corporation had a reclassification of infrastructure to equipment, and the Alaska Energy Authority had a reclassification of infrastructure into construction in progress and equipment.

NOTE 6 – SHORT-TERM DEBT, BONDS PAYABLE AND OTHER LONG-TERM OBLIGATIONS

A. SUMMARY OF CHANGES

SHORT-TERM DEBT

Two enterprise funds, the Alaska Clean Water Fund and the Alaska Drinking Water Fund issued bond anticipation notes during FY 09 totaling \$1,257 thousand and \$1,080 thousand respectively. The proceeds were used to fund the State share of loan distributions and administration costs. In accordance with the Environmental Protection Agency regulations, interest and investment earnings were used to retire the bond anticipation notes. No balance was outstanding at year end.

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

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

LONG-TERM LIABILITIES

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

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

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

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

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

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

B. GENERAL OBLIGATION BONDS AND REVENUE BONDS

GENERAL OBLIGATION BONDS

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

The full faith, credit, and resources of the state are pledged to secure payment of general obligation bonds. As of June 30, 2009, 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>
2010	\$ 27.1	\$ 21.8	\$ 48.9
2011	32.0	21.8	53.8
2012	35.2	20.2	55.4
2013	36.6	18.4	55.0
2014	38.1	16.6	54.7
2015-2019	147.4	62.0	209.4
2020-2024	121.3	30.8	152.1
2025-2029	52.9	9.9	62.8
2030-3034	12.2	0.3	12.5
Total debt service requirements	<u>502.8</u>	<u>\$ 201.8</u>	<u>\$ 704.6</u>
Unamortized bond premium	<u>17.2</u>		
Total principal outstanding	<u>\$ 520.0</u>		

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

REVENUE BONDS

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

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

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

Northern Tobacco Securitization Corporation Revenue Bonds

The Northern Tobacco Securitization Corporation (NTSC) bonds were issued to purchase the right to a share of Tobacco Settlement Revenues (TSRs) received by the State of Alaska. These revenue bonds are secured by and payable solely from the TSRs and investment earnings pledged under the respective bond indentures and amounts established and held in accordance with those bonds indentures. Neither Alaska Housing Finance Corporation nor the State of Alaska is liable for any debt issued by NTSC. NTSC revenue bond total at June 30, 2009 includes \$387.4 million in principal, \$557.8 million in interest, \$9.4 million in unamortized discount, \$7.9 million deferred amount on refunding, and \$2.3 million in accreted value on the Series 2006B and Series 2006C Bonds. The economic gain from the refunding was \$12.6 million. At June 30, 2009, \$162.4 million in NTSC revenue bonds were outstanding and considered defeased.

Alaska Sport Fishing Revenue Bonds

The State of Alaska Sport Fishing (SF) Revenue Bonds Series 2006 were issued under Article 5A of Chapter 15 of Title 37 of the Alaska Statutes. The bonds were issued to provide a portion of the funds necessary to finance the construction and renovation of fisheries rehabilitation, enhancement and development projects that benefit sport fishing. These revenue bonds are special, limited obligations of the State secured by and payable from the sport fishing facilities surcharge imposed under AS 16.05.340 and from funds received from the federal government which by their terms are not restricted in use and legally available for the payment for debt service on Parity Bonds. The bonds are not general obligations of the State, and the State does not pledge its faith and credit to the payment of the bonds. Sport Fishing revenue bond total at year end includes \$57.7 million in principal, \$27.6 million in interest, and \$.1 million in unamortized premium.

International Airports Revenue Bonds

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

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

C. CAPITAL AND OPERATING LEASES

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

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

Leases at June 30, 2009 are reported by the state of Alaska within Governmental Activities and Business-Type Activities, as applicable.

The State leases office facilities, office and computer equipment, and other assets under a variety of agreements. Although lease terms vary, most leases are subject to appropriation from the State Legislature to continue the obligation. If the possibility of receiving no funding from the Legislature is remote, leases are considered noncancelable for financial reporting purposes. Leases that represent acquisitions are classified as capital leases, and the related assets and liabilities are recorded in the financial records at the inception of the lease. Other leases are classified as operating leases with the lease payments recorded as expenditures or expenses during the life of the lease. Certain operating leases are renewable for specified periods. In most cases, management expects that the leases will be renewed or replaced by other leases.

Buildings and equipment under capital leases as of June 30, 2009 include the following (in thousands):

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
Buildings	\$ 651,921	\$ -
Equipment	19,189	-
Less: Accumulated Depreciation	(260,264)	-
	<u>\$ 410,846</u>	<u>\$ -</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, 2009 (in millions):

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

E. DISCRETELY PRESENTED COMPONENT UNITS

Debt service requirements are (in millions):

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

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

F. ALASKA HOUSING FINANCE CORPORATION DERIVATIVES

SWAP OBJECTIVES

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

SWAP TERMINATIONS AND REPLACEMENTS

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

SWAP PAYMENTS AND ASSOCIATED DEBT

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

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

SIGNIFICANT TERMS

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

Related Bond Issue	Notional Amounts	Present Values	Fair Values	Effective Dates	Fixed Rate Paid	Variable Rate Received	SWAP Termination Date	Counterparty Credit Rating ⁶
GP01A ¹	\$ 63,860	\$ 63,333	\$ 527	12/1/2008	2.4530%	67% of 1M LIBOR ⁴	12/1/2030	A+/Aa1
GP01B	78,040	89,946	(11,906)	8/2/2001	4.1427%	67% of 1M LIBOR	12/1/2030	A/A2
E021A1 ²	48,275	49,624	(1,349)	10/9/2008	2.9800%	70% of 3M LIBOR	6/1/2032	AAA/Aa1
E021A2	120,000	122,661	(2,661)	10/9/2008	3.4480%	70% of 1M LIBOR	12/1/2036	A/A2
SC02B ³	14,555	16,129	(1,574)	12/5/2002	3.7700%	70% of 1M LIBOR	7/1/2024	AA-/Aa1
SC02C	60,250	65,407	(5,157)	12/5/2002	4.3030%	SIFMA ⁵ + 0.115%	7/1/2022	AA-/Aa1
E071AB ²	143,622	162,754	(19,132)	5/31/2007	3.7345%	70% of 3M LIBOR	12/1/2041	AAA/Aa1
E071BD	95,748	108,050	(12,302)	5/31/2007	3.7200%	70% of 3M LIBOR	12/1/2041	AA-/Aa1
E091A ²	72,789	82,422	(9,633)	5/28/2009	3.7010%	70% of 1M LIBOR	12/1/2040	A+/A1
E091B	72,789	82,857	(10,068)	5/28/2009	3.7610%	70% of 3M LIBOR	12/1/2040	AAA/Aa1
E091AB	97,052	109,899	(12,847)	5/28/2009	3.7400%	70% of 3M LIBOR	12/1/2040	AA-/Aa1
Total	<u>\$ 866,980</u>	<u>\$ 953,082</u>	<u>\$ (86,102)</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 historically low interest rates, all but one of AHFC's interest rate swaps had negative fair values as of June 30, 2009. The negative fair values are countered by reductions in total interest payments required under the variable-rate bonds. Given that coupons on AHFC's variable-rate bonds adjust to changing interest rates, the associated debt does not have corresponding increases in fair value. The fair value amounts, obtained from mark to market statements from the respective counterparties and reconciled to present value calculations done by AHFC, represent mid-market valuations that approximate the current economic value using market averages, reference rates, and/or mathematical models. Actual trade prices may vary significantly from these estimates as a result of various factors, which may include (but are not limited to) portfolio composition, current trading intentions, prevailing credit spreads, market liquidity, hedging costs and risk, position size, transaction and financing costs, and use of capital profit. The fair value represents the current price to settle swap liabilities in the marketplace if a swap were to be terminated.

RISKS

Credit Risk

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

Basis Risk

All of the AHFC's variable-rate demand obligation bond coupon payments are based on the tax exempt SIFMA index. Therefore, AHFC is exposed to basis risk on swaps where the variable payment received on the swaps is based on a taxable LIBOR index and does not offset the variable rate paid on the bonds, which is based on the SIFMA index. The SC02C swap is based on the SIFMA index and, thus is not exposed to any basis risk. As of June 30, 2009, SIFMA was 0.3500 percent and 1 month LIBOR was 0.31125 percent, resulting in a negative 0.03875 percent spread. The 3 month LIBOR was 0.60438 percent resulting in a positive .25438 percent spread between SIFMA and the 3 month LIBOR. The spread between LIBOR and SIFMA is at a historically low level but has fluctuated since the agreements became effective. As the spread increases, so does the anticipated cost savings from the swaps.

Rollover Risk

Rollover risk occurs when there is a mismatch in the amortization of the swap versus the amortization of the floating rate bonds. AHFC has structured the swaps to amortize at the same rate as scheduled or anticipated reductions in the associated floating rate bonds outstanding. As the bonds mature the swaps will amortize. The E021A swaps were set up in several tranches of various sizes that can be cancelled to parallel the redemption of debt from mortgage prepayments. In addition, the GP01A, and GP01B swaps cover only a portion of the total debt issuance, allowing any increase in the speed of mortgage prepayments to be directed at the unswapped portion of the debt. The SC02B swap no longer has rollover risk since the bonds have been redeemed. The E091AB swap has a greater notional amount than the outstanding amount of the bonds associated with it simply because the 2009 Series D Bonds will not be issued until August 26, 2009.

Termination Risk

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS

A. STATE ADMINISTERED PLANS

DESCRIPTION OF PLANS

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

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

Prior to this fiscal year, PERS was a defined benefit, agent, multiple-employer public employee retirement plan. The Alaska Legislature passed Senate Bill 125, which was signed by the Governor on April 2, 2008. This law converted the PERS to a cost-sharing plan under which the unfunded liability will be shared among all employers. This legislation also established a uniform contribution rate of 22% of participating employees' covered payroll. This conversion was effective July 1, 2008. The unfunded pension liability of \$130,365 for the primary government and \$33,245 thousand for component units for the State of Alaska was removed in FY 09 and reported as a special item on the government-wide statements.

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

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

At June 30, 2009 the number of PERS participating employers was:

State of Alaska	3
Municipalities	77
School Districts	53
Other	27
Total Employers	<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 sufficient to accumulate assets to pay both pension and postemployment healthcare benefits when due. Employer contribution rates are determined using the entry age normal actuarial funding method. The PERS-DB plan uses the level percentage of pay method to amortize the unfunded liability over a 25 year fixed period. Employer contributions are accumulated in both the pension and the healthcare funds based on the approved contribution rate for the fiscal year. The employer rate for the State of Alaska for the year ended June 30, 2009 was capped at 22 percent of compensation.

Alaska Statute 39.35.280 requires that additional state contributions are required each July 1 or as soon after July 1 for the ensuing fiscal year that when combined with the total employer contributions is sufficient to pay the PERS-DB past service liability at the contribution rate adopted by the Alaska Retirement Management Board (ARMB) for that fiscal year.

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

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

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

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

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

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

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

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

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

At June 30, 2009 the number of participating employers was:

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

TRS-DB Plan members contribute 8.65 percent of their base salary, as required by statute. The employee contributions are deducted before federal income tax is withheld. Eligible employees contribute an additional one percent of their salary under the supplemental contribution provision. The TRS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as a percent of annual-covered payroll, are sufficient to accumulate assets to pay benefits when due. Employer contribution rates are determined using the entry age normal actuarial funding method. The TRS-DB Plan uses the level percentage of pay method to amortize the unfunded liability over a 25 year fixed period. The employer rate for the State of Alaska for the year ended June 30, 2009 was 12.56 percent of compensation. Employer contributions are accumulated in both the pension and healthcare funds based on the approved contribution rate for the fiscal year.

The state’s contributions to TRS-DB for the fiscal years ended June 30, 2009, 2008, and 2007 were \$6.3, \$6.0, and \$12.5 million respectively, equal to the required contributions for each year. For the FY 09 contributions, \$2.3 million was for pensions and \$4.0 million was for postemployment benefits.

Alaska Statute 14.25.085 requires that additional state contributions are required each July 1 or as soon after July 1 for the ensuing fiscal year that when combined with the total employer contributions is sufficient to pay the TRS-DB past service liability at the contribution rate adopted by the Alaska Retirement Management Board (ARMB) for that fiscal year.

Chapter 27 SLA 2008 appropriated \$206.3 million from the General Fund to the TRS-DB as an additional state contribution for FY 09. The portion of this payment attributable to State of Alaska employers is \$15,250 thousand, of which \$7,706 thousand is for pensions and \$7,544 thousand is for postemployment benefits.

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

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

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

The Judicial Retirement System (JRS)

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

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

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

Members contribute seven percent of their compensation to JRS. The contributions are deducted before federal income tax is withheld. Contributions are not required after members have made contributions for 15 years, or from members first appointed before July 1, 1978. The JRS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual-covered payroll, are sufficient to accumulate assets to pay benefits when due. Employer contribution rates are determined using the entry age normal actuarial funding method. The Plan amortizes the unfunded liability over a fixed 25-year period. The employer rate for the State of Alaska for the year ended June 30, 2009, was 36.2 percent of compensation. Total contributions for FY 09 were \$4.7 million for pensions, and \$1.3 million for postemployment benefits.

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

Actuarial Valuation Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liabilities (AAL)	Funding Excess (FE)/(Unfunded Actuarial Accrued Liabilities) (UAAL)	Funded Ratio	Covered Payroll	FE/(UAAL) as a Percentage of Covered Payroll
2004	\$ 53,601	\$69,505	\$ (15,904)	77.1%	\$6,530	(243.6%)
2006	77,311	111,820	(34,509)	69.1%	7,131	(484.0%)
2008	122,883	130,596	(7,713)	94.1%	10,462	(73.7%)

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

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

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

Actuarial Valuation Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liabilities (AAL)	Funding Excess (FE)/(Unfunded Actuarial Accrued Liabilities) (UAAL)	Funded Ratio	Covered Payroll	FE/(UAAL) as a Percentage of Covered Payroll
2004	\$ 16,855	\$ 21,856	\$ (5,001)	77.1%	\$6,530	(76.6%)
2006	2,399	17,794	(15,395)	13.5%	7,131	(215.9%)
2008	18,353	19,941	(1,588)	92.0%	10,462	(15.2%)

The actuarial valuation as of June 30, 2008 set the contribution rates for the year ended June 30, 2009. The entry age normal method was used and the future gains/losses are amortized on a 25-year fixed period level percentage of pay, closed. The State of Alaska's net pension asset for FY 09 follows (in thousands):

	Pension	OPEB
Annual Required Contribution	\$ 3,898	\$ 567
Interest on net pension asset	(82)	(61)
Adjustment to annual required contribution	97	72
Annual Pension Cost (APC)/OPEB Cost (AOC)	3,913	578
Contributions Made	(4,727)	(1,411)
Decrease in Obligation	(814)	(833)
Net Pension Obligation/(Asset) Beginning of Year	(997)	(736)
Net Pension Obligation/(Asset) End of the Year	<u>\$ (1,811)</u>	<u>\$ (1,569)</u>

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

Pension	Year Ended June 30	APC	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
	2007	3,163	100.0%	(333)
	2008	3,892	117.1%	(997)
	2009	3,913	120.8%	(1,811)

OPEB	Year Ended June 30	APC	Percentage of AOC Contributed	Net OPEB Obligation/ (Asset)
	2008	\$ 567	229.8%	\$ (736)
	2009	\$ 579	244.1%	\$ (1,569)

The Alaska National Guard and Alaska Naval Militia Retirement System (NGNMRS)

NGNMRS is a defined benefit, single-employer retirement system established and administered by the State to provide pension benefits for eligible members of the Alaska National Guard and Alaska Naval Militia.

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

Benefit and contribution provisions are established by Chapter 5 of Alaska Statute Title 26 and may be amended only by the state legislature. NGNMRS provides for normal pension benefits and death benefits. Postemployment healthcare benefits are not provided.

No contributions are required from plan members. NGNMRS's funding policy provides for periodic contributions by Alaska Department of Military and Veterans' Affairs at actuarially determined amounts that are sufficient to accumulate assets to pay benefits when due. State contributions are determined using the entry age normal actuarial funding method.

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

Actuarial Valuation Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio
2004	\$ 13,391	\$ 19,749	\$ (6,358)	67.8%
2006	15,588	25,458	(9,870)	61.2%
2008	28,371	28,905	(534)	98.2%

The actuarial valuation as of June 30, 2008 set the contribution rates for the year ended June 30, 2009. The entry age normal method was used and the future gains/losses are amortized on a 20-year fixed period level percentage of pay, closed. The State of Alaska's net pension obligation for FY 09 follows:

Annual Required Contribution	\$ 2,415,077
Interest on net pension asset	(162)
Adjustment to annual required contribution	<u>310</u>
Annual Pension Cost (APC)	2,415,225
Contributions Made	<u>(2,473,300)</u>
Decrease in Net Pension Asset	(58,075)
Net Pension Obligation/(Asset) Beginning of Year	<u>(1,969)</u>
Net Pension Obligation/(Asset) End of the Year	<u><u>\$ (60,044)</u></u>

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

Year Ended June 30	APC	Percentage of APC Contributed	Net Pension Obligation /(Asset)
2007	\$ 1,738	100.0%	\$ (2)
2008	1,738	100.0%	(2)
2009	2,415	102.4%	(60)

The Elected Public Officers Retirement System (EPORS)

EPORS is a defined benefit single-employer retirement plan administered by the State to provide pension and post-employment healthcare benefits to the governor, the lieutenant governor, and all legislators that participated in the System between January 1, 1976, and October 14, 1976. EPORS is funded by both employee contributions and an annual appropriation from the state General Fund. Retirement benefits are based on the member's years of service and the current salary for the position from which they retired or an average of the three highest consecutive years' salaries. The pension benefit is equal to five percent for each year of service as governor, lieutenant governor, or a legislator, plus two percent for other covered service, not to exceed 75 percent (AS 39.37.050). The plan also provides death and disability benefits.

Plan members contribute seven percent of their compensation to EPORS. Employee contributions earn interest at 4.5 percent per annum, compounded semiannually. The remaining amount required to pay EPORS benefits is funded by legislative appropriation. The cost to the State for EPORS for the fiscal years ended June 30, 2009, 2008, and 2007 was \$1.8 million, \$1.8 million, and \$1.7 million. FY09 total covered payroll was \$1,816, and contributions received from employees totaled \$127. EPORS is a closed plan and no separate financial statement is issued for EPORS. However, an actuarial valuation on EPORS was performed as of June 30, 2008.

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

Actuarial Valuation Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio
2006	\$0	\$16,265	\$(16,265)	0.0%
2008	0	22,194	(22,194)	0.0%

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

Actuarial Valuation Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio
2006	\$0	\$2,983	\$(2,983)	0.0%
2008	0	5,168	(5,168)	0.0%

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

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

Pension	Year Ended June 30	APC	Percentage	Net
			of APC Contributed	Pension Obligation /(Asset)
	2007	1,281	100.0%	-
	2008	1,334	100.0%	-
	2009	1,408	100.0%	-

OPEB	Year Ended June 30	AOC	Percentage	OPEB
			of AOC Contributed	Obligation /(Asset)
	2008	\$ 413	100.0%	\$ -
	2009	424	100.0%	\$ -

ASSET VALUATION

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

Systems	Fair Value
Public Employees' Retirement System	\$8,513,336
Teachers' Retirement System	3,712,371
Judicial Retirement System	104,987
Alaska National Guard and Alaska Naval Militia Retirement System	25,507

PLAN MEMBERSHIPS

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

	PERS	TRS	JRS	NGNMRS	EPORS
	6/30/08	6/30/08	6/30/08	6/30/08	6/30/08
Retirees & beneficiaries receiving benefits & Terminated members with future benefits	30,709	10,899	95	1,664	39
Current active employees:					
Vested	20,058	5,612	46	*	-
Nonvested	8,792	2,919	27	3,897	-
Total	<u>59,559</u>	<u>19,430</u>	<u>168</u>	<u>5,561</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, 2008 valuation reports. The unfunded accrued benefit liability or funding surplus is amortized over a rolling 25 years (NGNMRS is 20 years).

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

The following main assumptions were used in the actuarial valuation.

System	Investment Return Compounded Annually	Salary Scale Increase	Health Care Inflation		Consumer Price Index Inflation	Valuation Date	
			Medical	Rx			
PERS	8.25%	Police & Firefighters - 6.5% first 6 yrs, 4.5% thereafter. All Others - 9.5% first 5 yrs, 5.5% for year 6 then grading down to 5.0% and 4.0%.	FY 09	8.0%	10.8%	3.5%	6/30/2008
			FY 10	7.5%	9.6%		
			FY 11	6.9%	8.3%		
TRS	8.25%	6% first 5 yrs, grading down to 4% after 15 yrs	FY 09	8.0%	10.8%	3.5%	6/30/2008
			FY 10	7.5%	9.6%		
			FY 11	6.9%	8.3%		
JRS	8.25%	4.0% per year	FY 09	8.0%	10.8%	3.5%	6/30/2008
			FY 10	7.5%	9.6%		
			FY 11	6.9%	8.3%		
NGNMRS	7.25%	—		—	—	6/30/2008	
EPORS	5.00%	4.0 % per year	FY 09	8.0%	10.8%	3.5%	6/30/2008
			FY 10	7.5%	9.6%		
			FY 11	6.9%	8.3%		

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

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

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

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

B. NON-STATE ADMINISTERED PLANS

THE MARINE ENGINEERS' BENEFICIAL ASSOCIATION (MEBA) PENSION PLAN

The MEBA plan is a defined benefit pension plan administered by MEBA for its members. Engineer Officers of the Alaska Marine Highway System participate in this program and the State contributes an amount (set by union contract) for each employee. The State assumes no liability for this pension plan or its participants other than the payment of required contributions. The State contributed \$765.7 thousand in FY 09.

NOTE 8 – DEFINED CONTRIBUTION PENSION PLANS

A. STATE ADMINISTERED PLANS

DESCRIPTION OF PLANS

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

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

The PERS-DCR Plan is a plan within the Public Employees' Retirement System (PERS). PERS is a component unit of the State of Alaska financial reporting entity. The PERS component unit is comprised of the PERS-DB (see note 7), PERS-DCR Plans, and the PERS Retiree Major Medical Insurance Plan and Health Reimbursement Arrangement Plan, and Occupational Death and Disability. PERS is reported as a pension (and other employee benefit) trust fund by the State. PERS separately issued financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Participants should refer to the plan agreement for more complete information. Copies of the audited financial statements and required supplementary information may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

As of June 30, 2009, there were 160 employers participating in PERS-DCR. There were no retirees or beneficiaries currently receiving benefits, 123 terminated plan members entitled to future benefits, and 7,393 active members, of which 6,807 are general employees and 586 are peace officers and firefighters.

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

On July 1, 2006, three pension trust sub-funds were created within PERS, the Retiree Major Medical Insurance (RMP), Health Reimbursement Arrangement (HRA), and Occupation Death and Disability (OD&D). RMP allows eligible members who retire directly from the plan to obtain medical benefits. The HRA allows medical care expenses to be reimbursed from individual savings accounts established for eligible persons. OD&D provides employees with benefits as a result of death or disability on the job. PERS-DCR participants are eligible members of RMP and HRA and their postemployment healthcare benefits are paid out of these funds. The employer RMP contribution rate for FY 09 for each member's compensation was 0.99 percent for medical coverage and 0.58 percent for death and disability (1.33 percent for peace officers and firefighters). HRA is \$134.73 per month for full time employees and \$1.04 per hour for part time employees.

The PERS pension contributions for the year ended June 30, 2009 by the employees were \$11,396 thousand and the State of Alaska employers were \$7,037 thousand. The PERS other postemployment contributions for the year ended June 30, 2009 were \$7,032 thousand.

See note 4 for information on pension funds' deposit and investment risk categories. The fair value of the PERS-DCR cash and investments as of June 30, 2009 is \$76,832 thousand. PERS-DCR investments in collective investment funds, held in trust, are stated at fair value based on the unit value as reported by the Trustees multiplied by the number of units held by PERS-DCR. The unit value is determined by the Trustees based on the fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

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

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

The TRS-DCR Plan is a plan within the Teachers' Retirement System (TRS). TRS is a component unit of the State of Alaska financial reporting entity. The TRS component unit is comprised of the TRS-DB (see note 7), TRS-DCR Plans, TRS Retiree Major Medical Insurance Plan and Health Reimbursement Arrangement Plan, and Occupation Death and Disability. TRS is reported as a pension (and other employee benefit) trust fund by the State. TRS separately issued financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Participants should refer to the plan agreement for more complete information. Copies of the audited financial statements and required supplementary information may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

As of June 30, 2009, there were 58 employers participating in TRS-DCR. There were no retirees or beneficiaries currently receiving benefits, 191 terminated plan members entitled to future benefits, and 1,806 active members.

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

On July 1, 2006, two pension trust sub-funds were created in TRS, the Retiree Major Medical Insurance (RMP) and Health Reimbursement Arrangement (HRA). The TRS Occupational Death and Disability (OD&D) trust sub-fund was created on July 1, 2007. RMP allows eligible members who retire directly from the plan to obtain medical benefits. The HRA allows medical care expenses to be reimbursed from individual savings accounts established for eligible persons. OD&D provides employees with benefits as a result of death or disability on the job. TRS-DCR participants are eligible members of RMP and HRA and their postemployment healthcare benefits are paid out of these funds. The employer RMP contribution rate for FY 09 for each member's compensation was 0.99 percent for medical coverage, 0.62 percent for death and disability. HRA is \$134.73 per month for full time employees and \$1.04 per hour for part time employees.

The TRS pension contributions for the year ended June 30, 2009 by the employees were \$187 thousand and the State of Alaska employers were \$167 thousand. The TRS other postemployment contributions for the year ended June 30, 2009 were \$101 thousand.

See note 4 for information on pension funds' deposit and investment risk categories. The fair value of the TRS-DCR cash and investments as of June 30, 2009 is \$34,472 thousand. TRS-DCR investments in collective investment funds, held in trust, are stated at fair value based on the unit value as reported by the Trustees multiplied by the number of units held by TRS-DCR. The unit value is determined by the Trustees based on the fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

Supplemental Benefits System

In addition to the pension plans (note 7) and deferred compensation plan (note 9), all state employees, as well as employees of political subdivisions, who have elected to participate in the program, are covered under the Alaska Supplemental Benefits System (SBS). SBS is comprised of the Supplemental Annuity Plan and the Supplemental Benefits Plan. The Supplemental Annuity Plan is a defined contribution plan that was created under Alaska statutes effective January 1, 1980, to provide

benefits in lieu of those provided by the federal Social Security System (Social Security). All state employees, who would have participated in Social Security if the State had not withdrawn, participate in SBS. Other employers whose employees participate in the State Public Employees' Retirement System and meet other requirements are eligible to have their employees participate in SBS as provided by Alaska Statute. As of January 31, 2009, there were sixteen other employers participating in SBS. There were approximately 38,000 participants in the Plan.

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

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

Mandatory contributions are made to the Supplemental Annuity Plan and voluntary contributions to the Supplemental Benefits Plan. Participating employees are vested at all times. Supplemental Annuity Plan contributions are made in lieu of contributions to Social Security. The State is required to contribute 12.26 percent of an employee's wages up to the taxable wage base in effect under Social Security regulations. Each employee is considered to have agreed to a wage reduction equal to one-half the contribution made on the employee's behalf. The State's mandatory contributions for the year ending January 31, 2009, were \$121,294 thousand. The state's covered payroll was approximately \$989,351 thousand.

Supplemental Benefit Plan contributions are voluntary based upon the optional benefits elected by each employee enrolled in SBS. Each employee agrees to a wage reduction based upon the benefit options selected. The benefit amounts are deducted from each employee's wages and remitted by the employer to SBS on the employee's behalf. State employee voluntary contributions for the year ending January 31, 2009, were \$3,876 thousand.

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

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

Supplemental annuity contributions were deposited with investment managers under contract with SBS for the year ended January 31, 2009. Each participant's account is credited with the contributions and the increase or decrease in unit value for the investment funds and deduction for administrative fees.

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

B. NON-STATE ADMINISTERED PLANS

THE NORTHWEST MARINE RETIREMENT TRUST (NMRT)

NMRT is an agent multiple-employer pension plan with defined contributions and is administered by the Pacific Northwest Marine Retirement Trust. The State assumes no liability for this pension plan or its participants other than the payment of required contributions. The State contributed \$863 thousand in FY 09.

NOTE 9 – DEFERRED COMPENSATION PLAN

The State of Alaska Deferred Compensation Plan was created by Alaska statutes. It is a deferred compensation plan under Section 457 of the Internal Revenue Code. It is available to all permanent and long term non-permanent employees, and elected officials of the State (and with the March 1, 2006 amendment, members of State of Alaska boards and commissions) who have completed a full pay period of employment. Participants authorize the State to reduce their current salary so that they can receive the amount deferred at a later date. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency, within the definition allowed by the applicable Internal Revenue Code. As of December 31, 2008 the Deferred Compensation Plan had approximately 9,000 participants.

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

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

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

Deferred Compensation Plan net assets as of December 31, 2008 were \$442,042 thousand. Deferred Compensation Plan is reported in the accompanying financial statements as a pension (and other employee benefit) trust fund.

NOTE 10 – INTERFUND TRANSACTIONS

The following schedules summarize individual interfund receivable and payable balances at June 30, 2009, and interfund transfers for the year then ended (in thousands):

INTERFUND RECEIVABLE / PAYABLE BALANCES

Due to Other Funds	Due from Other Funds					Total
	General Fund	Nonmajor Governmental Funds	Major Enterprise Funds	Internal Service Funds	Fiduciary Funds	
General Fund	\$ -	\$ 3,481	\$ 106	\$ 9,174	\$ 23,491	\$ 36,252
Alaska Permanent Fund	856,644	-	-	-	-	856,644
Nonmajor						
Governmental Funds	21,514	-	-	-	-	21,514
International Airports	40,629	-	-	-	-	40,629
Unemployment Compensation	2,193	-	-	-	-	2,193
Nonmajor						
Enterprise Funds	1,992	-	-	-	-	1,992
Internal Service Funds	1,561	-	-	-	-	1,561
Fiduciary Funds	21,356	-	-	-	-	21,356
Other	28,720	218	9	(439)	4,599	33,107
Total	<u>\$974,609</u>	<u>\$ 3,699</u>	<u>\$ 115</u>	<u>\$ 8,735</u>	<u>\$ 28,090</u>	<u>\$ 1,015,248</u>

The \$856.6 million balance due from the Alaska Permanent Fund to the General Fund includes \$813.5 million for payment of 2009 Permanent Fund dividends to qualified residents of the State. The balance is for administrative and associated costs of the 2009 Permanent Dividend Program.

The majority of the “Other” due from Other Funds and due to Other Funds balances are attributable to FY 09 activity during the reappropriation period in July and August 2009 that caused the movement of cash balances between funds after June 30, 2009. The amounts reported as “Other” are reconciling amounts resulting from reporting differences for certain funds included in the fund financial statements at June 30, 2009.

INTERFUND TRANSFERS

Transfers From	Transfers to						Total
	General Fund	Nonmajor Governmental Funds	International Airports	Nonmajor Enterprise Funds	Internal Service Funds	Other	
General Fund	\$ -	\$ 49,042	\$ 3,334	\$ 13,795	\$ 14,079	\$ -	\$ 80,250
Alaska Permanent Fund	874,844	-	-	-	-	-	874,844
Nonmajor							
Governmental Funds	218	6,090	-	-	-	-	6,308
Unemployment Compensation	1,478	-	-	-	-	48	1,526
Nonmajor Enterprise Funds	1,453	-	-	19	-	-	1,472
Internal Service Funds	-	-	-	-	-	-	-
Fiduciary Funds	3,922	-	-	-	-	(3,922)	-
Other	17	-	-	(118)	-	101	-
Total	\$ 881,932	\$ 55,132	\$ 3,334	\$ 13,696	\$ 14,079	\$(3,773)	\$ 964,400

The general purpose for transfers is to move monies from funds required by statute to collect them to the funds required by statute or budget to expend them, to move receipts restricted to debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments come due, and transfer accumulated surpluses from “Other” funds to the General Fund. The transfer from Alaska Permanent Fund to the General Fund includes a \$874.8 million transfer for payment of the Permanent Fund dividends and for administrative and associated costs of the dividend program. The transfer from “Other” to the General Fund represents activity not reported as a transfer out primarily from Alaska International Airport System, an enterprise fund. The transfer from “Other” to enterprise funds represents the difference between what the Knik Arm Bridge and Toll Authority reported as a transfer in and what the General Fund reported as a transfer out. The transfer from the Unemployment Compensation Fund to “Other” represents the difference reported between the General Fund and the Unemployment Compensation Fund. The transfer from the fiduciary funds to “Other” represents activity to the General Fund not reported in the financial statements.

NOTE 11 – RELATED PARTY ACTIVITY

Beginning in September 2008 and ending in December 2008, Alaska Housing Finance Corporation’s (AHFC) subsidiary, the Alaska Housing Capital Corporation, implemented a program to temporarily purchase and hold certain variable-rate debt obligations of AHFC. Such obligations were purchased and sold via arm’s length, open-market transactions. The maximum amount of AHFC obligations held at any time by the Alaska Housing Capital Corporation totaled \$180,650,000 par value. As of June 30, 2009, no such obligations of the Corporation were held by the Alaska Housing Capital Corporation.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. SICK LEAVE

The cost of state employee sick leave is charged against agency appropriations when leave is used rather than when leave is earned. There is no recorded liability for sick leave in the financial records of the State. Accordingly, the statements in this report do not include an estimate of this obligation as either a liability or a reserve.

The estimated amount of unused accumulated sick leave as of June 30, 2009, is \$27,343 thousand. This amount was calculated using the base pay on file for each employee as of June 30, 2009. It does not include an estimate of the cost of fringe benefits (supplemental benefits, retirement, group insurance, etc.) which can vary depending on the status of the employee when leave is taken.

B. SCHOOL DEBT

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

Although the statute provides that the State may reimburse school districts 60, 70, 80, 90, or 100 percent of construction costs, the actual funding for the program is dependent on annual legislative appropriations to the school construction account. When amounts in the account are insufficient, the available funds are allocated pro rata among the eligible school districts. There is no contractual commitment by the State to make these payments. The amount for FY 09 expended for school debt was \$93,394 thousand, which was 100 percent of the entitlement. The total debt requirement, assuming the State makes full payment of its share of school debt service, would be approximately \$1,276,120 thousand. The State has in the past and may in the future appropriate less than the full amount to which the municipalities are entitled under statute.

C. RISK MANAGEMENT AND SELF-INSURANCE

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

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

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

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

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

Additional specialty coverage includes blanket public employee faithful performance and custom bonding, accidental death and disability (including medical expenses) for volunteers, computer fraud, and foreign liability, etc. These insurance

programs continually evolve, responding to new activities and special projects undertaken by each state agency. The State has not incurred a loss in excess of its insurance program.

In FY 09, the State completely self-insured all statutory workers' compensation claims, general (premises and operations) and professional liability, and automobile liability. The State had Self-Insured Retention (SIR) levels of \$1 million per claim for property and marine risks, and \$250 thousand per incident for airport and aviation liability exposures. Limits of excess insurance vary by risk: \$50 million per occurrence for marine, \$100 million for property, and \$500 million for aviation.

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

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

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

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

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

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

The table below presents changes in policy claim liabilities for the fiscal years ending June 30, 2008, and June 30, 2009. The state records its related liability using discounted amounts provided by actuaries. The amount of unpaid claim liabilities for Risk Management is presented at their present value using a 3.5 percent discount interest rate for FY 08 and a 3.5 percent discount interest rate for FY 09. Claims payment amounts include allocated loss adjustment expenses (legal and adjusting).

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
2008	\$ 65,098,430	\$ 24,091,348	\$ (31,887,028)	\$ 57,302,750
2009	57,302,750	38,970,882	(33,115,226)	63,158,406

D. LITIGATION

The State is involved in a number of legal actions. The Department of Law estimates the probable maximum liability for the cases associated with the governmental fund types to be approximately \$72,966 thousand, with an additional possible liability of \$15,981 thousand. The probable loss amount has been reported as long-term debt obligations.

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

E. FEDERAL GRANTS

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

F. DISASTER RELIEF FUND

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

G. FUTURE LOAN COMMITMENTS

As of June 30, 2009, the Alaska Clean Water and the Alaska Drinking Water Funds are committed to funding loans for which they have entered into agreements for communities but funds have not yet been disbursed. The total amounts to be disbursed under these agreements is uncertain as not all of the loans are expected to be fully drawn and some loans may increase with changes in scope of the underlying projects; accordingly, they are not included in the financial statements for these funds.

At June 30, 2009, the Alaska Energy Authority had open loan commitments of \$12,253 thousand.

At June 30, 2009, the Alaska Industrial Development and Export Authority (AIDEA) had extended loan commitments of \$20,151 thousand and loan guarantees of \$768 thousand. Under an agreement dated August 2009, AIDEA agreed to sell the Healy Project to Tri-VEC for \$50 million, finance the sale, and loan up to an additional \$45 million to refurbish, put into operation, and integrate the Healy Project into Golden Valley Electric Association's system.

In addition, AIDEA has legislative authorization to guarantee loans made to the Alaska Insurance Guarantee Association (AIGA). The AIGA pays, from assessments to member insurers, the claims of insurance companies put into liquidation by insurance regulators. Any guarantee is limited to loans necessary to make the AIGA financially able to meet cash flow needs up to a maximum outstanding principal balance at anytime of \$30,000 thousand. No loans have been made pursuant to this authorization.

H. INVESTMENT COMMITMENTS

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

Investment Type/Term	Amounts in thousands			
	PERS	TRS	JRS	NMRS
Domestic Equity Limited Partnerships Withdrawn annually in December with 90-days notice.	\$ 32,445	\$ 14,221	\$ 395	\$ 112
Limited Partnership To be paid through 2019.	604,482	265,052	5,513	-
To be paid through 2018.	35,435	15,545	20	-
Real Estate Investment To be paid through 2018.	157,952	69,056	2,339	-
	<u>\$830,314</u>	<u>\$363,874</u>	<u>\$8,267</u>	<u>\$ 112</u>

I. POLLUTION REMEDIATION

Governmental Accounting Standards Board Statement (GASBS) 49 provides guidance for state and local governments in estimating and reporting the potential costs of pollution remediation. While GASBS 49 does not require the state to search for pollution, it does require the state to reasonably estimate and report a remediation liability when an obligating event occurs.

The State has the knowledge and expertise to estimate the remediation obligations presented in the statements based on prior experience in identifying and funding similar remediation activities. The standard requires the State to calculate pollution remediation liabilities using the expected cash flow technique. Where the State cannot reasonably estimate a pollution remediation obligation, it does not report a liability. This has occurred within two funds.

The Alaska Mental Health Trust Authority (AMHTA) has been notified by State agencies of possible obligations for pollution remediation activities on specifically identified parcels of AMHTA lands. There are several sites used by previous parties that require environmental review, subsequent remedial investigations and feasibility study and remediation and restoration of the sites. AMHTA intends to seek reimbursement of pollution remediation costs from responsible parties and any remaining costs will be recognized by the Trust. While an obligating event, as defined by GASBS 49 has occurred, no liability has been recognized as the AMHTA does not have sufficient information to reasonably estimate the amount at this time.

The University of Alaska received a potentially responsible party letter from the Alaska Department of Environmental Conservation in August of 2006. The letter identified the University of Alaska as one of the potential parties that may be responsible for cleanup of costs of soil contamination found during a water line improvement project next to Northwest Campus property. The extent of the contamination source, the number of potentially responsible parties, and remediation costs are being assessed but the outcome is unknown.

The remediation obligation estimates that appear in this report are subject to change over time. Cost may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulations or other factors. Prospective recoveries from responsible parties may reduce the State's obligation.

At July 1, 2008 the General Fund had pollution remediation obligations of \$48,739 thousand. As of June 30, 2009, the state had no increase to the obligation and recognized a decrease of \$5,609 thousand in pollution remediation obligation related activities. The state has an estimated potential recovery of \$9,518.5 thousand from other responsible parties.

The International Airports Fund (IAF) reported pollution remediation liabilities of \$1,518 thousand for which IAF is in whole or in part a responsible party. There were no increases or decreases incurred during the fiscal year, and no recoveries were determinable. The estimated liabilities were measured using the estimated mean of the future cash flows of costs and recovery associated with those sites, measured at current value.

At December 31, 2007, the Alaska Railroad Corporation had pollution remediation obligations of \$1,011 thousand. As of December 31, 2008, the Alaska Railroad Corporation had additional obligations of \$1,948 thousand and reductions in obligations of \$798 thousand, for an ending liability of \$2,161 thousand. The Alaska Railroad Corporation estimated the liability for pollution remediation by estimating a reasonable range of potential outlays and multiplying those outlays by the probability of occurring reduced by the allocation of liability to other potentially responsible parties where applicable. The liabilities of these sites could change over time due to changes in costs of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation efforts.

Implementation of GASBS 49 required restatement of prior year liabilities and unrestricted net assets. See Note 3 for additional information.

NOTE 13 – SUBSEQUENT EVENTS

A. ALASKA MUNICIPAL BOND BANK AUTHORITY

Subsequent to June 30, 2009, the Alaska Municipal Bond Bank Authority approved loans to the communities of the City and Borough of Juneau in the Amount of \$12,758 thousand and the Kenai Peninsula Borough in the amount of \$4,960 thousand. Each of these loans is supported by a general obligation pledge of the community. The Alaska Municipal Bond Bank Authority bonds are scheduled to be issued in September 2009 and the loan should close in October 2009.

B. ALASKA CLEAN WATER FUND

Plans are in place to issue Series A Revenue Bond Anticipation Notes for FY 10 in an amount not to exceed \$1,000 thousand. Although this transaction has not yet been finalized, the issuance of the bonds is imminent. The borrowing is to be secured by interest earnings of the Alaska Clean Water Fund.

C. ALASKA DRINKING WATER FUND

Plans are in place to issue Series A Revenue Bond Anticipation Notes for FY 10 in an amount not to exceed \$1,660 thousand. Although this transaction has not yet been finalized, the issuance of the bonds is imminent. The borrowing is to be secured by interest earnings of the Alaska Drinking Water Fund.

D. ALASKA HOUSING FINANCE CORPORATION

On August 26, 2009, the Alaska Housing Finance Corporation (AHFC) issued \$161,740 thousand Home Mortgage Revenue Bonds, 2009 Series C and D. The bonds are general obligation bonds of AHFC. The Series C Bonds bear interest at fixed rates between .90 percent and 5.35 percent payable each June 1 and December 1 with a final maturity of December 1, 2039. The Series D Bonds bear interest at a floating rate payable each June 1 and December 1 with a final maturity of December 1, 2040. The 2009 Series Bonds are primarily secured by program obligations consisting of qualifying mortgage loans.

E. ALASKA STUDENT LOAN CORPORATION

On July 17, 2009, the Alaska Student Loan Corporation (ASLC) entered into a Trust and Loan Agreement with the State's Department of Revenue (acting on behalf of the State). The Loan Agreement provides up to \$100 million to ASLC for the purpose of financing education loans. The loan is a four-year bullet loan accruing interest on the outstanding principal amount from the date of each draw using a variable rate of interest equal to the most recent rolling five-year average return on the State's General Fund. The initial interest rate commencing upon the first draw will be 4.29 percent. The interest rate will be reset annually in July. Interest is payable semi-annually in January and July. ASLC has the right to repay the loan, in whole or in part, at any time, without penalty or premium.

The Trust Agreement was entered into to secure payment of the loan. It requires that the trust be capitalized with \$5 million in cash prior to the first loan draw. In addition, loan proceeds drawn are to be deposited in the trust until education loans are originated. Education loans originated with loan proceeds, payments received on those loans, and earnings on pledged assets are all pledged to the Trust.

When the loan is paid in full and there are no other obligations outstanding with respect to the loan, the Loan and Trust Agreements will be cancelled and the assets held in the Trust, if any, will be released to ASLC.

F. PENSION CLAIMS ADMINISTRATION

During the fiscal year 2009, the Department of Administration, Division of Retirement and Benefits issued a request for proposal for claims administration. The contract for the third party administrator for claims payments was awarded to Wells Fargo Insurance Services (Wells Fargo). Wells Fargo began claims administration on July 1, 2009. To initiate claims payment on July 1, 2009, the Public Employees' Retirement System, Teachers' Retirement System, Judicial Retirement System, Retiree Health Fund, and Group Health and Life Fund each transferred an amount as an initial deposit with Wells Fargo. The following deposits were made and classified as other assets on the statement of net assets:

Public Employees' Retirement System	\$ 2,815,358
Teachers' Retirement System	984,038
Judicial Retirement System	8,499
Retiree Health Fund	351,455
Group Health and Life Fund	840,649

(Intentionally left blank)

REQUIRED
SUPPLEMENTARY INFORMATION

STATE OF ALASKA
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2009

STATEMENT 2.01

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Unrestricted:				
Taxes	\$ 4,869,737	\$ 4,870,453	\$ 4,981,803	\$ (111,350)
Licenses and Permits	122,665	126,775	113,988	12,787
Charges for Services	173,308	178,680	175,723	2,957
Fines and Forfeitures	16,026	16,036	13,678	2,358
Rents and Royalties	2,045,903	2,047,142	1,582,288	464,854
Premiums and Contributions	351	369	16,595	(16,226)
Interest and Investment Income	763,080	763,161	(145,218)	908,379
Payments In from Component Units	440	440	440	-
Other Revenues	18,739	18,784	22,960	(4,176)
Restricted:				
Federal Grants in Aid	6,319,086	7,264,545	1,985,216	5,279,329
Interagency	638,561	1,046,763	556,668	490,095
Payments In from Component Units	91,888	91,890	25,952	65,938
Other Revenues	967	967	1,303	(336)
Total Revenues	<u>15,060,751</u>	<u>16,426,005</u>	<u>9,331,396</u>	<u>7,094,609</u>
EXPENDITURES				
Current:				
General Government	1,469,597	949,854	656,202	293,652
Alaska Permanent Fund Dividend/Resource Rebate	1,266,040	2,023,006	2,015,974	7,032
Education	964,899	2,042,500	1,885,434	157,066
University	534,553	657,412	409,072	248,340
Health and Human Services	2,772,068	2,788,235	2,224,461	563,774
Law and Justice	249,953	267,801	234,987	32,814
Public Protection	925,605	1,005,949	840,978	164,971
Natural Resources	554,719	613,068	354,366	258,702
Development	727,575	940,677	545,223	395,454
Transportation	5,705,265	6,460,993	2,043,012	4,417,981
Intergovernmental Revenue Sharing	220,493	235,670	234,927	743
Debt Service:				
Principal	7,765	7,765	5,906	1,859
Interest and Other Charges	2,461	2,461	2,461	-
Total Expenditures	<u>15,400,993</u>	<u>17,995,391</u>	<u>11,453,003</u>	<u>6,542,388</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(340,242)</u>	<u>(1,569,386)</u>	<u>(2,121,607)</u>	<u>552,221</u>
OTHER FINANCING SOURCES (USES)				
Transfers In from Other Funds	3,686,521	4,123,059	4,083,586	39,473
Transfers (Out to) Other Funds	(2,840,957)	(3,277,495)	(3,277,495)	-
Total Other Financing Sources and Uses	<u>845,564</u>	<u>845,564</u>	<u>806,091</u>	<u>39,473</u>
Excess (Deficiency) of Revenues, Other Financing Sources, Special Items, Over (Under) Expenditures, Other Financing Uses and Special Items, Budgetary Basis	<u>\$ 505,322</u>	<u>\$ (723,822)</u>	<u>(1,315,516)</u>	<u>\$ 591,694</u>
RECONCILIATION OF BUDGETARY/ GAAP REPORTING:				
Adjust Expenditures for Encumbrances Basis Difference			<u>1,716,194</u> <u>(690,722)</u>	
Excess (Deficiency) of Revenues, GAAP Basis			(290,044)	
Fund Balances - Beginning of Year			14,616,466	
Prior Period Adjustment			<u>(2,186)</u>	
Fund Balances - End of Year			<u>\$ 14,324,236</u>	

**Note to Required Supplementary Information – Budgetary Reporting
For the Fiscal Year Ended June 30, 2009**

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

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

The types of differences are as follows:

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

Petroleum Severance Taxes and Royalties	\$ (692,864)
Medical Assistance Program	2,580
Working Reserve	(385)
Tobacco Tax	(945)
Alcohol Tax	591
Tire Tax	(9)
Vehicle Rental Tax	(502)
Commercial Passenger Vessel Excise Tax	812
Total General Fund Basis Difference	\$ (690,722)

(Intentionally left blank)

SECTION II – RECOMMENDATIONS AND QUESTIONED COSTS

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 09 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 Administration, Information System Controls Over Alaska Data Enterprise Reporting (ALDER), January 4, 2008.* Audit Control Number 02-10005-08.
5. *A Report on the Department of Administration, Governance Framework for Selected Information System Security Controls, July 15, 2008.* Audit Control Number 02-30046A-08.
6. *A Report on the Department of Administration, Follow-up of Information System Controls over Alaska Data Enterprise Reporting (ALDER), November 6, 2009.* Audit Control Number 02-10006-09

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 09 statewide single audit objectives. Copies of the management letters may be obtained directly from the state corporations and the University of Alaska.

SUMMARY OF RECOMMENDATIONS
For FY 09

-----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						1
DOLaw						
DOR		2				
DEED					3	
DHSS		5		4, 5, 14, 16, 17	5, 6, 7, 9, 10, 11, 12, 13, 14, 15,	8, 18
DLWD				19	19	
DCCED						
DMVA						
DNR						
DFG				20	20	
DPS						21
DEC						
DOC						22
DOTPF						23
Court System						
Component Units					24, 25	

(Intentionally left blank)

Findings and Recommendations

Table of Contents

Office of the Governor.....	II – 7
Department of Administration.....	II – 9
Department of Law	II – 13
Department of Revenue	II – 15
Department of Education and Early Development.....	II – 23
Department of Health and Social Services	II – 27
Department of Labor and Workforce Development.....	II – 63
Department of Commerce, Community and Economic Development.....	II – 67
Department of Military and Veterans’ Affairs	II – 69
Department of Natural Resources.....	II – 71
Department of Fish and Game.....	II – 73
Department of Public Safety.....	II – 79
Department of Environmental Conservation	II – 83
Department of Corrections	II – 85
Department of Transportation and Public Facilities.....	II – 91
Alaska Court System	II – 95
Component Units.....	II – 97

(Intentionally left blank)

OFFICE OF THE GOVERNOR

No recommendations were made to the Office of the Governor in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2008*.

No new recommendations have been made during the FY 09 statewide single audit.

(Intentionally left blank)

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, 2008*. Prior year Recommendation No. 1 is not resolved and is reiterated in this report as Recommendation No. 1.

No new recommendations have been made during the FY 09 statewide single audit.

(Intentionally left blank)

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

While some progress was made during FY 08, the asset tracking system used by ETS did not accurately track and value ISF's capital assets. Specifically, the capital asset tracking system did not:

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

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

Generally accepted accounting practices require capital assets to be reported at historical cost. They also require ISF to operate on a cost reimbursement basis, including recovering the cost of capital assets. Not maintaining accurate and complete records of ISF's assets limits the State's ability to accurately report capital assets in the financial statements.

Legislative Audit's Current Position

The methodology and procedures for tracking capital assets remains unchanged for FY 09. As stated above, the current system does not provide for complete and accurate asset valuation.

However, ETS indicates they are taking steps to address this finding. ETS has completed the development of a tracking system which allocates time spent on development and implementation of an asset. Additionally, in September 2009 (FY 10), ETS conducted a survey of divisions within DOA to identify program specifications for an asset tracking system. Based on the results of the survey, ETS intends to purchase a software system that will best fit the asset tracking needs of all of the divisions within the department.

We recommend the director of ETS continue to implement procedures to properly account for ISF capital assets to ensure accurate financial reporting.

Agency Response – Department of Administration

The Department of Administration (DOA) concurs with this recommendation. ETS is currently working with a contractor to develop a Software Requirements Specification (SRS) based on clearly articulated business needs of three Department of Administration divisions, Division of General Services (DGS), Enterprise Technology Services (ETS), and the Division of Administrative Services (DAS).

The SRS and associated Requirements Traceability Matrix are currently under internal review by project stakeholders and key users of any Asset Management solution that will be implemented. Review and final editing of the SRS and Traceability matrix are expected to be finalized in March 2010. This is a slight delay from the original project schedule due to competing demands on resources.

Procurement of an Asset Management solution, based on an approved SRS and Traceability Matrix, will begin in April 2010 when a request for a quote will be issued to IBM and CA (formerly known as Computer Associates), with an anticipated implementation in the summer of 2010. If neither vendor has a solution that can meet the requirements outlined in the SRS, a formal procurement using the Request For Proposal (RFP) process will be initiated for a custom software solution. This three-to-six month RFP process, if needed, will potentially delay implementation unit late fall, 2010.

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

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, 2008*.

No new recommendations have been made during the FY 09 statewide single audit.

(Intentionally left blank)

DEPARTMENT OF REVENUE

One recommendation was made to the Department of Revenue (DOR) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2008*. Prior recommendation No. 2 is not resolved and is reiterated in this report as Recommendation No. 2.

No new recommendations have been made during the FY 09 statewide single audit.

(Intentionally left blank)

Recommendation No. 2

The Department of Revenue's (DOR) commissioner should ensure that the Tax Division implements controls to improve its accountability for the recording, monitoring, and auditing of severance tax revenues.

Prior Finding

The prior year audit reported poor controls over the recording, monitoring, and auditing of severance tax revenues. Specifically:

- 1) Taxpayers' annual returns were not correctly reconciled by division staff.
- 2) Division staff posted \$1.3 million in the wrong AKSAS account, and the error was not subsequently detected through regular procedures.
- 3) Division staff lacked written standards, procedures, and oversight regarding their audit responsibilities; and,
- 4) A poor system was developed and utilized for tracking tax credit certificates.

Legislative Audit's Current Position

DOR's Tax Division internal controls over the recording, monitoring, and auditing of severance tax revenues continued to decline in FY 09. The division did improve its tax credit certificate system in FY 09. However, the division staff report they will be developing a new system for FY 10 because the State does not support the current software utilized.

The division has not implemented and enforced adequate controls (standards, policies, procedures, and processes) to ensure the proper recording, monitoring, and auditing of severance taxes. This year's review of the division's accounting and auditing of severance taxes show the division continues to struggle in developing and implementing adequate controls over its processes.

Title 43 of the Alaska Statutes gives DOR the authority to collect tax revenues for the State and to ascertain the correctness of such revenues. Additionally, management is responsible for establishing and maintaining internal controls that provide reasonable assurance regarding the reliability of financial reporting, the effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Since the passage of PPT¹ and ACES² legislation, management failed to ensure that the division's internal controls (policies, procedures, and processes) were still in place and working effectively.

The following are deficiencies noted during our FY 09 audit work:

¹Petroleum Profits Tax.

²Alaska's Clear and Equitable Share.

- An ELF³ tax audit was performed by an inexperienced auditor but was not adequately reviewed by a technically qualified supervisor.
- When negotiating a time extension with a taxpayer for the 2004/2005 ELF audit, a tax division auditor verbally agreed to a modification of the time period under review and the application of 15 AAC 55 for the 2006 ELF audit. This agreement was not documented nor approved by either DOR management or the Department of Law.
- The division fails to document the review and approval of annual tax return refunds.
- The division continues to conduct ELF audits without developing and using auditing standards.
- No mandatory, standardized summary or detailed tax forms for ACES have been developed for taxpayers.
- Untimely initial review and reconciliation of tax returns are resulting in failure to identify returns which are incomplete or contain gross miscalculations or errors.
- Taxpayer payments are not correctly reconciled with the state accounting system.
- Management provided insufficient supervision for ensuring staff compliance with statutes, regulations, policies, procedures, or management decisions.
- No documented procedures are in place to monitor and to ensure taxpayer compliance with court and regulatory decisions affecting severance taxes owed the State.

Action is needed to improve the internal controls over severance tax revenues. Specifically, written policies, procedures, and standards should be developed and implemented to improve the accountability over the proper recording, monitoring, and auditing of severance tax revenues. Although documentation of policies and procedures is a rudimentary step to developing and implementing internal controls, it is a significant step for improving the division's control environment. Documented procedures for employees to follow will help provide assurance about the consistency and accuracy of the revenues received, recorded, audited, and reported.

Severance taxes, totaling approximately \$3.3 billion in FY 09, are a significant source of revenue for the State of Alaska. There is a potential for loss of revenues if insufficient action is taken by management to improve its control environment. Loss of revenues may result from untimely and unchecked taxpayer returns; poorly conducted tax audits; and lawsuits due to inconsistent treatment of tax issues or taxpayers. Additionally, revenues will be inaccurately reported if they are not properly reconciled and recorded in the state accounting

³Economic Limit Factor

system. Other issues may include non-compliance with statutes and regulations by taxpayers, and a loss of employee productivity.

Management is responsible for the reliability of financial reporting, the effectiveness and efficiency of operations, and compliance with applicable laws and regulations. We recommend that the commissioner of DOR take action to ensure management fulfills their responsibilities and obligations to the State for the proper accounting, reporting, and auditing of severance tax revenues.

Agency Response – Department of Revenue

Item 1: *An ELF audit was performed by an inexperienced auditor but was not adequately reviewed by a technically qualified supervisor.*

Response: *We disagree in part and agree in part. The audit in question was largely conducted under the supervision of a highly experienced individual who retired two months prior to the audit assessment. However, at the time of that supervisor’s departure, the audit fieldwork was not complete and sufficient handover did not occur. Therefore, while the majority of the audit was performed with a high level of oversight and supervision, the tail end of the audit process lost the supervisory oversight when a supervisor retired. The new supervisor is now working with the lead auditors to develop timelines for audit completion in order to allow the supervisor, audit master and director adequate time for review. Staff has been instructed to clearly document audit procedures and, during the audit process, the supervisor and audit master will meet with staff regularly to discuss audit progress and emerging issues. To develop staff, peer review has been added to the audit process for less complex audits and for all tax credit certificates processes. Procedures for peer reviews and supervisor reviews are clearly documented and retained as part of the general audit file. As staff gains experience with the oil and gas production tax, peer reviews will also be conducted on the most complex audits.*

Item 2: *When negotiating a time extension with a taxpayer for the 2004/2005 ELF audit, a tax division auditor verbally agreed to a modification of the timer period under review and the application of 15 AAC 55 for the 2006 audit. This agreement was not documented or approved by either DOR management or the Department of Law.*

Response: *We do not know of any inappropriate “agreement” between our auditor staff and a taxpayer. In the conduct of audits, our auditors make judgments about the reasonableness of costs and deductions as required by law, and incorporate those judgments into their final audit results. Those judgments are not “agreements” but are rather decision points. We require auditors to document in their review notes all meetings with taxpayers during the conduct of an audit, thereby summarizing all discussions, action items, and proposals. Such documentation includes items discussed; items where the taxpayer agrees or disagrees with the auditor’s judgments; and items for follow-up. Audit management reviews the results of discussions to determine if requested courses of action require further approvals. We agree*

that any resolutions of items that are to be binding upon the department, verbal or otherwise, should have the appropriate management and legal review and approval.

Item 3: *The division fails to document the review and approval of annual tax return refunds.*

Response: We believe this finding is in reference to the documentation of the true-ups for the production tax filings for 2008 calendar year. The refund requests were reviewed by the Audit Master, but appropriate documentation did not occur due to supervisory turnover in the Production Tax Audit group. We have updated our tax true-up process with a checklist of specific procedures to be used in the review of all tax true-ups, regardless of whether a refund or additional payment is due. This process is not intended to take the place of an audit but will allow the department to gain some assurance on the mathematical correctness of the filings and to detect any obvious errors. Auditors perform the annual tax return reviews. After proper review, written approvals for refunds are made by the supervisor, audit master and director. Likewise, annual tax returns that result in additional tax being paid are reviewed for correctness by staff. Taxpayers who owe additional tax are notified in writing.

Item 4: *The division continues to conduct ELF audits without developing and using auditing standards.*

Response: We disagree. The standards to conduct ELF audits have been in place for many years. Management is committed to ensuring that staff is following the procedures and adhering to documentation standards which provide sufficient evidence to substantiate audit conclusions.

Item 5: *No mandatory, standardized summary or detailed tax forms for ACES have been developed for taxpayers.*

Response: After conducting workshops with the affected taxpayers throughout 2008, a 55 page Excel based production tax return has been developed and provided to taxpayers for final public comment in December 2009. Because of the complexity of the production tax calculation, a large form is required, and Management has been working closely with industry to ensure that their database systems will be able to produce the data necessary to supply the correct data for the state forms. In addition, development of the form has necessarily had to lag completion of the regulations implementing key elements of the new tax structure. Those regulations are expected to be completed by mid 2010. Taxpayers recently requested that the form, in its entirety, not be mandatory for the filing due March 31, 2010. The Department decided that the summary page of the form will be the only mandatory portion for the next annual filing in March 2010. Beginning with the 2010 annual return, to be filed March 31, 2011, the Division's complete form will be mandatory for all taxpayers.

Other forms for ACES have been developed and are mandatory, including forms to apply for and transfer credits, to apply for cash purchase of credits, and the monthly information report.

Item 6: *Untimely initial review and reconciliation of tax returns are resulting in failure to identify returns which are incomplete or contain gross miscalculations or errors.*

Response: We have updated our process with a checklist of specific procedures to review all tax true-ups, regardless of whether a refund or additional payment is due. This process is not intended to take the place of an audit but it will allow the department to get some assurance on the mathematical correctness of the filings and to detect any obvious errors.

Item 7: *Taxpayer payments are not correctly reconciled with the state accounting system.*

Response: The in-take, processing and payment reconciliation of oil and gas production taxes is currently an entirely manual system. All payments must be manually reconciled to tax returns as well as the state accounting system. Although it may appear that tax payments are not correctly reconciled, all tax payments are initially recorded as oil and gas production tax payments and then are manually reconciled to ensure that the payments are deposited into the proper revenue pool, i.e. oil tax, gas tax, gas surcharges, etc. Again, this is a manual process and, therefore, the risk of human error is great. The Tax Division has repeatedly requested funding to develop a revenue tax management system which would automate and streamline the reconciliation process. To date, funding has not been provided. Therefore, we will continue with our manual processes and do our best to avoid human error.

Item 8: *Management provided insufficient oversight to ensure compliance with statutes, regulations, policies, procedures, or management decisions.*

Response: We disagree. Management continually communicates with staff on these matters via meetings and emails, and has discussions about the proper application of statutes and regulations. In addition, the Division is currently auditing tax returns under three different taxing schemes: ELF, PPT, and ACES. Management will and does ensure that staff adheres to regulations, policies, procedures and management decisions as they are made. To the extent that this item is addressing the supervisory staffing levels and capacity to supervise fully all activities of the junior auditors, we agree that changes to the state pay structure for senior and supervisory production tax auditor positions would improve the Department's ability to recruit and retain senior auditors in order to broaden the scope of oversight.

Item 9: *No documented procedures are in place to monitor and ensure compliance by taxpayers with court and regulatory decisions affecting severance taxes owed the State.*

Response: We disagree. The core purpose of our audits is "to monitor and ensure compliance by taxpayers with court and regulatory decisions affecting severance taxes owed the State". To the extent this item is a statement of concern that changes in legal standards be communicated with audit staff, the Department has, with the assistance from Department of Law, procedures in place to monitor the decisions of courts and regulatory agencies that

affect production taxes owed the state, and has regular communications with audit staff in meetings and via email regarding such changes in law.

The bulk of the findings in the audit report are attributable to:

- staff turnover, particularly at the supervisory level;*
- the inability to recruit senior level auditors at current pay levels, despite intensive recruitment efforts over the last two years; this means (1) less experienced auditors are working major audits, and (2) supervisors are having to spend time conducting complex audits, instead of using that time to supervise and developing audit manuals; and*
- lack of automated tax processing systems to manage and share information; this dramatically increases the amount of time needed to complete audits and review returns, and thus, siphons resources away from program development.*

As junior auditors in the Production Tax Audit Group gain experience, they will be able to take on more complex and higher volume audit work. This should relieve the some of the resource strain, provided these auditors continue working for the Department once they reach senior levels. Over the last three years, great efforts have been made by the Department to obtain an automated tax processing system to manage and share information, but funding for this project has not yet been forthcoming. The management letter alleges that internal controls “continued to decline.” That statement reflects a fundamental misunderstanding of the Department’s current situation as it implies that a system was in place and has begun to fall apart. The Production Tax Audit group is operating under 3 different tax regimes (ELF, PPT and ACES), the two most recent of which (PPT and ACES) are dramatically different from the oldest regime. Thus, the Tax Division is building programs from the ground up to process and audit the PPT and ACES filings, and these processes include the incorporation of new regulations (not yet fully complete), control protocols, and data management (on existing 100% manually maintained and operated systems). The fact that the Department has not had the time, tools, or personnel resources to complete the creation and development of these programs is not decline, but rather a program build up in progress but not yet complete.

*Contact Person: Ginger Blaisdell, Director
 Administrative Services Division
 Telephone: (907) 465-2312*

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, 2008*.

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

(Intentionally left blank)

Recommendation No. 3

The Department of Education and Early Development's (DEED) director of Teaching and Learning Support should improve review procedures for Title II, Part A allocations to school districts to ensure compliance with federal requirements.

The distribution of FY 09 Title II, Part A funding was inaccurate for all school districts. DEED's allocation methodology reversed the allocations based on population and poverty percentages. This was likely due to inconsistent formatting in the allocation spreadsheet.

In Section 2121(a)(3) of the Elementary and Secondary Education Act, 20 USC 6621(a)(2)(C)(3), federal requirements concerning the allocation of additional funds state:

For any fiscal year for which the funds reserved by a State under section 2113(a)(1) exceed the total amount required to make allocations under paragraph (2), the State educational agency shall allocate to each of the eligible local educational agencies in the State the sum of-

"(A) an amount that bears the same relationship to 20 percent of the excess amount as the number of individuals age 5 through 17 in the geographic area served by the agency, as determined by the Secretary on the basis of the most recent satisfactory data, bears to the number of those individuals in the geographic areas served by all the local educational agencies in the State, as so determined; and

"(B) an amount that bears the same relationship to 80 percent of the excess amount as the number of individuals age 5 through 17 from families with incomes below the poverty line in the geographic area served by the agency, as determined by the Secretary on the basis of the most recent satisfactory data, bears to the number of those individuals in the geographic areas served by all the local educational agencies in the State, as so determined.

Essentially, excess funds are to be distributed to school districts with 80% of the allocation based on the poverty rate and 20% of the allocation based on population. In FY 09, DEED allocated the excess funds with 20% based on the poverty rate and 80% based on population.

The incorrect amounts received by the districts under CFDA 84.367, Improving Teacher Quality, resulted in noncompliance with program requirements. More specifically, while all school districts received inaccurate amounts, three school districts received amounts \$25,000 or more in excess of their eligible allocations, and four school districts received at least \$25,000 less than the amount for which they were eligible.

We recommend DEED improve its review procedures and take necessary action to ensure the spreadsheet is accurately completed. We also recommend that the error be remedied by

adjusting the FY 10 allocation so that, as a whole, the FY 09 and FY 10 allocations accurately reflect 80% allocated based on poverty and 20% allocated based on population.

CFDA: 84.367

Questioned Costs: None

Federal Agency: USDOE

Noncompliance

Eligibility

Agency Response – Department of Education and Early Development

The department agrees with recommendation No. 3 and is in the process of revising and strengthening our procedures to ensure that all allocation to school districts under Title II, Part A are in compliance with federal requirements. In addition, the department has reviewed the Title II, Part A allocation worksheet to see that it is functioning properly to ensure that 80 percent of the allocation is based on the poverty rate and 20 percent of the allocation is based on population, as per federal requirements. Furthermore, the department has corrected both the FY2009 and FY2010 allocations. School districts were notified in October 2009 of their final adjusted FY2010 allocation, which included the net change in the FY2009 and FY2010 allocations.

*Contact Person: Anna Kim, Director
Administrative Services Division
Telephone: (907) 465-2875*

DEPARTMENT OF HEALTH AND SOCIAL SERVICES

Thirteen 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, 2008*. Prior year Recommendation Nos. 7, 9, 10, 12, 13, 14, and 15 have been resolved. Prior year Recommendation Nos. 3, 4, 6, and 8 have not been resolved and are reiterated in this report as Recommendation Nos. 4, 5, 6, and 14 respectively. Additionally, prior year Recommendation Nos. 5 and 11 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.

Furthermore, 11 new recommendations have been made and are included as Recommendation Nos. 7, 8, 9, 10, 11, 12, 13, 15, 16, 17, and 18.

(Intentionally left blank)

Recommendation No. 4

The Department of Health and Social Services' (DHSS) assistant commissioner should develop adequate controls to ensure the data entered into Maximus Cost Allocation and Rate System (MAXCARS) is accurate and complete.

Prior Finding

The controls over the data entered in MAXCARS are inadequate. Expenditures, statistics, and adjustments entered into the system are neither accurate nor complete. The review process of the information entered into MAXCARS is inadequate. All DHSS federal program-related expenditures are processed through MAXCARS. These expenditures are used to report activity to federal agencies and to collect federal revenue. We could not obtain sufficient evidence to determine the extent of misreporting, inaccurate federal billings, and inaccurate allocation of indirect expenditures.

Legislative Audit's Current Position

While DHSS has made some progress in resolving these matters, the internal controls over data input in MAXCARS are not yet adequate. DHSS is responsible for administering a multitude of programs (federal and state) requiring a complicated cost allocation process to appropriately distribute expenditures, especially indirect costs. However, expenditures, adjustments, and methodologies for the entire department are input into MAXCARS by a single individual whose work is not reviewed. The quarterly statistics are input by program managers and reviewed by revenue unit personnel. However, the review is not sufficient to prevent or detect all significant errors. Finally, the internal control procedures have not been fully developed nor documented.

During FY 09, the control weaknesses resulted in the following:

- Expenditures were incorrectly allocated to various programs due to inadequate internal controls over access to MAXCARS. (See Recommendation No. 13.)
- Expenditures were processed using methodologies that were not in accordance with the Public Assistance Cost Allocation Plan (PACAP). (See Recommendation Nos. 10 and 12.)
- Expenditures were over-claimed due to the poor controls in the adjustment process for MAXCARS data. (See Recommendation No. 11.)

The control weaknesses continue in the current year as additional time is necessary to implement adequate controls over the information entered into MAXCARS. Specifically, there is a need for additional staff training and more effective oversight of accurate data input.

The federal government requires states to be responsible for the efficient and effective administration of federal awards through the application of sound management practices (OMB Circular A-87). We recommend the DHSS assistant commissioner continue to assess federal expenditure and revenue identification processes, establish and document controls over the accuracy and completeness of MAXCARS data, and provide necessary staff training.

CFDA: 10.561, 93.558, 93.767, 93.778
Questioned Costs: None

Federal Agency: USDA, USDHHS
Significant Deficiency
Allowable Costs, Cash Management,
Reporting

Agency Response – Department of Health and Social Services

The department concurs with this recommendation.

DHSS acknowledges that double review processes implemented in FY09 were not fully sufficient to identify or prevent errors in the data entered into MAXCARS. The Accountant V hired to manage the Revenue Unit in late June 2009 quickly identified this control deficiency and began researching solutions. In October 2009, the Revenue Unit Manager began working with Maximus to identify solutions within the software application. As a result, in late FY10, DHSS will move to importing statistics into MAXCARS via an Excel spreadsheet template designed to limit data entry errors by division staff. This new method will strengthen internal controls further by limiting user access to the MAXCARS live data environment and the potential modification of data stored there.

The Revenue Unit Manager began a review of the work performed by the cost allocation accountant responsible for maintaining MAXCARS and continues to review the quarterly cost allocation process to reinforce solutions to potential areas of weaknesses. As noted in the department's response to Recommendation #5, the implementation of new processes and procedures is iterative with extensive training required and full documentation at the end stage.

*Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630*

Recommendation No. 5

The DHSS assistant commissioner of Finance and Management Services (FMS) should design and implement internal controls over federal revenue collections.

Prior Finding

DHSS' process for billing federal grants-in-aid revenue was inadequate. With the implementation of MAXCARS, DHSS discontinued important processes previously used to ensure accuracy of federal revenue collections. DHSS' method of calculating earned revenue was outdated. The staff attempted to correct this process with a quarterly reconciliation of collected revenues to claimable expenditures calculated in MAXCARS. However, the reconciliation was ineffective because of control weaknesses in the reconciliation and cost allocation processes.

Legislative Audit's Current Position

In FY 09, DHSS' controls over the collection of federal grants-in-aid revenues continued to be inadequate. Processes and controls guiding revenue collections were not developed; policies and procedures have not been documented. To calculate federal reimbursement for allocated costs, DHSS relied on MS Excel spreadsheets last updated in FY 07. Quarterly reconciliations between draws and MAXCARS were unreliable because controls over data input into MAXCARS were inadequate.⁴ Additionally, DHSS collected and recorded into the state accounting system \$55 million of federal revenues without providing readily available documentation to support the amount.

In FY 09, DHSS underwent changes in FMS' top management and thereby improved stability in the department's operations. The new management assembled a revenue team responsible for establishing internal controls and processes over claiming and reporting of federal revenues. The revenue team represents a considerable increase in staff knowledge necessary to resolve the control deficiencies.

During the second half of FY 09, the revenue team reviewed and updated PACAP and MAXCARS as well as worked on creating ledger code (LC) structures in the state accounting system (AKSAS) that would allow DHSS to match federal revenues to expenditures. Based on management's evaluation of available personnel and anticipated changes in federal reporting requirements, management decided to focus primarily on creating LC structures⁵ rather than on developing and implementing essential internal controls. However, when basic internal control policies and procedures are not in place, creating new structures is a questionable priority considering the potential effect of errors.

⁴See Recommendation No. 4 for additional information.

⁵LC structures potentially increase transparency and efficiency of the agency operations.

The lack of essential internal controls may result in potential misstatement of federal revenue in the State’s Comprehensive Annual Financial Report, noncompliance with the federal cash management regulation, inaccurate collection of revenue by federal program, and misuse of the State’s General Fund (GF) for federally reimbursable expenditures.⁶

Generally accepted accounting principles require entities to adopt revenue accounting policies that appropriately recognize revenue as well as apply those policies consistently. Similarly, the federal government stipulates that states are responsible for the efficient and effective administration of federal awards through the application of sound management practices (OMB Circular A-87).

We recommend the DHSS assistant commissioner pursue the design and the implementation of processes and controls ensuring that revenue collections are adequately supported and reviewed.

CFDA: 10.561, 93.558, 93.767, 93.778
Questioned Costs: None

Federal Agency: USDA, USDHHS
Significant Deficiency, Noncompliance
Cash Management

Agency Response – Department of Health and Social Services

The department concurs with this recommendation.

DHSS has taken significant steps to strengthen controls around the department’s federal reporting and revenue collection activities. However there simply was not adequate time to achieve notable results within the period audited.

DHSS dedicated resources specifically to align, design and implement more efficient and effective revenue processes based on the recommendations of a consultant engaged to review cost allocation and revenue collection processes. The report was issued in February 2009 around the same time that the FY08 audit finding was reported. A qualified Accountant V was hired in late June 2009 to fill the long-term manager vacancy in the Revenue Unit. The Accountant V immediately began pursuing the design and implementation of processes and controls to ensure that federal revenue collections are being adequately supported and reviewed as noted in the audit recommendation.

Effective change management requires a process of incremental changes that allow employees to absorb and adopt new practices or tools to avoid setbacks in the longer term. DHSS is especially concerned with creating staff turnover and destabilizing the Revenue

⁶Furthermore, using an outdated FY 07 statistics to draw federal funds resulted in noncompliance with FY 09 Treasury State Agreement (TSA) for TANF administration, which should be collected based on “an estimated allocation derived from actual costs of the prior weekly period, distributed to the program according to the allocation statistics of the prior quarter” (FY 09 TSA).

Unit. The department's efforts are focused on sustainable processes and controls to correct deficiencies. DHSS expects these actions to have department-wide impact resulting in an iterative process of improvements over a period of time.

The focus on streamlining revenue processes, ensuring adequate controls and staff training began in late FY09, continue today and are expected to be on-going well into FY11.

*Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630*

Recommendation No. 6

The DHSS assistant commissioner should ensure that expenditures are supported by sufficient documentation.

Prior Finding

In FY 08, DHSS was not able to locate sufficient supporting documentation for three expenditure transactions with the net effect on expenditures of \$633,197. Because staff could not provide adequate support, we were unable to verify the allowability of the expenditures.

Legislative Audit's Current Position

In FY 09, DHSS was unable to locate sufficient supporting documentation for two expenditure transactions totaling \$380,825 (of which \$185,468 is the federal share). In one case, there is no supporting documentation, and for the other, the support is insufficient for determining if the expenditures are federally allowable. Staff said they did not maintain the documentation because they weren't aware that they were responsible for maintaining the support. As a result, \$185,468 in unsupported expenditures were charged to Food Stamps, Immunization Grants, Temporary Assistance for Needy Families (TANF), States Children Insurance Program, and Medicaid.

OMB Circular A-87 requires that costs must be adequately documented to be allowable under federal awards. Furthermore, 45 CFR 92.42 requires agencies receiving federal grant awards to retain all financial and programmatic records, and supporting documents that are reasonably considered pertinent to program regulations or the grant agreement for at least a three-year period.

We recommend the DHSS assistant commissioner ensure that expenditures are supported by sufficient documentation.

CFDA: 10.561
Questioned Costs: \$16,697
CFDA: 93.268
Questioned Costs: \$41,242
CFDA: 93.558
Questioned Costs: \$4,101
CFDA: 93.767
Questioned Costs: \$18,527
CFDA: 93.778
Questioned Costs: \$104,901

Federal Agency: USDA, USDHHS
Noncompliance
Allowable Costs

Agency Response – Department of Health and Social Services

DHSS concurs with this recommendation.

Research is underway to confirm the existence of additional documentation related to the expenditures identified as unsupported and charged to various federal programs.

Further, DHSS has identified the need for training to ensure that financial transactions are properly filed and archived and that division staff are fully aware of their responsibility to maintain additional supporting documentation in accordance with records retention schedules and federal regulation.

*Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630*

Recommendation No. 7

The DHSS assistant commissioner should work with the cash management section, Department of Revenue (DOR), to ensure all interest liabilities due to federal agency are repaid to federal treasury.

DHSS did not repay the entire amount of interest liabilities accrued due to over-collected federal funds. Unallowable expenditures in the amount of \$7,164,403 were claimed for reimbursement in FY 03. DHSS accrued \$571,000 in interest liability on these funds through August 1, 2006.

During FY 06, DHSS failed to report \$571,000 interest liability in the annual Cash Management Improvement Act (CMIA) report, which resulted in the Division of Legislative

Audit (DLA) issuing Recommendation No. 15 in the statewide single audit for the fiscal year ended June 30, 2006. In FY 07, DHSS accurately reported the interest liability at \$508,168 on the annual CMIA report. The decrease in interest amount of \$62,832 resulted from the application of 31 CFR 205.26(a), which promulgates, “*Adjustment to the Annual Report must be limited to two State fiscal years prior to the State fiscal year covered by the report.*” In FY 08, DHSS repaid the amount reported in the FY 07 annual report – \$508,168.

DHSS did not repay the entire dollar amount because of confusion in applying the federal regulations. They were not aware that the two-year limitation applies only to reporting of interest liabilities and not to repayment. However, 31 CFR 205.15(a) specifies, “*State interest liability accrues from the day Federal funds are credited to a State account to the day the State pays out the Federal funds for Federal assistance program purposes.*” Additionally, it is unreasonable to expect that interest liability would be forgiven after two years. Thus, DHSS has an outstanding balance of \$62,832 in interest liability.

DLA inadvertently considered this issue resolved as reported by DHSS in the Summary of Prior Audit Findings in the FY 08 statewide single audit. However, since the interest amount was not paid in full, we recommend DHSS’ assistant commissioner work with DOR’s cash management section to deposit the remaining \$62,832 into the federal treasury account.

CFDA: 93.778

Questioned Costs: None

Federal Agency: USDHHS

Noncompliance

Cash Management

Agency Response – Department of Health and Social Services

The department partially concurs with the recommendation.

DLA contends that DHSS is confused about federal regulations however has not identified a means by which repayment of the accrued interest liability can be reported and deposited into the federal treasury account.

DHSS worked with DOR to appropriately report and repay the final net interest liability in March 2008 in compliance with 31 CFR 205.28. Unfortunately, 31 CFR 205.28 does not address the reconciliation of total interest calculated with the limitation imposed on interest liability reported to the federal Finance and Management Services (FMS). A gap in the federal regulations exists therefore the appropriate treatment is unclear in this situation.

Until additional clarification is provided by federal FMS, the department must rely on the interpretation of the rule provided by the State CMIA coordinators in DOR. Federal FMS has indicated to DOR that their review of this situation will not occur until at least April 2010. Once an approved process to make this repayment has been identified, DHSS will assure that all interest liabilities due to federal agency are repaid to the federal treasury.

Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630

Recommendation No. 8

The DHSS assistant commissioner should establish internal controls ensuring requests for federal reimbursement of expenditures are timely to avoid waste of state resources.

During FY 09, DHSS did not consistently draw down federal Medicaid funds in a timely manner. The delays in the draws were related to two issues. The first delay transpired in the fourth quarter of FY 09 billings for reimbursement of direct expenditures. The second delay occurred while drawing previously deferred claims. These deferrals were released by the United States Department of Health and Human Services (USDHHS), Centers for Medicaid and Medicare Services' in November of 2008. The deferrals were not drawn until September of 2009.

Federal revenues were not drawn in a timely manner due to (a) a lack of internal control procedures to ensure effective oversight over reporting and revenue drawdown processes, and (b) an insufficient flow of communication between DHSS units. More specifically, the eight Medicaid draws were not performed because DHSS did not submit a federally required PSC 272 report for the quarter ending March 31, 2009. The PSC 272 is due 45 days after the end of the quarter – on May 15. As a result, on May 18 USDHHS' Division of Payment Management suspended Medicaid payment requests pending receipt of the report. The deferrals were not drawn due to miscommunication between the DHSS unit responsible for tracking federal deferrals (Medicaid Budget Unit), and the revenue unit responsible for drawing federal revenues.

It is the State's policy to conserve the general funds and maximize interest earnings. The CMIA negotiated between the State and the U.S. Treasury acknowledges the time value of funds related to delayed payments. Finally, AAM 45.060 promulgates, "*All receivables must be billed and recorded as soon as possible after billing information is available.*"

Overall, the State's GF covered a total of over \$105.6 million in federally reimbursable Medicaid expenditures for varying lengths of time. As a result, the GF lost an estimated \$721,142⁷ in interest revenue, \$450,954 from not performing timely draws, and \$270,188 from not drawing the released deferrals.

⁷The estimated interest was computed based on the time value of money concept. Three variables were used in the computation. (1) The *interest rate* used was equal to monthly rates of return on General Fund and Other Non-segregated Investments (GeFONSI). GeFONSI is one of several investment pools managed by the Treasury Division in the Department of Revenue. (2) The *number of periods* was the difference between the payment due date and the date when DHSS processed each drawdown document. (3) Finally, the *present values* of future cash flows were equal to draw amounts.

To maximize interest earnings, we recommend the DHSS assistant commissioner establish internal control procedures that ensure timely draw downs of federal funds; this includes improving oversight over reporting and drawdown processes, and implementing internal controls that facilitate the flow of information within DHSS.

Agency Response – Department of Health and Social Services

The department concurs with this recommendation.

As noted in the response to Recommendation #5, DHSS has taken significant steps to strengthen controls around the department's federal reporting and revenue collection activities. However, notable results were not achieved within the FY09 audit period. In November 2009, the Revenue Unit began processing weekly drawdown requests for federal reimbursement utilizing MAXCARS to allocate indirect costs. This is a significant improvement over past practices and results in more accurate draws. Timely communication between units is an important aspect of the draw down process and the Revenue Unit Manger will communicate to divisions and FMS units the importance of providing timely information that impact the department's federal draws.

DHSS supports the state's policy to conserve general funds and maximize interest earnings. Unfortunately, unanticipated changes on the federal side can affect the drawdown process. In the midst of submitting the PSC 272 report for the QE 3/31/09 USDHHS suddenly took the electronic system offline. Staff contacted USDHHS and faxed the report to USDHHS to avoid suspension of federal reimbursements. Further communication with USDHHS revealed that they were not able to override the system shutdown and the department was not able to draw federal funds until the system was reinstated. Such instances of electronic filing systems shutdowns will be documented in the future to account for any untimely draws resulting from similar issues as the federal government continues to upgrade systems and revise filing periods with little or no notice.

*Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630*

Recommendation No. 9

DHSS' deputy commissioner for Medicaid and Health Care Policy Division should ensure that personal services expenditures charged to Medicaid program comply with federal cost principles.

The time of two health care project coordinators was charged to Medicaid. The coordinators indicated they worked solely on Medicaid activities, but there are no semi-annual certifications which are required to support the personal services costs. The certifications were lost in the process of organizational change. Additionally, there was a

miscommunication between DHSS' divisions about maintaining the support. As a result, \$120,509 of unsupported personal service expenditures was charged to Medicaid.

OMB Circular A-87, Attachment B, Section 8h.(3) states:

Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

We recommend DHSS' deputy commissioner for Medicaid and Health Care Policy ensure that personal service expenditures of employees working solely on one federal program are supported by semi-annual certifications as required by federal cost principles.

CFDA: 93.778

Questioned Costs: \$120,509

Federal Agency: USDHHS

Noncompliance

Allowable Costs

Agency Response – Department of Health and Social Services

DHSS concurs with the recommendation. It has taken appropriate action to fully comply with federal cost principles related to employee time accountability for time charged to the Medicaid program. The specific measures that have been taken include: 1) having completed employee time certifications for the six month period ending December 31, 2009; 2) having appointed a payroll time clerk to ensure that timely notices are sent to supervisors to follow up with staff who need to complete the certifications; and 3) drafting a HCS policy to present to staff for employee time certification.

HCS Employee Time Certification Policy

All staff who work 100% of the time on Medicaid activities, federal grants, or other federal projects, must complete an employee time certification form every six months. This form must be completed by the employee and signed by the employee's immediate supervisor. In the event that an employee terminates employment with the division before the end of the six month certification, the employee will complete the certification as part of the employee exit process. This policy is consistent with OMB Circular A-87, Attachment B, section 8h. (3):

“Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications

will be prepared at least semi annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.”

Employee time certification forms can be obtained from the employee’s immediate supervisor, or from the payroll representative for the division.

The original signed employee time certification forms are maintained by administrative staff that process employee time sheets.

*Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630*

Recommendation No. 10

The Office of Children’s Services (OCS) director should ensure that the expenditures for training adoptive parents are allocated in accordance with the federally approved PACAP.

During FY 09, adoptive parent training expenditures were inappropriately charged to the Foster Care program rather than allocated in accordance with PACAP.

The expenditures were charged incorrectly because OCS did not have procedures that would segregate foster and adoptive parent training costs in AKSAS, which is used to track the costs before they are allocated.

Per 45 CFR 95.517, “[States] must claim federal financial participation for costs associated with a program only in accordance with its approved cost allocation plan.” Specifically, PACAP, Chapter VI.1.E stipulates:

Foster parent or adoptive parent training costs are allocated to Title IV-E foster care training or adoption assistance training based on the relative percentages of children in open foster care or adoption placements who are State-Only or Title IV-E eligible.

We were not able to determine the total amount of adoptive parents’ training expenditures allocated to and claimed under the Foster Care program. However, the expenditures allocated to the adoption assistance program were understated and expenditures allocated to the Foster Care program were overstated. The FY 09 parent training expenditures charged to Foster Care were \$262,510.

We recommend that the OCS director ensure foster parent and adoptive parent training expenditures are adequately separated and charged to the adoption assistance program and

the Foster Care program as prescribed in PACAP.

CFDA: 93.658
Questioned Costs: Indeterminate
CFDA: 93.659
Questioned Costs: None

Federal Agency: USDHHS
Noncompliance
Allowable Costs

Agency Response – Department of Health and Social Services

DHSS concurs and corrected the reporting error in QE 12/31/2009. DHSS and OCS program staff reviewed the approved PACAP and concur that the incorrect statistic was applied resulting in over claiming training expenditures in the IV-E foster care program and under claiming training expenditures in the IV-E adoption and guardianship programs. In SFY2009 OCS had applied the title IV-E foster care IVE penetration rate, however, it should have applied the Title IV-E blended rate based on the IV-E eligible clients in foster care, adoption, and guardianship placements.

DHSS and OCS updated AKSAS structure and revised the quarterly statistics, along with MAXCARS for QE 12/31/09 to bring the current quarter claim into compliance with the approved PACAP. Furthermore, a prior quarter adjustment was submitted to correct the Title IV-E foster care and adoption assistance claims retroactive to QE 09/30/08. These were submitted as prior quarter adjustments on the ACF-IV-E-1 reports for the Title IV-E foster care and adoption assistance programs in QE 12/31/09. The adjustments resulted in a net decrease in federal portion of \$220,666 in the IV-E foster care program and a net increase in federal portion of \$345,159 in the IV-E adoption and guardianship assistance program.

The statistic associated with OCS-23 in the approved PACAP has been corrected resulting in resource family training expenditures being allocated across the applicable federal and state programs based on blended quarterly eligibility ratios from the foster care, adoption and guardianship assistance programs.

*Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630*

Recommendation No. 11

The FMS assistant commissioner should improve the exchange of information between divisions to ensure that all necessary adjustments affecting federal draws and changes in the cost allocation processes are communicated to the Revenue Unit.

Over three hundred thousand dollars in revenues associated with eligibility workers' indirect costs were drawn twice: first under the Foster Care program and then again under the Medicaid program.

Per a recommendation from a federal oversight agency, OCS manually reallocated eligibility workers' indirect costs (initially allocated to the Foster Care program) between Foster Care, Adoption Assistance, and Medicaid. The reallocation was completed outside of the centralized cost allocation process performed by the Revenue Unit. OCS personnel made adjustments to the federal reports in the same quarters for Adoption Assistance and Foster Care programs and submitted adjustments to the Revenue Unit for Medicaid to be processed in the next quarter allocation plan. However, OCS personnel did not realize that the adjustments to federal reports would not affect the federal reimbursement processes performed by the Revenue Unit. Thus, the need for MAXCARS adjustments to decrease Foster Care program draws was not communicated to the Revenue Unit.

The reallocation was not in accordance with the approved PACAP. Furthermore, the incomplete adjustments increased the Medicaid program's costs, but did not decrease the Foster Care program's costs.

According to 45 CFR 95.509(a):

The State shall promptly amend the cost allocation plan and submit the amended plan to the Director, DCA if any of the following events occur: (1) The procedures shown in the existing cost allocation plan become outdated because of organizational changes, changes in Federal law or regulations, or significant changes in program levels, affecting the validity of the approved cost allocation procedures.

Additionally, 45 CFR 95.517 promulgates that states “*must claim federal financial participation for costs associated with a program only in accordance with its approved cost allocation plan.*”

To most effectively achieve the proper allocation of the eligibility workers' indirect costs, we recommend the FMS assistant commissioner and the OCS director to work together on the following:

- Improving the communication with the Revenue Unit concerning adjustments initiated by OCS for federal draws.
- Ensuring PACAP methodologies are properly updated, accurate, and new methodologies are submitted for federal approval;

- Automating the reallocation process and including it as a part of the centralized cost allocation plan performed by Revenue Unit.

Additionally, the Revenue Unit should adjust the Foster Care program’s federal draws by \$319,034.

CFDA: 93.658

Questioned Costs: \$319,034

CFDA: 93.659, 93.778

Questioned Costs: None

Federal Agency: USDHHS

Noncompliance

Allowable Costs

Agency Response – Department of Health and Social Services

The department concurs with this recommendation.

DHSS and OCS updated the PACAP, AKSAS structure, and MAXCARS to automate and improve this process in QE 12/31/09. The new process includes the use of central service centers in MAXCARS, which alleviate the need of entity notes and the manual re-allocation process previously employed. The statistical basis for the reallocation has remained unchanged and is still based on ratios from the unit’s timesheets; however, it is now clearly defined as OCS-28 in the PACAP under section VI.1.C.2.

The previous allocation process re-allocated the indirect costs pertaining to the eligibility unit based on payroll information for each reporting period. This process was based on an ACF finding from the QE 06/30/05 Title IV-E claim and was resolved through a manual adjustment process that initiated in QE 12/31/07. The adjustments were based on ratios from the unit’s payroll at the recommendation of the ACF financial compliance reviewer and appeared in accordance with the existing PACAP sections VI.1.C.2. While the indirect costs are initially coded to a foster care IVE grantee in MAXCARS, an entity note documented the manual re-allocation process each quarter. A detailed spreadsheet with the program codes, ratios, dollars and source of indirect costs supported the re-allocation process each quarter. The federal claim workbook that accompanied the Title IV-E quarterly claim contained a line item reporting the re-allocation of costs to both IVE adoption assistance and Medicaid from IVE foster care. Since the re-allocation of Medicaid is derived after the CAP is closed, the Medicaid portion lagged one quarter for reporting and was submitted via a MAXCARS entity note adjustment.

The federal draws, which are impacted by this adjustment, occur as a separate process. OCS and Revenue Unit staff recognize this issue and are working to find an effective and efficient resolution. The Revenue Unit will adjust the Foster Care program’s federal draws in the

amount of the questioned costs.

*Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630*

Recommendation No. 12

The DHSS assistant commissioner should ensure that expenditures are allocated to federal programs in accordance with the federally approved PACAP.

In FY 09, expenditures totaling \$5,436,739 were allocated using unapproved methodologies rather than the methodology approved in the PACAP. Specifically:

- FMS information technology (IT) for Division of Public Assistance (DPA) services

One hundred percent of the FMS IT DPA expenditures, incurred for the first quarter by direct support staff, are allocated to TANF. The following three quarters' expenditures are allocated using a methodology that charges four cost centers: TANF, Food Stamps, Medicaid, and state programs. PACAP, Chapter 4, "*FMS Information Technology Direct Support Staff Costs*" states that allocated costs are distributed based on the "[a]llocation methodology of the applicable section cost centers." FMS IT DPA provides division-wide services. We found no evidence that the allocations were based on the actual cost centers receiving FMS IT DPA services. Therefore, FMS IT DPA expenditures totaling \$2,852,571, of which \$1,597,680 were charged to the three federal programs, were not distributed using PACAP-approved methodology and may result in federal programs being unreasonably charged for the services they received.

- Public Affairs expenditures

Public Affairs costs (\$326,597) charged to various programs under the reimbursable services agreement (RSA) were allocated based on the number of positions within a division as specified by the FY 09 management plan that was provided by the approved budget according to the RSA documentation. However, PACAP, Chapter 4.1.F, states that the Public Affairs costs identified to specific divisions, offices, or programs are to be directly charged and all other costs are to be allocated by the DW-27⁸ methodology. The DW-27 allocation methodology is based on the quarterly total hours directly charged by divisions, offices, or programs. While it is clear that Public Affairs expenditures are allocated using a different basis than approved in PACAP, the effect on individual federal program expenditures is indeterminate.

⁸ DW is a reference to a department-wide cost allocation methodology included in the PACAP.

- The Department of Administration, Enterprise Technology Services (ETS) costs

ETS annually billed DHSS at the department level for a portion of its computer services and for its share of the statewide Microsoft Enterprise Agreement. The DHSS annual billing totaled \$1,753,409. ETS did not provide support for the amounts charged to the cost centers within DHSS, instead DHSS allocated ETS expenditures between divisions, and the divisions distributed the expenditures to cost centers that are subsequently allocated using PACAP methodologies. However, chapter two of the PACAP states, “*ETS provides DHSS a monthly computer billing by division or cost center. Each division records the costs directly to administration or benefiting cost center.*” Therefore, the PACAP has not been amended to reflect ETS’ current billing methodology and DHSS’ practice of distributing the costs between divisions and cost centers before they are allocated by existing methodologies. As a result, costs have been allocated to federal programs based on an unapproved methodology.

- Department-wide administrative expenditures

A portion of administrative costs (from the fiscal, revenue accounting, administration of assistant commissioner’s office, budget, grants, and procurement sections) are charged to various programs through an RSA. These costs (\$504,162) were allocated based on the number of positions within divisions in the FY 09 management plan. However, the PACAP sections listed below direct the allocation of these expenditures as follows:

- Chapter IV.3.B.1 states that the fiscal services section costs should be allocated based on the transaction lines’ count of documents (DW-17).
- Chapter IV.3.B.2 states that the federal revenue section costs should be allocated based on the federal revenue transaction lines’ count of documents processed by federal programs (DW-29).
- Chapter IV.3.A states that the Office of the Assistant Commissioner’s costs should be allocated based on full time equivalents (FTE) by organizational units’ cost centers less the assistant commissioner’s office indirect FTEs (DW-15).
- Chapter IV.3.D states that the budget section costs should be allocated based on total quarterly expenditures by division, office, or program (DW-21).
- Chapter IV.3.C guides the expenditure allocations for the Grants and Contracts Unit (G&C). In accordance with this section, the G&C administrative costs should be allocated based on FTE by organizational units’ cost centers less the manager’s office indirect FTEs (DW-18); the contract and leasing section costs should be allocated based on professional services contracts count by division or office or program (DW-19); the purchasing section costs should be allocated based on purchase requisitions count by division or office or program (DW-20); and the grants

administration costs should be allocated based on annual grants issued count by division, office, or program (DW-30).

Due to misunderstanding, management applied methodologies other than those outlined in the PACAP to allocate the above expenditures.

OMB Circular A-87, Attachment D, states, “*All administrative costs (direct and indirect) are normally charged to federal awards by implementing the public assistance cost allocation plan.*” Furthermore, 45 CFR 95.517 promulgates that states “*must claim federal financial participation for costs associated with a program only in accordance with its approved cost allocation plan.*” However, revised methodologies may be used immediately upon submission of an amendment to the PACAP.

DHSS did not use PACAP methodology for the above cost centers, and the department did not provide us with any amendments for these methodologies. Consequently, the evidence is insufficient for determining whether these expenditures are reasonable and necessary as charged to the individual federal programs.

We recommend the DHSS assistant commissioner ensure that the expenditures are allocated in accordance with PACAP.

CFDA: 10.561, 93.558, 93.778
Questioned Costs: Indeterminate

Federal Agency: USDA, USDHHS
Noncompliance
Allowable Costs

Agency Response – Department of Health and Social Services

FMS IT Expenditures - \$2,852.6

DHSS partially concurs with this portion of the recommendation.

The management letter states that;

“One hundred percent of the FMS IT expenditures incurred for the first quarter by direct support staff are allocated to the Temporary Assistance for Needy Families (TANF) program. The following three quarters’ expenditures are allocated using a methodology that charges four cost centers: TANF, Food Stamps, Medicaid and State Programs.”

This statement should be corrected to clarify that one hundred percent of the “IT DPA Services” collocation code (CC), were allocated to TANF in the first quarter of FY09. Similarly, the last three quarter costs to the “IT DPA Services” CC were allocated with a methodology that charges four cost centers.

The department concurs that the first quarter IT DPA Services costs were incorrectly allocated to TANF. This error was identified during the third quarter of FY09 and a note added to the Revenue Section Sharepoint adjustment tracking sheet stating the need for a decreasing adjustment for the first quarter expenditures of <\$167.4>. However, the adjustment was missed. A revised adjustment will now be entered in the QE 3/31/10 allocation plan.

The department partially concurs with the finding for the last three quarters. Charges to this CC consist of various items. Based on an analysis of SFY09 charges to this cost center, 68% of the costs were for EIS mainframe application support from IT Business Application developers and those costs were correctly allocated using the DPA-11 methodology. The remaining charges were for Non-EIS related charges to DPA that should have been allocated using DPA-10 which allocates across all programs within DPA. The calculated adjustment for the Non-EIS share of the costs results in an increased federal claim of \$28.9 for the last three quarters of FY09. The adjustment will be entered in the QE 3/31/10 CY PY CAP plan.

The first quarter adjustment amount changed slightly due to the two methodologies now used to calculate the adjustment. 68% of the charges should have been allocated using DPA-11 and 32% using DPA-10. When recalculated, the adjustment is now a decreasing federal adjustment of <\$162.2> rather than the <\$167.4> originally calculated during SFY09.

Public Affairs RSA – \$326.6

FMS Assistant Commissioner's Office Admin. RSA – \$504.2

DHSS does not concur with this portion of the recommendation questioning the allocation of administrative costs paid via an RSA.

The authorized budget determines which costs are allocated based on the PACAP and which are direct charged to specific divisions. FMS has federal authorization to directly collect federal revenues for certain indirect expenditures allocated based on the PACAP. FMS also has I/A authority for collecting costs identified as direct to specific divisions. For those costs funded with I/A revenues, FMS distributes the costs directly to the divisions using the current year Management Plan position count. Payments made by each division are then allocated to programs through the quarterly cost allocation plan based on approved PACAP methods.

The distribution of costs through an RSA using the Management Plan position count is historical. It might be reasonable to distribute those costs based on DW-15 FTEs or DW-27 Quarterly Hours Directly Charged by Division; however, the RSAs are an annual payment which means the costs would be distributed department wide based on statistics in the quarter the RSA is paid. Using the Management Plan position count is a more equitable distribution of these costs.

ETS - DOA Costs – \$1,753.4

DHSS does not concur with this portion of the recommendation. The Department of Administration (DOA), Enterprise Technology Services (ETS) bills for some of its services on a monthly basis and others on an annual basis predicated on interagency agreements. Therefore, we do not agree that the description of ETS costs in Chapter II of the PACAP is materially inaccurate, or that it has resulted in the allocation of ETS costs based on unapproved methodologies. DHSS allocates ETS costs on a quarterly basis using the allocation methods contained in Chapters IV through XII of the PACAP. The finding states, in part, that “ETS does not provide support for the amounts charged to the cost centers.” The rates and methodologies used by ETS to determine the amounts charged to each agency are applied in compliance with the approved SWCAP. Not all billed costs are broken down by division or specific costs center; however, DHSS applies the appropriate PACAP methodology to these costs.

*Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630*

Recommendation No. 13

The DHSS assistant commissioner should establish internal controls over access to MAXCARS.

Allocated expenditures were not accurately claimed for some federal programs. Within DHSS’ PACAP, allocation methodologies (DPA⁹-11, DPA-15) require that prior quarter statistics be applied to expenditures to determine federally claimable costs. In FY 09, third quarter statistics were erroneously used rather than the second quarter statistics in the cost allocation plan for the quarter ending March 31, 2009. The State Children’s Insurance Program and the Supplemental Nutrition Assistance Program were under-claimed by \$83,081; Medicaid was over-claimed by \$119,525. The application of incorrect statistics was due to inadequate internal controls over access to data entered into MAXCARS.

Per USDHHS 45 CFR 95.517, “States must claim federal financial participation for costs associated with a program only in accordance with its approved cost allocation plan.” DHSS follows the “quarter lag rule.” Therefore, the affected methodologies require the prior quarter statistics be applied.

We recommend the DHSS assistant commissioner establish adequate internal controls over access to MAXCARS to ensure federal claims are supported by federally reimbursable expenditures.

⁹DPA is a reference to the Division of Public Assistance cost allocation methodology included in PACAP.

CFDA: 93.778
Questioned Costs: \$119,525
CFDA: 10.561, 93.767
Questioned Costs: None

Federal Agency: USDA, USDHHS
Noncompliance
Allowable Costs

Agency Response – Department of Health and Social Services

DHSS partially concurs with this recommendation.

This recommendation addresses the use of incorrect DPA statistics in the QE 3/31/09 and attributes the error to inadequate review of data entered into MAXCARS.

During the QE 3/31/09 allocation process, DPA submitted statistics based on activity for the 12/31/08 quarter. This was the correct time period as the statistics used to allocate a quarter are lagged one quarter. Per the review process developed by the department, the statistics were reviewed, entered into MAXCARS, reviewed for data entry errors and approved by the Revenue Review unit. A statistics report comparing the first quarter statistics to the second quarter was prepared and sent to the division to check for anomalies. The statistic sheet verifying the MAXCARS entries was printed, and initialed to signify review and approval. A copy was saved in the quarterly CAP binder.

It was discovered during SFY10, prior to the Leg Audit finding, that after the review and approval process was completed, a division user went into MAXCARS and changed the statistics to those intended for the QE 6/30/09 allocation. The QE 3/31/09 plan was allocated using the incorrect statistics.

To correct this, a copy was made of the QE 3/31/09 plan, the correct statistics entered and the plan reallocated. The original and revised plans were compared and the difference calculated. The net difference was an over collection of approximately \$59.0 federal. An adjustment to correct will be entered in the QE 3/31/10 CY PY plan.

The problem of wrong statistics being used was not the result of an inadequate review and approval process. The statistics were appropriately reviewed and approved and a print out of the MAXCARS entry was saved to verify the data entry. The problem was the result of inadequate security controls in the MAXCARS system. Again, the department has been aware of this issue and is working with the Maximus contractors to develop security safeguards. Beginning in late SFY 2010, the divisions will no longer have access to MAXCARS. They will enter their statistics in an excel spreadsheet that will be reviewed and, once approved, uploaded into MAXCARS. This will ensure that changes cannot be made once the statistics are approved and finalized.

*Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630*

Recommendation No. 14

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 USDHHS to have methods and procedures in place to avoid unnecessary utilization of care and services. States are also required to have methods and criteria for identifying and investigating suspected fraud cases. Furthermore, agencies are required to have procedures for on-going 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 to carry out many of its program integrity and utilization functions. DHSS also utilizes quality control sections within each division that administers 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.

During FY 04 through FY 08, significant components of DHSS' utilization control and program integrity function were not operating effectively. Four main factors weaken DHSS' program integrity and utilization program: nonperformance by its Medicaid fiscal agent; reorganization of its program integrity and utilization function; staff vacancies and conflicting priorities; and lack of policies and procedures. These weaknesses were also noted in a federal review of DHSS' program integrity procedures published in April 2007.¹¹

1. *Nonperformance by DHSS' Medicaid fiscal agent*

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

In May 2005, the program integrity and utilization functions, as specified in the contract between the fiscal agent and DHSS, were renegotiated. Under a contract amendment, the fiscal agent continued to be responsible for various activities at a reduced level. During FY 06, the fiscal agent improved the program integrity and utilization practices. No areas for improvement were noted in FY 07.

In FY 08, DHSS' fiscal agent did not fulfill contractual obligations. The fiscal agent was unable to hire staff with technical expertise because the contract with the State was ending. The lack of technical expertise made the fiscal agent unable to conduct 25

¹⁰The State Medicaid Fraud Control Unit is responsible for criminally prosecuting cases determined to be fraudulent and is organizationally located within the Department of Law.

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

utilization reviews per quarter as required in the contract. Instead, the fiscal agent performed less technical analyses with the available staff.

2. *Reorganization 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. This continued to be a problem in FY 05.

In FY 06, DHSS developed a central department-wide program integrity unit based in the commissioner's office and added additional staff positions. However, by the end of FY 07, DHSS' goals for its department-wide program integrity and quality assurance unit were still unclear. Responsibilities at both the department-wide and division levels were ill-defined. Policies and procedures had not been finalized or implemented.

DHSS' Medicaid utilization control and program integrity program worsened during FY 08. The central program integrity unit was unable to become effective as the department reorganized again.

3. *Staff Vacancies and Conflicting Priorities*

Each division reported their quality assurance sections to be understaffed during FY 05. The divisions also 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 FYs 05, 06, and 07.

From FY 05 through FY 08, staff turnover and vacancies, poor communication, and overall lack of coordination hindered DHSS' program integrity and utilization activities. The divisional-level program integrity staff 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.

4. *Lack of Policies and Procedures*

During FY 06, the central program integrity unit drafted policies and procedures for referring cases to the Medicaid Fraud Control Unit for addressing fraud and abuse (audit committee activities), and coordination of the division-level program integrity activities. However, the draft procedures were in various stages of development and were never finalized or approved; therefore, they did not have any effect on department activities during FY 07. The department did not make an attempt to draft policies and procedures

for the analysis and follow-up of program integrity activities performed by the 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.

Legislative Audit's Current Position

Additional improvements are still needed in the utilization control program.

In FY 09, DHSS' fiscal agent continued to not fulfill all of the contractual obligations for program integrity and utilization control. The fiscal agent was unable to conduct 25 utilization reviews per quarter as required in the contract because of an inability to hire staff with technical expertise. Instead, less technical analyses were performed. DHSS' fiscal agent also failed to achieve enrollment of 150 Medicaid recipients in the Care Management Program as required by contract. Even though the fiscal agent did not comply with the terms of the contract, DHSS paid the full amount for the fiscal agent's utilization control activities.

The central program integrity unit has made progress in developing and implementing policies and procedures for their functions. However, the other units continue to lack policies, procedures, and organizational coordination for referring cases to Central or to the Medicaid Fraud Control Units.

The lack of internal controls associated with program integrity and utilization increases the risk associated with allowable costs, allowable activities, and eligibility. The financial consequences of poor controls over the surveillance and utilization program can be extensive given that during FY 09 over \$1 billion was paid by the State of Alaska for Medicaid services (both state and federally funded).

We recommend the state Medicaid director and the DHSS commissioner take action to improve the agency's utilization control and program integrity function. The state Medicaid director should adjust the payments made to the fiscal agent to correspond to the deliverables. We also recommend that the state Medicaid director and the DHSS commissioner improve the program integrity organizational structure, develop and enforce policies and procedures over the various activities related to the surveillance and utilization program, and improve coordination between department-wide and divisional program staff.

CFDA: 93.775
Questioned Cost: None
CFDA:93.767, 93.778
Questioned Cost: Indeterminate

Federal Agency: USDHHS
Significant Deficiency, Noncompliance
Special Tests and Provisions

Agency Response – Department of Health and Social Services

The department partially concurs with this recommendation and Legislative Audit’s current position.

DHSS concurs with the observation related to nonperformance of the previous fiscal agent. The new vendor has corrected the situation, fully staffed the unit and performance is again at full contract levels. With the demise of the First Health Services contract, and the full assumption of the contract by Affiliated Computer Services (ACS), there was a gap in contract compliance for the 25 utilization reviews for the quarter preceding the takeover and assumption by ACS. We will continue to monitor the compliance and ensure all milestones are met.

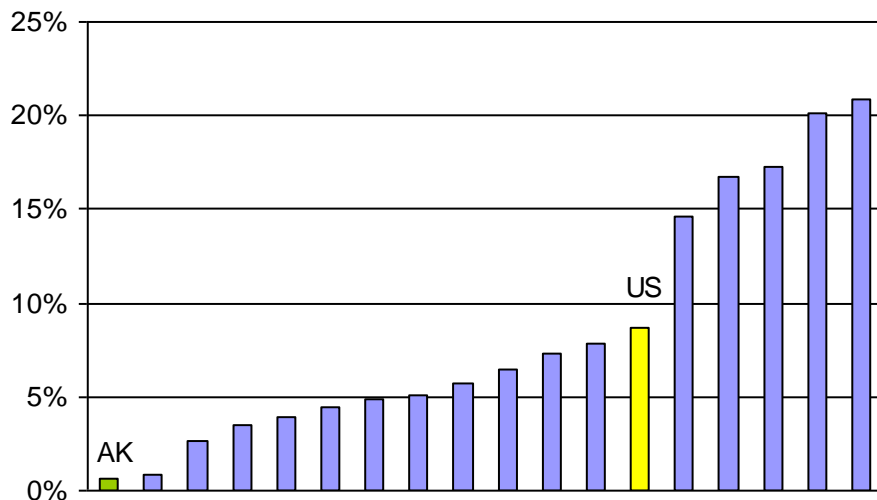
DHSS does not concur that “DHSS has made little progress in improving its utilization control program. The only part of the prior finding that has been addressed is the lack of policies and procedures.” The DHSS has also at least partially addressed the “Reorganization of DHSS’s program integrity function” and “Staff Vacancies and Conflicting Priorities”

The central Program Integrity section continues to be organized under Finance and Management Services within the department, and the manager of the FMS/PI section has been in place since November, 2008. The Audit Committee, which is comprised of the quality assurance managers from the Medicaid divisions, the Medicaid Director and others, meets monthly to help ensure coordination within the department. For SFY 2009 the central Program Integrity function identified \$1.9 million in overpayments and collected in excess of \$800,000 in recoveries, excluding global settlements.

The DHSS program integrity section along with the Medicaid divisions and ACS also meet with our Medicaid Fraud Control Unit on a regular basis in accordance with our Memorandum of Understanding. Referrals to the MFCU are tracked and reported quarterly.

Legislative Audits current position states in part “The lack of internal controls associated with program integrity and utilization increases the risk associated with allowable costs, allowable activities and eligibility”. CMS uses the Payment Error Rate Measurement (PERM) to estimate erroneous payments of major programs. The PERM results are a reflection of the controls exercised over program expenditures.

Figure 1. Alaska's Error Rate Relative to Other States and the National Error Rate



In November of 2009, CMS released the results of the PERM for FFY 2008. Figure 1 above shows Alaska's estimated error rate for the Medicaid program at .59%. This combined error rate includes provisions for medical records, claims processing and eligibility errors. Alaska had the lowest estimated error rate of all 17 states in the 2008 PERM cycle. Alaska's error rate is nearly 15 times better than the national error rate of 8.71%. Given the official PERM results, it appears DHSS utilization control and program integrity functions are operating effectively.

*Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630*

Recommendation No. 15

The DHSS finance officer and the state Medicaid director should develop and enforce policies and procedures to report provider overpayments in accordance with federal requirements.

The resolution of certain overpayments to Medicaid providers were accounted for inappropriately. During FY 09, the State entered into settlements with providers that reduced previously identified overpayments. While the State may settle for an amount lower than what was determined to be owed by providers, the federal agency must be credited for the full federal share of the overpayment. Unallowable adjustments were reported on the quarterly Medicaid reports for the quarters ending September 30, 2008, December 31, 2008, and June 30, 2009. The unallowable adjustments totaled \$256,855; the federally reimbursable portion of these adjustments is \$152,280. This is an ongoing problem. A federal

review¹² of the State’s accounting and reporting of Medicaid overpayments for the period October 2006 through March 2008 identified similar unallowable adjustments and requested \$1.7 million be refunded to the federal agency.

DHSS’ program integrity section incorrectly regarded the settlements as allowable adjustments to reported overpayments. Federal law states that the only exception to the federal requirement to recoup and refund Medicaid payments is if the provider is found to be bankrupt or out of business.¹³ The settlements did not qualify and were not allowable adjustments.

We recommend the DHSS finance officer and the state Medicaid director develop and enforce policies and procedures to ensure that provider overpayments are reported in accordance with federal requirements.

CFDA: 93.778,
Questioned Cost: \$152,280
CFDA:93.767
Questioned Cost: None

Federal Agency: USDHHS
Noncompliance
Allowable Costs

Agency Response – Department of Health and Social Services

The department partially concurs with this recommendation.

While we concur that DHSS procedures should ensure provider overpayments are reported in accordance with federal requirements, what constitutes an allowable decreasing adjustment is ambiguous.

The overpayments referred to in this finding and the disputed overpayments referred to in the referenced CMS FMR were all initially reported in accordance with Federal law. The issue concerns what constitutes an allowable decreasing adjustment.

42 CFR 433.320 Procedures for refunds to CMS states at (c) (1)

“Reclaiming overpayment amounts previously refunded to CMS. If the amount of an overpayment is adjusted downward after the agency has credited CMS with the Federal share, the agency may reclaim the amount of the downward adjustment on the form CMS-64. Under this provision;

- (1) Downward adjustment to an overpayment previously credited to CMS is allowed only if it is properly based on the approved State plan, Federal law and regulations governing Medicaid, and the appeals resolution process specified in State administrative policies and procedures”.*

¹²Centers for Medicare and Medicaid Services report 10FA-2008-AK-01-F.

¹³42 CFR 433 Subpart F.

On January 28, 2010 DHSS has provided additional documentation supporting the disputed adjustments to CMS Region X auditors for their review.

Once a clear determination is made of what constitutes an allowable decreasing adjustment, procedures will be revised to ensure appropriate reporting of any future decreasing adjustment.

*Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630*

Recommendation No. 16

The Division of Health Care Services' (DHCS) director should improve internal controls over the processing and payment of durable medical equipment (DME) claims.

Review of 28 DME claims, paid by Medicaid, and 27 claims, paid by the State's Children Health Insurance Program found control deficiencies in the processing and payment of DME claims. Internal control deficiencies were found in the following areas:

Adjustments: DME providers are not required to provide supporting evidence (e.g. delivery receipt) when a previous billing is increased through the adjustment process. DHCS accepts the increase without support as long as the billed units are still within the amount allowed per the prior authorization. DHCS should consider improving controls over the adjustment process by requiring support for increasing adjustments.

Miscellaneous DME items: Miscellaneous DME can include many different types of medical supplies, yet all miscellaneous DME items are coded with the same billing code. Using a single billing code makes it difficult to separately identify the equipment and prevents the automated identification/prevention of duplicate payments and the automated application of authorized payment rates. Without automated system edits, reimbursement rates are not automatically applied, and the claims must be manually reviewed and priced. To help mitigate the risk of incorrect payments for miscellaneous DME claims, DME items identified as miscellaneous require a prior authorization.¹⁴ One miscellaneous DME claim's prior authorization form did not include the actual item being purchased.

Reimbursement rates: State regulations require DME claims be reimbursed at the rate established by the federal Centers for Medicare and Medicaid Services (CMS). CMS maintains reimbursement rate schedules for most DME. When there is no CMS rate identified for

¹⁴According to 7 AAC 43.1910(b)(8):

Prior Authorization is required for items that are identified as miscellaneous in the United States Department of Health and Human Services, Centers for Medicare and Medicaid Services's (CMS) Healthcare Common Procedure Coding System (HCPCS) 2005, as amended from time to time and adopted by reference.

equipment, state regulations set forth a methodology for reimbursing a reasonable fee.¹⁵ DHSS' fiscal agent is not consistently using DME schedules published by CMS. Also, the fiscal agent is not consistently following state regulations in instances where claims for DME have no CMS published reimbursement rate. One DME claim tested was reimbursed at a rate over 60 percent higher than the CMS published rate (\$101 v. \$163). One DME claim tested was reimbursed at a rate specified on a prior authorization form which conflicted with state regulations. There were also three DME claims for which DHSS' fiscal agent failed to provide support that the claim was paid in accordance with state regulations.

Prescribing physicians: There are no automated or manual internal controls to ensure the person that issues a prescription for DME is a licensed physician. The name of the requesting physician is not entered into the Medicaid information system. Consequently, the automated claim processing is not edited. No claims were found with unlicensed prescribing physicians; however, this deficiency increases the risk of fraud and abuse.

We recommend DHSS' director of DHCS improve the controls over the processing and payment of DME claims to mitigate the risk of unallowable expenditures, fraud and abuse.

CFDA: 93.767, 93.778
Questioned Cost: Indeterminate

Federal Agency: USDHHS
Significant Deficiency
Allowable Cost

Agency Response – Department of Health and Social Services

DHSS partially concurs with this recommendation.

Adjusted Claims:

A DME provider typically requests an adjustment on a paid claim when miscellaneous Healthcare Common Procedure Coding System (HCPCS) codes are used multiple times on the same date of service to accurately report the services rendered. DHCS operates on a good faith system, the foundation of which is a provider will not submit claims or adjustments to paid claims that result in improper reimbursement. DHCS concurs that it is advisable to revise the current adjustment process so that a provider must submit a delivery receipt when requesting a positive adjustment that may result in additional payment to the provider.

¹⁵According to 7 AAC 43.1920(c):

The department will pay an enrolled provider for durable medical equipment, medical supplies, prosthetics, orthotics, and non-customized-fabricated orthotics, for which CMS has not issued a price as described in (b) of this section, at 80 percent of billed charges from enrolled providers in this state for the first nine billings that reflect a charge for an item not already on the schedule established under this subsection. Thereafter, the fee will be established based on the 50th percentile of the first 10 billings. The department will add new fees to the payment schedule under this subsection each time the department receives 10 billings for an item not already on the schedule. To be paid under this subsection, a billing must reflect a charge that complies with the applicable standards in 7 AAC 43.040.

Miscellaneous DME items:

The implementation of the Health Insurance Portability and Accountability Act (HIPAA) in 2003 required all providers to use a common code set. DME providers are restricted to using HCPCS codes. As long as there are insufficient codes to accurately and appropriately report services rendered by DME providers, miscellaneous codes will be used to report multiple items on the same dates of service. Each claim form submitted itemizes the items represented by the miscellaneous DME codes. Further complicating the issue is that some items may have the same reimbursement rate thereby creating the appearance of duplicate claims. We concur that using a single billing code to report services makes it difficult to report services and inhibits the ability to automate payment rates. In fact, each miscellaneous DME item reported must now be manually priced. The completion of the Omnibus Regulation Package on February 1, 2010 now makes it possible for DHCS to begin work on their priority of creating new DME regulations that will address some of these concerns.

Reimbursement Rates:

Current regulations limit reimbursement to rates in the DMEPOS Fee Schedule 2006 1st quarter fee schedule established by the federal Centers for Medicare and Medicaid Services (CMS). There is no provision in current regulations to update the Medicaid fee schedule annually as CMS updates theirs. The CMS fee schedule only maintains reimbursement rates for those items covered by Medicare and does not include miscellaneous codes, therefore alternative pricing methodologies are necessary to administer the Medicaid program.

One such alternative pricing methodology developed in accordance with 7 AAC 120.210 (b)(3). Providers may request prior authorization for reimbursement on an item that exceeds the maximum allowable rate as set forth in 7 AAC 145.420. In response to increased shipping rates, DCHS utilized a reimbursement methodology of cost plus 40% for some items, when requested by the provider. This appeared to be the most equitable way to ensure providers could continue to supply services to Alaska Medicaid recipients.

At this time DHCS is working with the Division of Senior & Disabilities Services (DSDS) and the Office of Rate Review (ORR) to address the need for tighter pricing controls. DHCS intends to address better pricing methodologies in forthcoming regulation changes.

Prescribing physicians:

While we concur that there are currently no checks to ensure that a prescribing physician is licensed, however entering the name of the requesting physician into the Medicaid information system would only enable verification of physicians enrolled with Alaska Medicaid. Not all prescribing physicians are enrolled with Medicaid and therefore licensing information is not obtainable through the Medicaid information system.

Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630

Recommendation No. 17

DHCS' director should improve and enforce policies, procedures, and processes over travel claims.

Approximately \$45 million of travel claims were processed through the Medicaid system for FY 09. State regulations require all travel claims paid under Medicaid system to be medically necessary. The fiscal agent for DHSS is responsible for ensuring travel is medically necessary before approving and processing provider travel claims.

The following deficiencies were noted in the FY 09 audit of travel claims:

1. *No automated processes or manual reviews are in place to ensure a recipient's medical appointment(s) correspond with the reported dates of travel, and to verify the recipient(s) received medical services at their travel destination.*

DHCS reports that its current Medicaid management information system (MMIS) is not able to verify and correlate travel claims with medical claims nor does it verify that recipients actually received medical services. DHCS also reports that with its limited staff, resources, and various priorities it does not conduct manual reviews or verifications of this information. However, DHCS asserts that all emergency transportation claims are reviewed by DHCS staff for evidence that the claim was for a medical emergency.

2. *Documentation of medical necessity for non-emergency travel needs improvement.*

All travel requires a prior authorization (PA). A travel PA is an electronic data screen within the MMIS system that is completed by the fiscal agent. For non-emergency travel, a PA is initiated by the recipient's referring health care provider by telephonically contacting the fiscal agent. The fiscal agent documents on the PA the medical necessity of the travel requested by the referring provider. The fiscal agent approves or disapproves the PA based on the information from the referring provider.

Our review found that PAs did not include the identity of the referring or servicing health providers. Consequently, it was not possible to confirm the referring provider was licensed and operating within his/her purview. It was also not possible confirm services were actually supplied by the servicing provider.

3. *Incorrect service dates*

Out of 55 travel claims reviewed, 17 travel claims with incorrect service dates were paid. (The recipient travel dates did not match the claim service dates.) Lack of oversight and communication between DHSS, its fiscal agent, and its travel contractor has led to a systematic problem in reporting travel dates. Incorrect service dates prevents effective analysis of data for such purposes as verifying medical necessity.

According to federal law 42 CFR §433.32(a), the State is required to maintain an accounting system and supporting fiscal records to assure that claims for federal funds are paid in accordance with applicable federal requirements.

We recommend DHCS' director improve and enforce policies, procedures over travel claims.

CFDA: 93.767, 93.778
Questioned Cost: None

Federal Agency: USDHHS
Significant Deficiency
Allowable Cost

Agency Response – Department of Health and Social Services

DHSS partially concurs with this recommendation.

1. *No automated processes or manual reviews are in place to ensure a recipient's medical appointment(s) correspond with the reported dates of travel, and to verify the recipient(s) received medical services at their travel destination.*

There are many instances where the travel does not result in a medical claim. Travel for certain follow-up or post-partum visits may not generate a claim as the initial medical service may have been paid at an all inclusive rate. Tribal facilities may not claim for certain services and private providers may choose not to submit a Medicare cross-over claim for low dollar amounts.

Absence of a medical claim does not necessarily mean that a medical service was not received.

2. *Documentation of medical necessity for non-emergency travel needs improvement.*

HCS is updating our instructions to the fiscal agent for capturing information on the prior authorization screen that supports medical necessity. The current MMIS has limited text space and type-overs may occur when documenting complex travel resulting in a loss of original information. When the new MMIS becomes available we will have ample space and expect to create a template that will guide the prior authorization representative in capturing all required fields.

At this point in time, the Centers for Medicare and Medicaid Services (CMS) will not fund upgrades to the current MMIS system.

3. Incorrect service dates

Travel throughout Alaska requires travelers maintain a certain flexibility to harmonize the actual travel with breaks in weather, volcano activity and changes in medical appointment or carrier availability. In all instances that we are aware of, the actual travel occurred within the dates approved on the prior authorization. Travel occurring within the approved service dates satisfies Medicaid criteria for payment.

Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630

Recommendation No. 18

The FMS assistant commissioner should take measures to resolve revenue shortfall issues.

The State Budget Act mandates that if actual collections fall short of appropriated program receipts, an agency must reduce its budget by the estimated reduction in collections. For FY 09, two potential DHSS shortfalls have been identified.

<u>Appropriation</u>	<u>Appropriation Title</u>	<u>Amount</u>
AR 22975-09	Senior & Disabilities Services	\$1,050,931
AR 22980-09	Departmental Support Services	\$333,708

We recommend that DHSS' FMS assistant commissioner work with the directors of the pertinent divisions to collect earned revenues where possible and to request supplemental appropriations for the remaining revenue shortfall amounts. Additionally, we recommend that DHSS strengthen its internal controls over the billing and monitoring of revenue collections to prevent revenue shortfalls.

Agency Response – Department of Health and Social Services

The department concurs with this recommendation.

Revenue shortfalls occur, in part, due to timing differences between the posting of expenditures and revenues collected. DHSS is actively engaged in indentifying effective processes to resolve this timing difference. Management identified uncollectable federal revenue and incorporated fund source change requests in the FY11 operating budget currently before the legislature. Financial projection models were recently modified and are being tested to improve monitoring for potential revenue shortfalls and allow divisions to develop supplemental appropriations requests within OMB deadlines.

These actions are included in the on-going process improvements discussed in the department's response to Recommendation #5.

*Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630*

(Intentionally left blank)

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

No recommendations were made to the Department of Labor and Workforce Development (DLWD) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2008*.

One new recommendation has been made and is included as Recommendation No. 19.

(Intentionally left blank)

Recommendation No. 19

The Department of Labor and Workforce Development's (DLWD) director of the Employment Security Division (ESD) should develop and implement procedures to ensure compliance with allowable costs requirements.

Unemployment Insurance (UI) expenditures totaling \$81,395 were charged to the FFY 06 UI grant award (#UI15107TM) after the allowable funding period. These expenditures are part of agreed upon activity between ESD and Data Processing (DP) unit in the Administrative Services Division.

Title 29 CFR 97.23(a) states, “[W]here a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period.” All charges to the FFY 06 award were required to be obligated by September 30, 2008.

DLWD lacks procedures to prevent or detect charges to the federal awards outside of the allowable funding period. Additional contributing factors include:

- Inadequate monitoring between divisional units for this requirement;
- The appropriate staff were unaware of the funding period requirement;
- Increased workload for UI, fiscal, and DP staff resulting from American Reinvestment & Recovery Act requirements.

We recommend the director of ESD develop and implement procedures to ensure compliance with allowable costs requirements of the UI program. Furthermore, to become compliant with the allowable costs requirements, DLWD should process an adjustment moving the questioned costs to a currently available grant and submit an amended final ETA 9130 report for this federal award.

CFDA: 17.225

Questioned Costs: \$81,395

Federal Agency: USDOL
Significant Deficiency, Noncompliance
Allowable Costs, Period of Availability

Agency Response – Department of Labor and Workforce Development

DLWD concurs with the recommendation and additional contributing factors as identified in the preliminary report. DLWD Administrative Services Division (ASD) fiscal staff will prepare the adjustment to move the questioned costs to an open and allowable funding stream, and will provide amended ETA 9130 and other associated reports as required. ASD will coordinate with the appropriate ESD staff as needed for the adjustment, in addition to coordinating improved monitoring processes as related to period of availability.

In coordination with the ASD finance officer, the director of ESD will develop and implement procedures to ensure compliance with allowable cost requirements of the UI program. These procedures are currently in the final review and approval process, and will be implemented upon completion.

It is the intent and objective of the DLWD to fully resolve this finding by the end of State fiscal year 2010.

*Contact Person: Guy Bell, Director
 Division of Administrative Services
 Telephone: (907) 465-2720*

DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

No recommendation were made to the Department of Commerce, Community, and Economic Development (DCCED) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2008*.

No new recommendations have been made during the FY 09 statewide single audit.

(Intentionally left blank)

DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS

One recommendation was made to the Department of Military and Veterans' Affairs (DMVA) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2008*. Prior year Recommendation No. 16 has been resolved.

No new recommendations have been made during the FY 09 statewide single audit.

(Intentionally left blank)

DEPARTMENT OF NATURAL RESOURCES

No recommendations were made to the Department of Natural Resources (DNR) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2008*.

No new recommendations have been made during the FY 09 statewide single audit.

(Intentionally left blank)

DEPARTMENT OF FISH AND GAME

No recommendations were made to the Department of Fish and Game (DFG) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2008*.

One new recommendation has been made and is included as Recommendation No. 20.

(Intentionally left blank)

Recommendation No. 20

The Department of Fish and Game’s (DFG) director of administrative services should develop and implement procedures to ensure the inventory and management of equipment charged to federal programs complies with required federal procedures.

DFG has weak procedures over the inventory and management of equipment purchased for use by federal programs. Federal requirements¹⁶ for equipment management stipulate the State’s equipment management policy and procedures must be followed. Of nine equipment purchase transactions¹⁷ reviewed, eight (89 percent¹⁸) did not comply with the following state equipment management requirements:

- The equipment purchased in eight of the transactions did not have the required state identification tags.
- Equipment purchased in six transactions was not entered into inventory.
- Boats and trailers purchased in one transaction have been in use since August 2008, but have not yet been licensed for road use through the Division of Motor vehicles.

Alaska Statute 37.05.160¹⁹ stipulates the Department of Administration’s (DOA) authority over state agencies’ property protocols. The property management office (PMO) within DOA’s Division of General Services has established agency requirements that are defined in the *State Property Control Manual*. Departments are required to adhere to property management procedures unless specific exemptions are authorized by the PMO.

When purchasing equipment, DFG relies on agency program managers to notify and submit paperwork to the property and procurement section within the Division of Administrative Services. Once the property and procurement section is notified, there is no clear process in place to ensure that new purchases are entered into DFG’s equipment management system in a timely manner. The lack of a process to ensure all purchased equipment is appropriately tagged and added to DFG’s inventory results in unaccounted for federally purchased equipment. DFG is not adequately safeguarding assets which increases the risk of waste, fraud, and abuse of federal and state funds. The lack of an adequate process for monitoring

¹⁶According to the U.S. Department of the Interior 43 CFR 12.72(b) and the U.S. Department of Commerce 15 CFR 24.32(b), “A State will use, manage, and dispose of equipment acquired under a grant by the State in accordance with State laws and procedures.”

¹⁷The nine transactions involved the purchase of multiple pieces of equipment. Seven of the transactions were charged to the Fish and Wildlife Cluster, and two were charged to the Pacific Salmon Treaty program.

¹⁸The eight purchase transactions totaled \$142,826 dollars for both programs combined.

¹⁹Alaska Statute 37.05.160, *Property Records*, states:

The Department of Administration shall direct the use of inventory records by all state agencies to show all fixed and movable property of the state. The records must be based on a physical inventory and charged with all subsequent purchases and shall be reduced by all property traded in, condemned or disposed of. The accuracy of the property record shall be verified periodically by actual inspection of the property by the department. The state agencies may be required to take physical inventory of properties annually and at other times as the department directs.

and follow-up is a significant control deficiency; therefore, DFG is not in compliance with federal equipment management requirements.

We recommend that the director of administrative services develop and implement policies and procedures to ensure sufficient monitoring and follow-up over all equipment purchases and subsequent management of the inventory, is occurring in a timely manner.

CFDA: 11.438, 15.605, and 15.611
Questioned Costs: None

Federal Agency: USDOC, USDOJ
Significant Deficiency, Noncompliance
Equipment and Real Property Management

Agency Response – Department of Fish and Game

We acknowledge that at the time of the audit there was a significant backlog in inventory processing and data entry of items to the property systems as described in your audit report. However, in our opinion, ADF&G's existing property policies and procedures follow the guidance contained in the State Property Control Handbook, and we do not concur that ADF&G is out of compliance with state and federal property management requirements.

Most of the items included in the audit test sample were part of the inventory processing backlog and had not been tagged on a timely basis. Upon request from your staff, we were able to locate copies of all documentation pertaining to the test items; the equipment was simply pending processing, but none of the items were lost or out of our control. To put the test sample size in perspective, ADF&G purchases about 600 to 700 new items annually that must be entered into the various property database systems, and we maintain property records for over 13,000 items throughout the department. The sample size was small, and although the audit test results were not favorable, we do not agree that the department has a significant control deficiency that can be generalized to our overall property management system.

Since receiving notice of your audit finding, and in the effort to improve internal efficiencies and processing of inventory, ADF&G has performed a complete review of our property inventory system, policies, and procedures. We immediately shifted personnel and resources to process the backlog items and all new items are now tagged and entered in the system, although we are still gathering and reviewing documentation for other inventory items. We have implemented new processes to strengthen our property management system and to ensure that items are processed into inventory in a timely manner. To that end, ADF&G has made the following changes:

- All property documents are now being date stamped upon receipt and logged by the property officer. The newly developed spreadsheet log has fields with built in timeframes that alert staff when follow up with property custodians is needed to obtain missing information for data entry to the inventory systems. This log is actively monitored by supervisory staff to ensure timeframes are met.*

- *Processing timeframes and work standards have been implemented to prioritize work flow and help supervisory staff to actively manage inventory processes and prevent future backlogs from occurring.*
- *We have updated the department's Standard Operating Procedure (SOP) on property management, and the revised version is posted on our administrative intranet website and has been distributed to regional administrative managers and property custodians throughout the department.*
- *We have included new language in our property SOP specifically addressing the procedures for licensing trailers for highway usage, and included steps to ensure that property custodians submit receiving documentation for roadable vehicles to the property officer on a timely basis. Additionally, the SOP includes a statewide directive that prohibits the use of any vehicle or trailer on a public road or waterway without proper licensing.*
- *We have revised internal documents to streamline the capture of all pertinent data that is required to add property to the inventory databases. For example, we developed and are now using a new property receiving form to assist with the inventory of items purchased by those outside the procurement section. This form will more easily capture information and facilitate communication between the field offices and the headquarters property officer.*
- *We have established a separate e-mail box for inventory where all inventory issues can be sent by field staff and custodians. The e-mail box is accessible by the headquarters procurement section and requests will be acted upon in a timely manner.*

We feel that these internal process and procedural changes have already strengthened and streamlined our internal controls over property. Furthermore, these changes will also assist us to monitor our inventory system and processes more closely, and will provide more timely data to management so that resources can be allocated if backlogs or other issues arise.

Thank you for the opportunity to respond to the audit finding. While we do not agree that ADF&G is out of compliance with federal equipment management requirements, we do concur with the recommendation that the department strengthen policies and procedures to ensure that equipment purchases are processed timely and inventory management is improved. We feel that the changes we have implemented or are in the process of implementing have fully corrected the problems noted in your audit report, and will prevent similar problems from occurring in the future.

*Contact Person: Tom Lawson, Director
Division of Administrative Services
Telephone: (907) 465-5999*

(Intentionally left blank)

DEPARTMENT OF PUBLIC SAFETY

No recommendations were made to the Department of Public Safety (DPS) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2008*.

One new recommendation has been made and is included as Recommendation No. 21.

(Intentionally left blank)

Recommendation No. 21

The Department of Public Safety (DPS) 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 09, one potential DPS shortfall has been identified.

<u>Appropriation</u>	<u>Appropriation Title</u>	<u>Amount</u>
AR 47545-09	Alaska State Troopers' Detachments unbudgeted Reimbursable Service Agreement	7, 192

This shortfall results from DPS not collecting revenue from Department of Natural Resources (DNR) under the associated reimbursable services agreement. We recommend that DPS's finance officer work with the finance officer of DNR to collect any remaining revenues and request a supplemental appropriation if necessary. Additionally, we recommend that DPS strengthen its internal controls over the billing and monitoring of revenue collections to prevent revenue shortfalls.

Agency Response – Department of Public Safety

DPS partially agrees with this recommendation.

This under collection was a result of an interdepartmental reimbursable services agreement (RSA) between the Department of Public Safety (DPS) and the Department of Natural Resources (DNR), where DNR's costs were to be reimbursed by the Federal Emergency Management Agency (FEMA). DPS provided personal services, travel, and supplies as agreed to in the RSA. However, DPS did not learn until December of 2009 that FEMA decided to only reimburse overtime personal service expenditures rather than all personal service expenditures as stated in the RSA.

Unfortunately the DPS appropriation terminated on August 31, 2009, and we were unable to record the expenditures to the general funds reserved for this issue because FEMA's notice did not occur until after the 2009 chart of account year closure. The Office of Management and Budget has forwarded to the legislature an appropriation to ratify the activity that was not reimbursed by FEMA.

I should note, however, that this is a technical exercise aimed at “cleaning up the books” and did not result in any over expenditure of funds.

*Agency Contact: Dan Spencer, Director
Division of Administrative Services
Telephone: (907) 465-5488*

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, 2008*.

No new recommendations have been made during the FY 09 statewide single audit.

(Intentionally left blank)

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, 2008*. Prior year Recommendation No. 17 is resolved.

One new recommendation has been made and is included as Recommendations No. 22.

(Intentionally left blank)

Recommendation No. 22

The Department of Corrections' (DOC) director of Division of Administrative Services (DAS) should improve and document policies and procedures for processing financial transactions.

Deficiencies exist in the DAS design and operation of internal processes for coding, authorizing, reviewing, supporting, certifying, and monitoring financial transactions. Specifically, a review of 81 transactions processed by DAS staff during FY 09 identified the following errors:

- Thirty nine transactions (\$313,969) were not approved or were approved by unauthorized individuals.
- Eighteen transactions (\$53,992) were not adequately supported.
- Eleven transactions (\$14,661) were coded to an incorrect appropriation.
- One transaction (\$1,741) recorded expenditures to the wrong chart of account year.
- One transaction (\$28,871) was misplaced and supporting documentation was unavailable.
- Two transactions (\$4,767) were recorded to prior year "blanket" encumbrances.
- One transaction (\$1,132) was for relocation-related expenditures with the stipulation that employment termination within two years required reimbursement. The employee was terminated after six months of employment. No efforts were made to collect the reimbursement, and no documentation existed to waive the requirement.
- Two instances of inadequate segregation of duties within significant processes.

A lack of documented internal policies for appropriate and consistent processing of financial transactions contributed to these deficiencies allowing staff to bypass the informal internal controls. The Alaska Administrative Manual (AAM) and the Accounting Procedures Manual (APM) contain requirements pertaining to the establishment of internal controls by state departments. AAM 35.060 stipulates that "*each agency must develop approval procedures to meet their organizational requirements.*" APM 2.32 states that "*for internal control purposes, employees who prepare disbursements may not approve payments.*" Finally, AAM 15.050 makes authorized certifying officers individually and officially responsible for their acts with respect to the certification of transactions.

The control deficiencies signify legal noncompliance, mismanagement of State funds, inaccurate financial and management reporting as well as potential fraud.

We recommend the DAS director improve and document the internal policies and procedures for major areas of operations, including but not limited to:

- Authorizing invoices and financial adjustments.
- Reviewing and certifying processed transactions.
- Defining what constitutes an adequate support for different types of transactions.
- Monitoring of inmate trust fund activity.
- Maintaining and updating a signature file.
- Stipulating powers and responsibilities of department personnel - creating a clear organizational structure.
- Establishing risk assessment procedures.
- Conducting trainings for personnel.
- Reporting deficiencies in internal controls and other concerns to management.

Additionally, the transactional errors identified should be corrected in the financial records.

Agency Response – Department of Corrections

In response to the deficiencies and errors identified:

- *Thirty nine transactions (\$313,969) were not approved or were approved by unauthorized individuals.*

Staff has replaced and updated all signature authorities which are available and easily accessible within the Finance and Accounting Unit. All invoices are reviewed by the Finance and Accounting Unit for appropriate approval by approved individuals.

- *Eighteen transactions (\$53,992) were not adequately supported.*

Follow-up training regarding adequate documentation to support operating expenditures has occurred with ongoing training sessions scheduled. Detailed internal procedures for necessary supporting documentation needed for processing and certifying transactions are being written by the Finance Officer, Finance and Accounting Unit staff, and the Internal Auditor with final approval by the Director of Administrative Services. Full implementation of the final DOC Policies and Procedures (P&Ps) is to occur by June 30, 2010. A copy will be made available to your office.

- *Eleven transactions (\$14,661) were coded to an incorrect appropriation.*

Transactions reviewed and found to be in error have been corrected to the proper appropriation.

- *One transaction (\$1,741) recorded expenditures to the wrong chart of account year.*

This transaction was reviewed and corrected to the correct chart of account year.

- *One transaction (\$28,871) was misplaced and supporting documentation was unavailable.*

This transaction was located and provided to your office on November 12, 2009.

- *Two transactions (\$4,767) were recorded to prior year “blanket” encumbrances.*

The prior year encumbrances were not established for this purpose and were incorrectly charged. These transactions should have been charged to the proper available prior year lapsed amounts and not to the encumbrances that were established. Future year-end encumbrances will only be established with backup documentation to support the prior year obligation.

- *One transaction (\$1,132) was for relocation-related expenditures with the stipulation that employment termination within two years required reimbursement. The employee was terminated after six months of employment. No efforts were made to collect the reimbursement, and no documentation existed to waive the requirement.*

The DOC provided to your office the circumstances surrounding this situation. However, the employee was not terminated, but instead, resigned due to circumstances beyond his control. The DOC chose to waive the relocation-related expenditures since the employee was assisting the DOC in a time of serious need. In the future, the DOC will document any waivers of reimbursement and file them accordingly.

- *Two instances of inadequate segregation of duties within significant processes.*

A review of RD Codes was completed and action taken to ensure employees assigned two RD Codes cannot self-certify.

The Director of Administrative Services has assigned the task of developing internal policies and procedures that will provide clear and consistent processes for all financial transactions and for all major areas of operations to the DOC Internal Auditor and Finance Officer. The Internal Auditor will lead a Quality Assurance Unit under the Division of Administrative Services. This position will perform the full range of internal audit functions including analysis and recommendations of agency operations and internal, management, fiscal and

accounting controls. The Finance Officer will lead the Finance and Accounting Unit. This position is responsible for the creation of desk manuals, policies and procedures for the Finance and Accounting Unit, and adherence to the Alaska Administrative Manual (AAM) and Accounting Procedures Manual (APM). The result will be documented internal policies and procedures (desk manuals) for appropriate and consistent processing of financial transactions administered by the DOC.

Through internal review, we do not believe the DOC has mismanaged state funds nor provided inaccurate financial and management reporting, and we are confident we have not committed fraud. Through implementation of internal policies, procedures, and controls, we believe the fiscal integrity of the DOC will be strengthened.

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

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

Two 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, 2008*. Prior year Recommendation Nos. 18 and 19 are resolved.

One new recommendation has been made and is included as Recommendation No. 23.

(Intentionally left blank)

Recommendation No. 23

The Department of Transportation and Public Facilities (DOTPF) finance officer should implement internal controls to prevent premature lapsing of DOTPF capital appropriations' termination years.

DOTPF failed to establish correct termination dates for seven capital appropriations based on reimbursable services agreements. As a result, these seven appropriation balances lapsed and are showing a combined revenue shortfall of over \$118,000.

These erroneous termination dates are a result of oversight when initially establishing the appropriations and insufficient internal controls over monitoring terminal capital appropriations.

DOTPF should re-establish those erroneously lapsed appropriations in order to complete the services requested. Additionally, DOTPF should improve its monitoring efforts for terminating capital appropriations to ensure that services are completed and the necessary revenues are collected.

Agency Response – Department of Transportation and Public Facilities

The department agrees with this recommendation. The Operating Programs Unit Accountant will review all appropriations (ARs) rolling up to AR 66999-15, the upper level AR for DOT&PF capital interdepartmental RSA's, to ensure that those ARs are extended, if necessary. This review will occur weekly beginning in April 2010 and extend through the reappropriation period. Emails to Project Managers will be sent out to determine if they anticipate an extension. In addition, expenditure and revenue actuals will be monitored to ensure they are in balance prior to termination.

We have also modified our AR establishment procedures. Beginning with COA 2010 we will establish the termination year on AR structures to completion date plus one. In conjunction with the receipt of an amendment extending the completion date of an RSA, the DOT&PF Fiscal Office RSA coordinator will extend the appropriation term year.

DOT&PF has worked with the DOA's Division of Finance and OMB to establish new structures in FY10 for lapsed appropriation amounts in order to complete the services requested. We continue to work with regional office staff to liquidate open items and move the authorization to the FY10 structures. In the end, DOT&PF does not expect to experience a revenue shortfall related to these ARs.

Please note that DOT&PF successfully terminated 515 capital ARs and 254 operating ARs

at the end of FY2009. The seven ARs found in the audit review make up 1.3% of capital ARs and 0.91% of total terminated ARs for the department.

*Contact Person: Laura Baker, Director
 Division of Administrative Services
 Telephone: (907) 465-3911*

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, 2008*.

No new recommendations have been made during the FY 09 statewide single audit.

(Intentionally left blank)

COMPONENT UNITS

This section includes two federal compliance recommendations to Alaska Housing Finance Corporation (AHFC). A complete copy of AHFC's report may be obtained directly from AHFC.

(Intentionally left blank)

Alaska Housing Finance Corporation

Recommendation No. 24

Department of Housing and Urban Development – Section 8 Housing Choice Vouchers CFDA 14.871

Criteria: According to the OMB A-133 Compliance Supplement, the public housing agency's (PHA's) administrative plan must state the methods used to determine that the rent to owner is reasonable in comparison to rent for other comparable unassisted units. The PHA must determine that the rent to owner is reasonable at the time of initial leasing, and must maintain records to document the basis for determination. The PHA determination must consider unit attributes such as the location, quality, size, unit type, age of unit, amenities, housing services, and maintenance and utilities provided by the owner. The Corporation's policies state that Form SE315 (Unassisted Unit Comparability Survey) will be used to document the information necessary to make a reasonable rent determination. As stated in the procedures, two forms shall be placed in the client folder.

Condition: Of the 23 participant files tested, two files were found to have deficiencies in documentation of reasonable rent determination. The deficient files were missing all documentation for rent reasonableness (no "Unassisted Unit Comparability Survey").

Questioned Costs: None identified.

Context: We reported a similar finding when we tested the files for this program in 2005 and in 2008. At that time, AHFC revised the Unassisted Unit Comparability Survey form and trained staff on proper procedures for the program. During our current testing we still found that 2 of 23 files tested were deficient in this area.

Effect: The Corporation may be paying unreasonable rent for participants.

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

Recommendation: We recommend that management review their process for documenting rent reasonableness, and establish controls to ensure that the procedures are followed and that documentation is adequate. We also recommend that AHFC continue to perform periodic file reviews, in order to identify and correct deficiencies in documentation.

CFDA: 14.871

Questioned Costs: None

Federal Agency: HUD
Noncompliance
Special Tests and Provisions

Agency Response – Alaska Housing Finance Corporation

Staff examined the files of the two clients in question. One file was the responsibility of a staff person no longer employed by the corporation. The current case manager examined the file and comparable rents and made the determination that the rent is reasonable. The second file involved a landlord who properly notified the client and AHFC about a rent increase. Revised rent reasonableness documentation should have been added to the file before the increase occurred. The manager located comparable rent data and found the rent to be reasonable.

As a routine matter, the Public Housing Division performs quality control file reviews each quarter following the Section 8 Management Assessment Program guidelines found at 24 CFR Part 985. The annual sample size is a minimum of 30 files plus one for each 200 files over the 2,000. This translates to approximately 42 file reviews per year. In the last quarter, the rent reasonableness component was amended to have staff examine for data related to a change in rent. At the annual staff training in October 2009, management will conduct a review of the policy, forms and procedures to ensure compliance.

*Contact Person: Kevin Tune, Director
Audit Department
Telephone: (907) 330-8410*

Recommendation No. 25

Department of Housing and Urban Development – Section 8 Housing Choice Vouchers
CFDA 14.871

Criteria: According to OMB A-133 Compliance Supplement, the public housing agency (PHA) must use third party verification of annual income, value of assets, expenses related to deductions from annual income, and any other factors that affect the determination of adjusted income or income-based rent disclosed by the family during examinations and reexaminations.

Condition: Of the 23 participant files tested, two files were found to have deficiencies in the documentation of third party documentation for income verification. Both of the deficient files were missing some of the required documentation of third party verification.

Questioned Costs: None identified.

Context: Third party verification is required to determine if all income is included in the HAP payment calculation. Amounts not verified through a third party source could significantly change the income calculations.

Effect: The Corporation may have inaccurately calculated voucher payments.

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

Recommendation: We recommend that management review their process for obtaining third party income verification, and establish controls to ensure that the procedures are followed and that documentation is adequate. We also recommend that AHFC continue to perform periodic file reviews, in order to identify and correct deficiencies in documentation.

CFDA: 14.871

Questioned Costs: None

Federal Agency: HUD

Noncompliance

Eligibility

Agency Response – Alaska Housing Finance Corporation

Staff examined the files of the two clients in question. In the first case, the income in question was senior assistance payment made to Alaskan elders in lieu of termination of the former Longevity Payment. Staff knew the sum to be \$175 per month and found the payment in the client's bank statement and self reporting. An updated electronic 3rd party verification was placed in the file. The second file involved the use of the 'family questionnaire' and a statement by a non-participant daughter who attended the interview and declared a \$250 per month donation to the participant. Staff correctly computed monthly income. A written statement to that effect is now part of the file.

The same file review method outlined in the finding above is used to review verification procedures. While 3rd party verifications are best, lesser forms of verification are acceptable when necessary. Staff makes regular use of on-line verification tool such as the HUD IEV electronic database and access to the Alaska Division of Public Assistance EIS database and the Department of Labor & Workforce Development, Employment Security database. A review of resources will occur at the October 2009 staff training to ensure clarity about their use and the hierarchy of verification types.

Contact Person: Kevin Tune, Director
Audit Department
Telephone: (907) 330-8410

(Intentionally left blank)

State of Alaska Division of Legislative Audit
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended June 30, 2009

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 35 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 35 major federal programs for the fiscal year ended June 30, 2009 as follows:

<u>CFDA or Other Identifying Number</u>	<u>Title of Federal Program</u>
10.551, 10.561 10.557	Food Stamps Cluster Special Supplemental Nutrition Program for Women, Infants, and Children
10.568, 10.569 10.859 11.307	Emergency Food Assistance Cluster Assistance to High Energy Cost Rural Communities Public Works and Economic Development Facilities Cluster
11.438 12.400	Pacific Coast Salmon Recovery Military Construction, National Guard
14.182, 14.195, 14.249 14.317	Section 8 Project-Based Cluster Section 8 Housing Assistance Payments Program: Special Allocations (ARRA)
14.871 14.872	Section 8 Housing Choice Vouchers Public Housing Capital Fund

State of Alaska Division of Legislative Audit
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended June 30, 2009

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

<u>CFDA or Other Identifying Number</u>	<u>Title of Federal Program</u>
15.226	Payment in Lieu of Taxes (PILT)
15.605, 15.611	Fish and Wildlife Cluster
17.225	Unemployment Insurance
17.235	Senior Community Service Employment Program
20.106	Airport Improvement Program
20.205, 20.219	Highway Planning and Construction
20.500, 20.507	Federal Transit Cluster
47.050	National Science Foundation, Geosciences
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Funds
84.007, 84.032, 84.033, 84.063, 84.375, 84.376	Student Financial Assistance Cluster
84.041, 84.404	Impact Aid Cluster
84.126, 84.390A	Rehabilitation Services: Grants to States
84.367	Improving Teacher Quality
90.100	Denali Commission Program
93.268	Immunization Grants
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.568	Low Income Housing Energy Assistance
93.659	Adoption Assistance
93.667	Social Services Block Grants
93.767	State Children’s Insurance Program
93.775, 93.777, 93.778	Medicaid Cluster
Various	Research and Development Cluster

- h) A threshold of \$8,440,292 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
- i) The State of Alaska does not qualify as a low-risk auditee under Section 530 of OMB Circular A-133.

State of Alaska Division of Legislative Audit
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended June 30, 2009

Part II – Findings related to the Basic Financial Statements

Significant Deficiencies

<u>State Department</u>	<u>Recommendation Number</u>	<u>Comments</u>
Revenue	Recommendation No. 2	
Health and Social Services	Recommendation No. 5	

Irregularities and Illegal Acts

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

Part III – Federal Findings and Questioned Costs

<u>Federal Agency/ Recommendation Number</u>	<u>Questioned Costs</u>	<u>Comments</u>
USDA		
Recommendation No. 4	None	Significant Deficiency
Recommendation No. 5	None	Significant Deficiency, Noncompliance
Recommendation No. 6	\$ 16,697	Noncompliance
Recommendation No. 12	Indeterminate	Noncompliance
Recommendation No. 13	None	Noncompliance
USDOC		
Recommendation No. 20	None	Significant Deficiency, Noncompliance
USDOE		
Recommendation No. 3	None	Noncompliance
USDOJ		
Recommendation No. 20	None	Significant Deficiency, Noncompliance
USDOL		
Recommendation No. 19	81,395	Significant Deficiency, Noncompliance
USDHHS		
Recommendation No. 4	None	Significant Deficiency
Recommendation No. 5	None	Significant Deficiency, Noncompliance
Recommendation No. 6	168,771	Noncompliance
Recommendation No. 7	None	Noncompliance
Recommendation No. 9	120,509	Noncompliance

State of Alaska Division of Legislative Audit
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended June 30, 2009

Part III – Federal Findings and Questioned Costs (continued)

USDHHS continued

Recommendation No. 10	Indeterminate	Noncompliance
Recommendation No. 11	\$ 319,034	Noncompliance
Recommendation No. 12	Indeterminate	Noncompliance
Recommendation No. 13	119,525	Noncompliance
Recommendation No. 14	Indeterminate	Significant Deficiency, Noncompliance
Recommendation No. 15	152,280	Noncompliance
Recommendation No. 16	Indeterminate	Significant Deficiency
Recommendation No. 17	None	Significant Deficiency

HUD

Recommendation No. 24	None	Noncompliance
Recommendation No. 25	None	Noncompliance

SECTION III – INTERNAL CONTROL AND COMPLIANCE REPORTS
AND SUPPLEMENTARY INFORMATION

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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

Independent Auditor's Report 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 discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alaska as of and for the year ended June 30, 2009, which collectively comprise the State of Alaska's basic financial statements and have issued our report thereon dated December 11, 2009. Our 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 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. Other auditors audited the financial statements of Alaska Permanent Fund, the Fiduciary Funds – Pension and Other Employee Benefit Trust Funds and one discretely presented component unit, the Alaska Mental Health Trust Authority. 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), the Alaska Municipal Bond Bank Authority (a discretely presented component unit) and the 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 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.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the preceding section of Recommendations and Questions Costs that we consider to be significant deficiencies in internal control over financial reporting. Our recommendations for these instances are identified in the Summary of Recommendations under "Basic Financial Statements – Significant Deficiency." A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

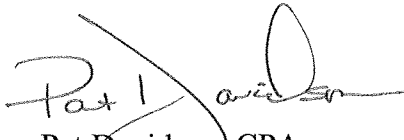
Compliance and Other Matters

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 other matters which are described in the preceding section of Recommendations and Questioned Costs. Our recommendations for these instances are identified in the Summary of Recommendations 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, members of the Alaska Legislature, the federal awarding agencies, and pass-through entities. It 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

December 11, 2009

(Intentionally left blank)

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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

Independent Auditor's Report 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, 2009. 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, 2009. 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 listed 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. We consider the deficiencies in internal control over compliance listed 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 to be significant deficiencies.

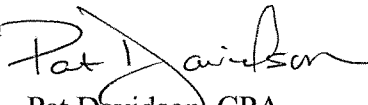
A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the State's internal control. We did 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, 2009, and have issued our report thereon dated December 11, 2009. 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, the federal awarding agencies, and pass-through entities. It 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 19, 2010, except for the
Schedule of Expenditures of
Federal Awards, which is
dated December 11, 2009

(Intentionally left blank)

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
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>							
AEA	10.001	UAF 07-0127		Agricultural Research - Basic and Applied Research	125		
DNR	10.001			Agricultural Research - Basic and Applied Research	11,402	5	
UofA	10.001		R&DC	Agricultural Research - Basic and Applied Research	1,163,471	3,10	548,271
	10.001 Total				1,174,998		548,271
DEC	10.025			Plant and Animal Disease, Pest Control and Animal Care	184,247		
DFG	10.025			Plant and Animal Disease, Pest Control and Animal Care	73,129		
DNR	10.025			Plant and Animal Disease, Pest Control and Animal Care	456,669	5,6	
UofA	10.025		R&DC	Plant and Animal Disease, Pest Control, and Animal Care	68,494	3,10	
	10.025 Total				782,539		-
DNR	10.156			Federal-State Marketing Improvement Program	55,560	5	
DNR	10.162			Inspection Grading and Standardization	11,739		
DNR	10.163			Market Protection and Promotion	115,343		
DNR	10.169			Specialty Crop Block Grant Program	109,888	6	
UofA	10.200	061553007	R&DC	Grants for Agricultural Research, Special Research Grants (Pass-through from Utah State University)	29,939	3,10	
UofA	10.200		R&DC	Grants for Agricultural Research, Special Research Grants	3,154,199	3,10	177,424
UofA	10.200			Grants for Agricultural Research, Special Research Grants	147,015		
	10.200 Total				3,331,153		177,424
UofA	10.202		R&DC	Cooperative Forestry Research	817,566	3,10	
UofA	10.203		R&DC	Payments to Agricultural Experiment Stations Under the Hatch Act	958,630	3,10	
UofA	10.206		R&DC	Grants for Agricultural Research - Competitive Research Grants	400,033	3,10	
UofA	10.206			Grants for Agricultural Research - Competitive Research Grants	231,646		
	10.206 Total				631,679		-
UofA	10.228		R&DC	Alaska Native Serving and Native Hawaiian Serving Institutions Education Grants	150,773	3,10	
UofA	10.228			Alaska Native Serving and Native Hawaiian Serving Institutions Education Grants	1,835,424		22,663
	10.228 Total				1,986,197		22,663
UofA	10.303	07-001492-UAK		Integrated Programs (Pass-through from University of California, Davis)	24,714		
UofA	10.303	BJKE27-UA (PO013815)		Integrated Programs (Pass-through from University of Idaho)	90,992		
UofA	10.303	BJKH15 SB005		Integrated Programs (Pass-through from University of Idaho)	1,060		
UofA	10.303	K009607-AK Amendment 5		Integrated Programs (Pass-through from University of California, Davis)	11,762		
	10.303 Total				128,528		-
UofA	10.304	07-002558-12		Homeland Security - Agricultural (Pass-through from University of California, Davis)	23,658		
AHFC	10.410			Very Low to Moderate Income Housing Loans	80,829	13	
UofA	10.443	PO Z738018	R&DC	Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers (Pass-through from University of Hawaii, Hilo)	4,275	3,10	
UofA	10.443			Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers	33,746		
	10.443 Total				38,021		-
UofA	10.455			Community Outreach and Assistance Partnership Program	14,940		

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By Federal Agency

State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
DEC	10.479			Food Safety Cooperative Agreements	191,434		
UofA	10.500	104777-G00189 0		Cooperative Extension Service (Pass-through from Washington State University)	198,099		
UofA	10.500	G002219		Cooperative Extension Service (Pass-through from Washington State University)	14,333		
UofA	10.500	S08023		Cooperative Extension Service (Pass-through from Kansas State University)	75,586		
UofA	10.500	S08107 MOD 2		Cooperative Extension Service (Pass-through from Kansas State University)	29,358		
UofA	10.500	S09161		Cooperative Extension Service (Pass-through from Kansas State University)	9,278		
UofA	10.500	UTSTUNV46460AK		Cooperative Extension Service (Pass-through from University of Wyoming)	7,003		
UofA	10.500	UTSTUNV46465AK		Cooperative Extension Service (Pass-through from University of Wyoming)	10,698		
UofA	10.500	UTSUNV46467AK		Cooperative Extension Service (Pass-through from University of Wyoming)	570		
UofA	10.500		R&DC	Cooperative Extension Service	106,674	3,10	
UofA	10.500			Cooperative Extension Service	1,961,172		23,351
		10.500 Total			2,412,771		23,351
DHSS	10.551		SNAP	Supplemental Nutrition Assistance Program	116,211,831	3,7,10	37,700
DEED	10.553	17131	CNC	School Breakfast Program	5,972,724	10	5,972,724
DEED	10.555	17132	CNC	National School Lunch Program	25,544,675	10	25,544,675
DEED	10.555	17132		National School Lunch Program - Food Commodities	1,872,521	15	1,872,521
		10.555 Total			27,417,196		27,417,196
DEED	10.556	17133	CNC	Special Milk Program for Children	14,685	10	14,685
DHSS	10.557			Special Supplemental Nutrition Program for Women, Infants and Children	23,920,095	3,8	5,433,180
UofA	10.557	PO 3409010318 Rev 2		Special Supplemental Nutrition Program for Women, Infants, and Children (Pass-through from Oklahoma State Department of)Health	13,920		
		10.557 Total			23,934,015		5,433,180
DEED	10.558	17134		Child and Adult Care Food Program	8,165,536		8,092,916
DEED	10.558	17134		Child and Adult Care Food Program-Food Commodities	8,656	15	8,656
		10.558 Total			8,174,192		8,101,572
DEED	10.559	17137	CNC	Summer Food Service Program for Children	855,670	10	790,166
DEED	10.559	17137		Summer Food Service Program for Children - Food Commodities	2,400	15	2,400
		10.559 Total			858,070		792,566
DEED	10.560	17135		State Administrative Expenses for Child Nutrition	601,948		
DHSS	10.561		SNAP	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10,920,685	3,10	
DEED	10.568	17138	EFAC	Emergency Food Assistance Program (Administrative Costs)	165,845	3,10	107,983
DEED	10.568	17196	EFAC	ARRA - Emergency Food Assistance Program (Administrative Costs)	36,370	3,10	36,370
		10.568 Total			202,215		144,353
DEED	10.569		EFAC	Emergency Food Assistance Program (Food Commodities)	1,844,553	3,10,15	1,844,553
DEED	10.569		EFAC	ARRA - Emergency Food Assistance Program (Food Commodities)	201,966	3,10,15	201,966
		10.569 Total			2,046,519		2,046,519
DEED	10.574	17400		Team Nutrition Grants	74,606		
UofA	10.578	ASO LOG No. 08-092		WIC Grants To States (WGS) (Pass-through from State of Hawaii - Department of Health)	13,366		
DEED	10.582	17166		Fresh Fruit and Vegetable Program	423,592		401,018
ASMI	10.601	Export Marketing		Market Access Program	5,037,979		
UofA	10.652		R&DC	Forestry Research	44,789	3,10	

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By Federal Agency

State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
UofA	10.652			Forestry Research	77,128		
	10.652 Total				121,917		-
DNR	10.664			Cooperative Forestry Assistance	3,096,003	5,6	
UofA	10.664		R&DC	Cooperative Forestry Assistance	26,382	3,10	
UofA	10.664			Cooperative Forestry Assistance	11,130		
	10.664 Total				3,133,515		-
DCCED	10.665	National Forest Receipts	SRC	Secure Payments for Schools and Roads - Grants to States	20,885,345	10	20,885,345
DOTPF	10.665		SRC	Secure Payments for Schools and Roads - Grants to States	170,000	10	
	10.665 Total				21,055,345		20,885,345
DNR	10.676			Forest Legacy Program	1,915,682	5	
DNR	10.677			Forest Land Enhancement Program	168,967	6	
DNR	10.680			Forest Health Protection	9,017	6	
UofA	10.680		R&DC	Forest Health Protection	10,821	3,10	
	10.680 Total				19,838		-
DNR	10.688	09DG11100489003		ARRA - Recovery Act of 2009: Wildland Fire Management	8,021		
DEC	10.760			Water and Waste Disposal Systems for Rural Communities	11,630,702		862,019
UofA	10.760			Water and Waste Disposal Systems for Rural Communities	9,741		
	10.760 Total				11,640,443		862,019
DCCED	10.766	Rural Internet Access		Community Facilities Loans and Grants	471,008		444,854
DCCED	10.769	Rural Business Enterprise		Rural Business Enterprise Grants	(662)		
UofA	10.769		R&DC	Rural Business Enterprise Grants	(67,500)	3,10	
UofA	10.769			Rural Business Enterprise Grants	63,973		
	10.769 Total				(4,189)		-
DCCED	10.857	Bulk Fuel Bridge Loans		State Bulk Fuel Revolving Fund Grants	5,920		5,920
AEA	10.859	Various		Assistance to High Energy Cost Rural Communities	3,834,377	3	1,240,220
DNR	10.905			Plant Materials for Conservation	89,033	6	
DFG	10.914			Wildlife Habitat Incentive Program	(147)		
ARRC	10.999	05DG11100000226		Railroad Back Country Whistle Stop Project (U.S. Forest Service - Whistle Stop)	83,660	9	
DFG	10.999			Miscellaneous U.S. Forest Service	496,193		
DOTPF	10.999	USDA 68-0150-5-009		Design & construct facility for the Plant Materials Center in Palmer	51,900	6	
DOTPF	10.999	USDA 72-015-05A-054		Contract with Dept of Agriculture for culvert replacement on Nordale Road	76,941	6	
DOTPF	10.999	USFS 07-01-818J7-44		Haines Sawmill Creek Culvert Imp.	50,000	6	
DOTPF	10.999	USFS 07-RO-11100100-076		Contract with USFS for fish passage-ways on Mitkof, Hyدابurg, and Yakutat Highways	20,137	6	
DOTPF	10.999	USFS 43-0109-3-0356		Auire ROW Land on Coffman Cove Road	8	6	
DOTPF	10.999			Contract with Forest Service for Bank Stabilization at Stariski Creek	50,000	6	
UofA	10.999	SA TNC/AKNHP LDFIRE 2007	R&DC	Miscellaneous (Pass-through from The Nature Conservancy)	47,657	3,10	
UofA	10.999		R&DC	Miscellaneous	369,749	3,10	
UofA	10.999			Miscellaneous	269,025		
	10.999 Total				1,515,270		-
DPS	10.02CA-111001-039			Cooperative Law Enforcement Agreement	46,422		
DNR	10.07F11100100006	07F11100100006		Kenai Dispatch Center (AKDF070003)	184,674	5	
DNR	10.07F11100100006	07F11100100006		USFS Fire Suppression (AKDF070002)	7,613,157	5,6	
	10.07F11100100006 Total				7,797,831		-
DEC	10.12-25-A4941			Pesticide Recordkeeping	16,432		
DNR	10.43-0120-5-0113	43-0120-5-0113		Spot Revegetation 2 (purchase order)	500		
DEC	10.AG-0109-P-08-0028			Forest Service Regulatory Oversight	3,636		
		U.S. Department of Agriculture			266,608,917		74,571,580

[U.S. Department of Commerce](#)

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By Federal Agency

State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
UofA	11.303			Economic Development - Technical Assistance	110,073		
AIDEA	11.307	07-79-05820	PWEDC	Economic Adjustment Assistance	1,337,870	3,10	
DCCED	11.307	Alaska Rural Visitor	PWEDC	Economic Adjustment Assistance	107,432	10	15,110
DCCED	11.307	Coalition For Economic Development	PWEDC	Economic Adjustment Assistance	46,764	10	48,255
DCCED	11.307	Small Business Economic Development Loan Fund	PWEDC	Economic Adjustment Assistance	298,733	10,24	419,180
UofA	11.307		PWEDC	Economic Adjustment Assistance	538,236	10	
	11.307 Total				2,329,035		482,545
UofA	11.400			Geodetic Surveys and Services (Geodesy and Applications of the National Geodetic Reference System)	12,653		
DFG	11.405			Anadromous Fish Conservation Act Program	239,588		
DFG	11.407			Interjurisdictional Fisheries Act of 1986	131,742		
UofA	11.407			Interjurisdictional Fisheries Act of 1986	17,602		
	11.407 Total				149,344		-
DFG	11.417			Sea Grant Support	478,098		
UofA	11.417	Agreement S080017 AMNDDMT 1	R&DC	Sea Grant Support (Pass-through from Texas A&M University, Galveston)	51,321	3,10	
UofA	11.417			Sea Grant Support	351,213		
UofA	11.417		R&DC	Sea Grant Support	2,075,422	3,10	128,526
	11.417 Total				2,956,054		128,526
DCCED	11.419	Coastal Zone Management		Coastal Zone Management Administration Awards	1,049,248	4	911,084
DMVA	11.419			Coastal Zone Management Administration Awards	291,927		40,127
DNR	11.419			Coastal Zone Management Administration Awards	2,188,786	4,5,6	
	11.419 Total				3,529,961		951,211
DFG	11.420			Coastal Zone Management Estuarine Research Reserves	561,267		
UofA	11.420		R&DC	Coastal Zone Management Estuarine Research Reserves	12,817	3,10	
	11.420 Total				574,084		-
UofA	11.427		R&DC	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	79,403	3,10	
UofA	11.430		R&DC	Undersea Research	980,478	3,10	398,742
UofA	11.431		R&DC	Climate and Atmospheric Research	601,550	3,10	
UofA	11.432		R&DC	Office of Oceanic and Atmospheric Research (OAR) Joint and Cooperative Institutes	3,097,140	3,10	119,961
DFG	11.437			Pacific Fisheries Data Program (Pass-through Pacific States Marine Fisheries Commission)	2,113,147		
DFG	11.437			Pacific Fisheries Data Program	2,741,830		
	11.437 Total				4,854,977		-
DCCED	11.438	Fish Revitalization-Fish & Game		Pacific Coast Salmon Recovery - Pacific Salmon Treaty Program	13,418	3,4	13,418
DFG	11.438			Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	24,324,041	3,4	6,261,421
	11.438 Total				24,337,459		6,274,839
DFG	11.439			Marine Mammal Data Program (Pass-through from North Slope Borough)	26,477		
DFG	11.439			Marine Mammal Data Program	758,111		

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By Federal Agency

State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
UofA	11.439	NA05NMF4391068	R&DC	Marine Mammal Data Program (Pass-through from North Pacific Marine Science Foundation)	1	3,10	
UofA	11.439		R&DC	Marine Mammal Data Program	314,367	3,10	
UofA	11.439			Marine Mammal Data Program	12,749		
	11.439 Total				1,111,705		-
UofA	11.454	AC-598	R&DC	Unallied Management Projects (Pass-through from Bering Sea Fisherman's Association)	17,631	3,10	
UofA	11.460		R&DC	Special Oceanic and Atmospheric Projects	2,503,848	3,10	
UofA	11.463	2006-0093-012	R&DC	Habitat Conservation (Pass-through from National Fish & Wildlife Foundation)	48,876	3,10	
UofA	11.463	2008-0066-008	R&DC	Habitat Conservation (Pass-through from National Fish & Wildlife Foundation)	1,604	3,10	
	11.463 Total				50,480		-
DMVA	11.467			Meteorologic and Hydrologic Modernization Development	2,241		
UofA	11.467	S08-68871	R&DC	Meteorologic and Hydrologic Modernization Development (Pass-through from University Corporation for Atmospheric Research)	4,349	3,10	
UofA	11.467	S08-71435	R&DC	Meteorologic and Hydrologic Modernization Development (Pass-through from University Corporation for Atmospheric Research)	9,391	3,10	
UofA	11.467		R&DC	Meteorologic and Hydrologic Modernization Development	70,934	3,10	
	11.467 Total				86,915		-
UofA	11.468	UM 09-09-024	R&DC	Applied Meteorological Research (Pass-through from University of Mississippi)	47,238	3,10	
DFG	11.472			Unallied Science Program (Pass-through North Pacific Research Board)	149,724		
UofA	11.472	503		Unallied Science Program (Pass-through North Pacific Research Board)	38,133		
UofA	11.472	509	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	5,780	3,10	
UofA	11.472	A100501	R&DC	Unallied Science Program (Pass-through from Woods Hole Oceanographic Institution)	19,954	3,10	
UofA	11.472	B51	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	34,527	3,10	
UofA	11.472	B52	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	58,001	3,10	
UofA	11.472	B53	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	97,685	3,10	
UofA	11.472	B67	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	80,812	3,10	
UofA	11.472	B67/YR2	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	40,270	3,10	
UofA	11.472	B68	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	57,186	3,10	
UofA	11.472	B77	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	14,846	3,10	
UofA	11.472	B77 YEAR 2	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	32,696	3,10	
UofA	11.472	F2631	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	36,996	3,10	
UofA	11.472	NPRB Agreement 826		Unallied Science Program (Pass-through North Pacific Research Board)	33,115		
UofA	11.472	Pending	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	2,883	3,10	
UofA	11.472	PROJ 828	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	955	3,10	
UofA	11.472	Project - 901	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	14,443	3,10	
UofA	11.472	Project 514	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	7,390	3,10	

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By Federal Agency

State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
UofA	11.472	Project 607	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	57,865	3,10	
UofA	11.472	Project 614	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	44,132	3,10	
UofA	11.472	Project 615		Unallied Science Program (Pass-through North Pacific Research Board)	24,798		
UofA	11.472	Project 617	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	8,335	3,10	
UofA	11.472	Project 627	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	(2,752)	3,10	
UofA	11.472	Project 702	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	15,464	3,10	
UofA	11.472	Project 706	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	18,157	3,10	
UofA	11.472	Project 708	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	27,382	3,10	
UofA	11.472	Project 714	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	69,210	3,10	
UofA	11.472	Project 727	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	18,701	3,10	
UofA	11.472	Project 804	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	225,749	3,10	
UofA	11.472	Project 814	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	18,759	3,10	
UofA	11.472	Project 821	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	18,165	3,10	
UofA	11.472	Project 923	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	2,932	3,10	
UofA	11.472	11.472 Total		Unallied Science Program	35,139		
DFG	11.473			Coastal Services Center	43,357		-
UofA	11.473	07-5-25535.3734 CA05-22	R&DC	Coastal Services Center (Pass-through from University of Maryland - UMCES)	25,739	3,10	
UofA	11.473	CA- 07-11 Z7315-1	R&DC	Coastal Services Center (Pass-through from University of Maryland - UMCES)	76,647	3,10	3,224
UofA	11.473	H2100-11	R&DC	Coastal Services Center (Pass-through from Alaska Ocean Observing System)	91,181	3,10	
UofA	11.473	H2100-12		Coastal Services Center (Pass-through from Alaska Ocean Observing System)	26,519		
UofA	11.473	H-2201	R&DC	Coastal Services Center (Pass-through from Seward Association for Advancement of Science)	66,220	3,10	
UofA	11.473	H2221-00	R&DC	Coastal Services Center (Pass-through from Alaska Ocean Observing System)	472,683	3,10	
UofA	11.473	Project No. H2100-13: AMD 2	R&DC	Coastal Services Center (Pass-through from Alaska Ocean Observing System)	8,265	3,10	
UofA	11.473	R2206-01	R&DC	Coastal Services Center (Pass-through from Alaska SeaLife Center)	14,147	3,10	
		11.473 Total			824,758		3,224
UofA	11.481	SubAgreement No. 270040E	R&DC	Educational Partnership Program (Pass-through from North Carolina Agricultural & Technical State University)	76,615	3,10	
UofA	11.481			Educational Partnership Program	164,896		
		11.481 Total			241,511		-
DMVA	11.555			Public Safety Interoperable Communications Grant Program	2,125,847		1,548,433
DFG	11.999			Miscellaneous NOAA	405,414		
DOTPF	11.999			Space leased by National Weather Service at DOTPF facility in Slana and Ernestine	20		
UofA	11.999	Letter 09/17/08		Miscellaneous (Pass-through from Consortium for Oceanographic Research & Education)	15,064		
UofA	11.999		R&DC	Miscellaneous	109,472	3,10	
UofA	11.999			Miscellaneous	13,695		
		11.999 Total			543,665		-

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By Federal Agency

State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
DPS	11.04 and 06/07/08-NMFS-JEA			National Marine Fisheries Joint Enforcement Agreement	2,230,907		
DEC	11.45ABNAON0252			Miscellaneous Inspection Service	1,767		
DEC	11.AB133C06SE3435			NOAA Pribilof Island Restoration	6,378		
U.S. Department of Commerce					54,951,881		9,907,481
<u>U.S. Department of Defense</u>							
UofA	12.002			Procurement Technical Assistance For Business Firms	307,339		
DEC	12.113			State Memorandum of Agreement Program for the Reimbursement of Technical Services	1,792,452		
UofA	12.114	UM 07-11-041	R&DC	Collaborative Research and Development (Pass-through from University of Mississippi)	52,899	3,10	
UofA	12.300	A100585	R&DC	Basic and Applied Scientific Research (Pass-through from Woods Hole Oceanographic Institution)	89,134	3,10	
UofA	12.300	Index 332520 PO426688	R&DC	Basic and Applied Scientific Research (Pass-through)from Wayne State University	811	3,10	
UofA	12.300	R00427 FSU 091004- 520-015474	R&DC	Basic and Applied Scientific Research (Pass-through)from Florida State University	41,995	3,10	
UofA	12.300		R&DC	Basic and Applied Scientific Research	1,259,109	3,10	493,483
12.300 Total					1,391,049		493,483
AADC	12.400	W91ZR06-2-3038		Military Construction, National Guard	2,018,477	3	
DMVA	12.400			Military Construction, National Guard	400,776		
12.400 Total					2,419,253		-
DMVA	12.401			National Guard Military Operations and Maintenance (O&M) Projects	17,961,720		
DMVA	12.404			National Guard Civilian Youth Opportunities	2,858,639		
DFG	12.420			Military Medical Research and Development	91,612		
UofA	12.420		R&DC	Military Medical Research and Development	1,713,976	3,10	41,442
12.420 Total					1,805,588		41,442
UofA	12.431	060803-360295-01	R&DC	Basic Scientific Research (Pass-through from Mississippi State University)	361,035	3,10	
UofA	12.431	Subgrant; 08-48,49,50 Date 8.7.8		Basic Scientific Research (Pass-through from Academy of Applied Science)	12,156		
UofA	12.431		R&DC	Basic Scientific Research	483,837	3,10	104,367
12.431 Total					857,028		104,367
UofA	12.630		R&DC	Basic, Applied, and Advanced Research in Science and Engineering	501,629	3,10	5,788
UofA	12.800	SUB Q01193	R&DC	Air Force Defense Research Sciences Program (Pass-through from New Mexico State University)	(4,234)	3,10	
UofA	12.800		R&DC	Air Force Defense Research Sciences Program	218,249	3,10	
UofA	12.800			Air Force Defense Research Sciences Program	19,468		
12.800 Total					233,483		-
UofA	12.910		R&DC	Research and Technology Development	1,887,160	3,10	
ARRC	12.999	DTFR53-08-G00008		2008 Access to Joint Tanana Training Complex (2008)	1,545,803	9	
ARRC	12.999	DTFRDV-05-G-00005		FY 2005-Military Installations Track Realignment (Track Realignment – Elmendorf AFB and Ft. Richardson 2005) (Pass-through from FRA)	178,177	9	
ARRC	12.999	DTFRDV-05-G-00006		Northern Line Realignment & Extension	655,015	9	
ARRC	12.999	DTFRDV-06-G-00007		FY 2006 Locomotives and Rail Cars to Support the Stryker Brigade (Locomotive/Railcars to Support Stryker Brigade - 2006)	160,967	9	

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By Federal Agency

State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient	
ARRC	12.999	DTFRDV-07-G-00005		Fort Wainwright/Eielson AFB Track Realignment (Track Realignment - Ft. Wainwright 2007)	45,979	9		
ARRC	12.999	DTFRDV-07-G-00006		Northern Line Extension (2007)	2,195,071	9		
DEC	12.999			USAF Elmendorf Site Cleanup	4,189			
DEED	12.999	17178		Troops to Teachers	3,969			
DFG	12.999			Miscellaneous Army	107,178			
DOTPF	12.999	F65501-95C0017		Maintain Galena Airport to USAF Safety Standards	202,200			
DOTPF	12.999	F65501-96C0006		Maintain King Salmon Airport to USAF Safety Standards	603,426			
DOTPF	12.999	N6871104MDC4010		Funding from US Navy for Adak Airport Operations	1,179,703	6		
UofA	12.999	2-340-0210766	R&DC	Miscellaneous (Pass-through from RTI International)	27,553	3,10		
UofA	12.999	Subcontract F011656	R&DC	Miscellaneous (Pass-through from University of Michigan)	60,243	3,10		
UofA	12.999		R&DC	Miscellaneous	1,270,452	3,10		
	12.999 Total				8,239,925		-	
		U.S. Department of Defense			40,308,164		645,080	
		<u>U.S. Department of Housing and Urban Development</u>						
AHFC	14.117			Mortgage Insurance - Homes	2,780,843	13		
AHFC	14.182		S8PBC	Section 8 New Construction/Substantial Rehabilitation	2,216,118	3,10		
AHFC	14.195		S8PBC	Section 8 Housing Assistance Payments Program	6,509,182	3,10	6,149,695	
AHFC	14.227			Community Development Block Grants /Technical Assistance Program	94,260		91,685	
DCCED	14.228	Community Development Block Grants	SSCPC	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	3,777,366	10	3,657,044	
DCCED	14.231	Emergency Shelter Grants Program		Emergency Shelter Grants Program	134,545		134,545	
AHFC	14.235			Supportive Housing Program	11,206		11,206	
AHFC	14.238			Shelter Plus Care	409,949		409,949	
AHFC	14.239			HOME Investment Partnerships Program	3,884,525		3,597,212	
AHFC	14.241			Housing Opportunities for Persons with AIDS	481,062		466,411	
AHFC	14.249		S8PBC	Section 8 Moderate Rehabilitation Single Room Occupancy	390,701	3,10	293,872	
AHFC	14.317			ARRA - Section 8 Housing Assistance Payments Program Special Allocations (Recovery Act Funded)	625,490	3	618,052	
UofA	14.515			Alaska Native / Native Hawaiian Institutions Assisting Communities	1,758,549		352,634	
AHFC	14.850			Public and Indian Housing	10,504,624			
AHFC	14.870			Resident Opportunity and Supportive Services - Service Coordinators	39,351		39,351	
AHFC	14.871			Section 8 Housing Choice Vouchers	32,029,039	3		
AHFC	14.872		CFPC	Public Housing Capital Fund	2,650,692	3,10		
AHFC	14.875			Public Housing Neighborhood Networks Grants	75,141		44,653	
UofA	14.901	08-HHP-374648-0001		Healthy Homes Demonstration Grants (Pass-through from Auburn University)	5,500			
		U.S. Department of Housing and Urban Development					68,378,143	15,866,309
		<u>U.S. Department of the Interior</u>						
UofA	15.114			Indian Education - Higher Education Grant Program	21,448			
DFG	15.222			Cooperative Inspection Agreements With States and Tribes	7,859			
DNR	15.224			Cultural Resource Management	910,835	6		
UofA	15.224		R&DC	Cultural Resource Management	125,418	3,10		
UofA	15.224			Cultural Resource Management	1,368,345			

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By Federal Agency

State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
	15.224 Total				2,404,598		-
DFG	15.225			Recreation Resource Management	68,918		
UofA	15.225		R&DC	Recreation Resource Management	73,953	3,10	
	15.225 Total				142,871		-
DCCED	15.226	Payments in Lieu of Taxes		Payments in Lieu of Taxes	9,968,866	3	9,968,866
DCCED	15.227	National Petroleum Reserve Alaska Impact Mitigation		Distribution of Receipts to State and Local Governments	11,810,115		11,810,115
DNR	15.228			National Fire Plan - Wildland Urban Interface Community Fire Assistance	104,137	6	
DFG	15.231			Fish, Wildlife and Plant Conservation Resource Management (Pass-through National Fish & Wildlife Foundation)	92,908		
DFG	15.231			Fish, Wildlife and Plant Conservation Resource Management	34,936		
UofA	15.231		R&DC	Fish, Wildlife and Plant Conservation Resource Management	2,413	3,10	
	15.231 Total				130,257		-
DNR	15.250			Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	195,056	5,6	
DNR	15.252			Abandoned Mine Land Reclamation (AMLR) Program	651,252	6	
UofA	15.421		R&DC	Alaska Coastal Marine Institute	343,383	3,10	
UofA	15.423		R&DC	Minerals Management Service (MMS) Environmental Studies Program (ESP)	135,530	3,10	
DNR	15.426			Coastal Impact Assistance Program	150,923	4,6	
DFG	15.605		F&WC	Sport Fish Restoration Program	19,192,920	3,10	1,952,778
DFG	15.608			Fish and Wildlife Management Assistance	820,103		
DNR	15.608			Fish and Wildlife Management Assistance	1,803		
UofA	15.608	2007-0140-000		Fish and Wildlife Management Assistance (Pass-through from National Fish & Wildlife Foundation)	130,726		
UofA	15.608		R&DC	Fish and Wildlife Management Assistance	25,891	3,10	
UofA	15.608			Fish and Wildlife Management Assistance	1,318		
	15.608 Total				979,841		-
DFG	15.611		F&WC	Wildlife Restoration	11,476,630	3,10	
DNR	15.614			Coastal Wetlands Planning, Protection, and Restoration Act	2,898,218		
AEA	15.615	70152-03-0007		Cooperative Endangered Species Conservation Fund	24,675		
DFG	15.615			Cooperative Endangered Species Conservation Fund	55,496		
	15.615 Total				80,171		-
DFG	15.616			Clean Vessel Act	34,390		34,390
DFG	15.622			Sportfishing and Boating Safety Act	221,603		221,603
DFG	15.626			Hunter Education and Safety Program	80,000		
DFG	15.630			Coastal Program	9,590		
UofA	15.630			Coastal Program	274		
UofA	15.630		R&DC	Coastal Program	15,205	3,10	
	15.630 Total				25,069		-
DFG	15.631			Partners for Fish and Wildlife	88		
DFG	15.633			Landowner Incentive Program	57,682		
DFG	15.634			State Wildlife Grants	2,408,738		
DFG	15.636			Alaska Subsistence Management	8,102		
DFG	15.636			Alaska Subsistence Management	1,773,003		
	15.636 Total				1,781,105		-
UofA	15.642		R&DC	Challenge Cost Share	34,855	3,10	
UofA	15.650		R&DC	Research Grants (Generic)	21,829	3,10	
UofA	15.655		R&DC	Migratory Bird Monitoring, Assessment and Conservation	1,493	3,10	
UofA	15.805		R&DC	Assistance to State Water Resources Research Institutes	128,038	3,10	12,895
UofA	15.807		R&DC	Earthquake Hazards Reduction Program	465,228	3,10	

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By Federal Agency

State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
DNR	15.808			U.S. Geological Survey - Research and Data Collection	1,386,976	5,6	
UofA	15.808	AV04-AK01	R&DC	U.S. Geological Survey - Research and Data Collection (Pass-through from America View, Inc.)	10	3,10	
UofA	15.808	AVO8-AK01	R&DC	U.S. Geological Survey - Research and Data Collection (Pass-through from America View, Inc.)	12,179	3,10	
UofA	15.808		R&DC	U.S. Geological Survey - Research and Data Collection	2,584,311	3,10	
UofA	15.808			U.S. Geological Survey - Research and Data Collection	14,163		
	15.808 Total				3,997,639		-
DNR	15.810			National Cooperative Geologic Mapping Program	216,833	5,6	
UofA	15.811		R&DC	Gap Analysis Program	97,939	3,10	
UofA	15.812		R&DC	Cooperative Research Units Program	1,025,341	3,10	
DNR	15.814			National Geological and Geophysical Data Preservation Program	1,905	6	
UofA	15.900			Disposal of Surplus Wildlife	3,548		
UofA	15.900		R&DC	Disposal of Surplus Wildlife	347,627	3,10	
	15.900 Total				351,175		-
DNR	15.904			Historic Preservation Fund Grants-In-Aid	713,398		
UofA	15.904		R&DC	Historic Preservation Fund Grants-In-Aid	36,265	3,10	
	15.904 Total				749,663		-
DNR	15.916			Outdoor Recreation - Acquisition, Development and Planning	944,832		
DNR	15.929			Save America's Treasures	9,456		
DFG	15.999			Miscellaneous National Park Service	63,435		
DFG	15.999			Miscellaneous Bureau of Land Management	95,559		
DFG	15.999			Miscellaneous Minerals Management Services	461,932		
DFG	15.999			Miscellaneous U.S. Fish and Wildlife Service	606,667		
DOTPF	15.999	BLM-LAA 08-001		BLM partnership to develop Dalton Hwy Corridor	3,542	6	
DOTPF	15.999			National Park Service for Maintenance at Nebesna Rest Stop	45,875		
UofA	15.999	19758 Initial 2006 (21199)	R&DC	Miscellaneous (Pass-through from University of Vermont)	22,176	3,10	
UofA	15.999	2005-0011-036	R&DC	Miscellaneous (Pass-through from National Fish & Wildlife Foundation)	7,886	3,10	
UofA	15.999	20118 Initial 2002	R&DC	Miscellaneous (Pass-through from University of Vermont)	45,925	3,10	
UofA	15.999	AC-299	R&DC	Miscellaneous (Pass-through from Bering Sea Fisherman's Association)	(3,313)	3,10	
UofA	15.999	MOA Dated 8-21-07	R&DC	Miscellaneous (Pass-through from Hoonah Indian Association)	38,327	3,10	
UofA	15.999	PO S953776 0000326714-21833	R&DC	Miscellaneous (Pass-through from Rutgers)	49,490	3,10	
UofA	15.999		R&DC	Miscellaneous	1,150,384	3,10	17,646
UofA	15.999			Miscellaneous	322,075		
	15.999 Total				2,909,960		17,646
DNR	15.07HQSA0115	07HQSA0115		National Digital Catalog	9,929	6	
DEC	15.09 DOI NPS Collection			National Park Service Oversight	7,989		
DNR	15.1435-02-04-CA-403	1435-02-04-CA-40364		Onshore Compliance	200,781	6	
DNR	15.701816M445	701816M445		Cabin Site Surveys	15,698		
DNR	15.701817D055	701817D055		National Historic Preservation Act for Alaska	13,258		
DNR	15.701817J676	701817J676		Scenic Byway Planning	28,647		
DNR	15.701817M364	701817M364		Frazer Fish Pass	9,806		
DNR	15.AAI	0203ML1302		Wickersham House	80,179	5	
DNR	15.AK-C-12-L-1	AK-C-12-L-1		Portage River - Afognak Coastal Protection	2,193		
DNR	15.ANN	H9915040004		Fire Program Analysis	419	6	

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By Federal Agency**

State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
DNR	15.LAA040005	LAA040005		BLM Fire Suppression	2,158,181		
DEC	15.LAB072032			Bureau of Land Management Oversight	40,866		
DNR	15.LAP072043	LAP072043		Resource Management Plans	20,034		
DNR	15.P9911080006	P9911080006		NSP Anilca Planning - 08	26,539	6	
DNR	15.P9911090021	P9911090021		Planning Assistance	55,000	6	
DEC	15.P9917080035			National Park Service Oversight	10,204		
DEC	15.P9917900004			National Park Service Oversight	547		
U.S. Department of the Interior					78,939,206		24,018,293
<u>U.S. Department of Justice</u>							
DHSS	16.523			Juvenile Accountability Block Grants	224,818		
DPS	16.527			Supervised Visitation, Safe Havens for Children	49,429		
DHSS	16.529			Education, Training and Enhanced Services to End Violence Against and Abuse of Women with Disabilities	155,294		
DHSS	16.540			Juvenile Justice and Delinquency Prevention - Allocation to States	676,530		201,341
DHSS	16.541			Part E - Developing, Testing and Demonstrating Promising New Programs	1,525,562		1,436,355
DOA	16.541			Part E - Developing, Testing and Demonstrating Promising New Programs	71,350		
UofA	16.541	RSA Dated 9/1/06		Part E - Developing, Testing and Demonstrating Promising New Programs (Pass-through from Bristol Bay Area Health Corporation)	1,793		
16.541 Total					1,598,705		1,436,355
DPS	16.543			Missing Children's Assistance	34,898		
DHSS	16.544			Gang Free Schools and Communities - Community-Based Gang Intervention Program	76,123		
DHSS	16.548			Title V - Delinquency Prevention Program	322,843		174,996
UofA	16.550		R&DC	State Justice Statistics Program for Statistical Analysis Centers	20,182	3,10	
DPS	16.554			National Criminal History Improvement Program (NCHIP)	277,195		
DPS	16.560			National Institute of Justice Research, Evaluation, and Development Project Grants	197,703		
UofA	16.560		R&DC	National Institute of Justice Research, Evaluation, and Development Project Grants	63,503	3,10	
16.560 Total					261,206		-
DPS	16.575			Crime Victim Assistance	1,241,425		1,070,834
DOA	16.576			Crime Victim Compensation	454,698		
COURT	16.580	2005-RG-CX-1072		Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	353,751	6	
DCCED	16.580	Prescription Drug Monitoring		Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	20,953		
DHSS	16.580			Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	62,156		
DPS	16.580			Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	1,032,331		
LAW	16.580	2005DDBX1154		Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	814,725		
16.580 Total					2,283,916		-
COURT	16.585	2003-DC-BX-0059		Drug Court Discretionary Grant Program	36,259		
DOTPF	16.585			Drug Court Discretionary Grant Program	5,349		
DOTPF	16.585			Drug Court Discretionary Grant Program	162,426		
16.585 Total					204,034		-
DPS	16.588			Violence Against Women Formula Grants	2,130,382		1,228,726

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By Federal Agency**

State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
LAW	16.588	2005WFAQ0001		Violence Against Women Formula Grants	930,898		
	16.588 Total				3,061,280		1,228,726
DPS	16.589			Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	324,153		302,115
DPS	16.590			Grants to Encourage Arrest Policies and Enforcement of Protection Orders	182,260		93,693
LAW	16.590	2007WEAX0060		Grants to Encourage Arrest Policies and Enforcement of Protection Orders	398,846		
	16.590 Total				581,106		93,693
DOC	16.593	RSAT 08-02		Residential Substance Abuse Treatment for State Prisoners	47,090		
DPS	16.593			Residential Substance Abuse Treatment for State Prisoners	51,153		
	16.593 Total				98,243		-
DPS	16.609			Community Prosecution and Project Safe Neighborhoods	265,535		160,615
DOA	16.710			Public Safety Partnership and Community Policing Grants	845,433		
DPS	16.710			Public Safety Partnership and Community Policing Grants	1,300,833		187,163
	16.710 Total				2,146,266		187,163
DHSS	16.727			Enforcing Underage Drinking Laws Program	244,038		109,093
DPS	16.738			Edward Byrne Memorial Justice Assistance Grant Program	1,026,966		338,888
DPS	16.742			Paul Coverdell Forensic Sciences Improvement Grant Program	124,437		
DPS	16.743			Forensic Casework DNA Backlog Reduction Program	166,595		
DMVA	16.999			Counterdrug Support Program-Asset Forfeiture	124,126		
DPS	16.999	AKAST0100		Federal Equitable Sharing Agreement	349,751		
UofA	16.999		R&DC	Miscellaneous	(2,157)	3,10	
UofA	16.999			Miscellaneous	10,045		
	16.999 Total				481,765		-
DPS	16.05-2 & CY08/CY09			Marijuana Eradication	83,669		
		U.S. Department of Justice			16,485,349		5,303,819
		U.S. Department of Labor					
DLWD	17.002	850		Labor Force Statistics	700,162		
DLWD	17.005	853		Compensation and Working Conditions	102,529		
DLWD	17.207	858	ESC	Employment Service/Wagner-Peyser Funded Activities	8,758,620	10	
DLWD	17.225	864		Unemployment Insurance	213,740,780	3,11	
DLWD	17.225	993		ARRA - Unemployment Insurance	120,372	3,11	
DLWD	17.225	FU 33030 - AC 79544/69444		ARRA - Unemployment Insurance	9,208,531	3,11	
	17.225 Total				223,069,683		-
DLWD	17.235	955		Senior Community Service Employment Program	2,328,603	3	1,974,595
DLWD	17.235	996		ARRA - Senior Community Service Employment Program	120,166	3	102,688
	17.235 Total				2,448,769		2,077,283
DLWD	17.245	871		Trade Adjustment Assistance	323,927		
DLWD	17.258	997	WIAC	ARRA - WIA Adult Program	4,094	10	
DLWD	17.258	922/923	WIAC	WIA Adult Program	3,530,074	10	
	17.258 Total				3,534,168		-
DHSS	17.259		WIAC	WIA Youth Activities	-	10	41,576
DLWD	17.259	952	WIAC	WIA Youth Activities	3,154,642	10	1,502,668
DLWD	17.259	999	WIAC	ARRA - WIA Youth Activities	64,397	10	
	17.259 Total				3,219,039		1,544,244
DLWD	17.260	998	WIAC	ARRA - WIA Dislocated Workers	3,276	10	
DLWD	17.260	932/933/937	WIAC	WIA Dislocated Workers	6,943,912	10	1,290,187
UofA	17.260		WIAC	WIA Dislocated Workers	(5,643)	10	

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By Federal Agency

State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
	17.260 Total				6,941,545		1,290,187
UofA	17.261			WIA Pilots, Demonstrations, and Research Projects	254,070		
DLWD	17.266	885		Work Incentive Grants	521,280		
UofA	17.268			H-1B Job Training Grants	192,875		
UofA	17.269			Community Based Job Training Grants	268,698		98,633
DLWD	17.271	915		Work Opportunity Tax Credit Program (WOTC)	52,068		
DLWD	17.273	856		Temporary Labor Certification for Foreign Workers	56,115		
DLWD	17.503	887		Occupational Safety and Health - State Program	1,434,764		
DLWD	17.504	888		Consultation Agreements	685,021		
UofA	17.600			Mine Health and Safety Grants	26,243		
DHSS	17.720			Disability Employment Policy Development	477,635		
UofA	17.720	EN 693072 RD6312		Disability Employment Policy Development	-		42,768
	17.720 Total				477,635		42,768
DLWD	17.801	893	ESC	Disabled Veterans' Outreach Program (DVOP)	285,067	10	
DLWD	17.804	895	ESC	Local Veterans' Employment Representative Program	256,597	10	
DLWD	17.807	897		Transition Assistance Program	65,409		
				U.S. Department of Labor	253,674,284		5,053,115
				U.S. Department of State			
UofA	19.999			Miscellaneous	204,059		-
				U.S. Department of State	204,059		-
				U.S. Department of Transportation			
DOTPF	20.106			ARRA - Airport Improvement Program	5,721,610	3,6,19	
DOTPF	20.106			Airport Improvement Program	225,648,906	3,6,19	
	20.106 Total				231,370,516		-
UofA	20.109	61069-UAADTFACT-02-D-00037 12		Air Transportation Centers of Excellence (Pass-through from Embry-Riddle Aeronautical University)	115,556		
UofA	20.109	61077-UAA PO 133596		Air Transportation Centers of Excellence (Pass-through from Embry-Riddle Aeronautical University)	84,426		
UofA	20.109		R&DC	Air Transportation Centers of Excellence	121,482	3,10	
	20.109 Total				321,464		-
UofA	20.200		R&DC	Highway Research and Development Program	521	3,10	
DOTPF	20.205		HPCC	ARRA - Highway Planning and Construction	2,797,763	3,6,10,19	
DOTPF	20.205		HPCC	Highway Planning and Construction	306,629,042	3,6,10,19	10,929,755
KABATA	20.205	PJ E 56047	HPCC	Highway Planning and Construction	3,986,221	3,10	
	20.205 Total				313,413,026		10,929,755
UofA	20.215			Highway Training and Education	253,956		
DOTPF	20.218			National Motor Carrier Safety	810,388	6	54,478
DNR	20.219		HPCC	Recreational Trails Program	1,037,346	3,5,10	
DOTPF	20.231			Performance and Registration Information Systems Management	110,179	6	
DOA	20.232			Commercial Drivers License State Programs	484,061		
DOTPF	20.233			Border Enforcement Grants	674,347	6	
DOTPF	20.234			Safety Data Improvement Program	652	6	
DOTPF	20.235			Commercial Motor Vehicle Operator Training Grants	82,658	6	
DOTPF	20.237			Commercial Vehicle Information Systems and Networks	173,231	6	300
DOTPF	20.238			Commercial Drivers License Information System	48,818	6	
AIDEA	20.500	AK-04-0012-00	FTC	Federal Transit - Capital Investment Grants	2,497,877	3,10	
ARRC	20.500	AK-03-0035	FTC	Federal Transit - Capital Investment Grants	4,263,224	3,9,10	
ARRC	20.500	AK-03-0039	FTC	Federal Transit - Capital Investment Grants	1,128	3,9,10	

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By Federal Agency

State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
ARRC	20.500	AK-03-0052	FTC	Federal Transit - Capital Investment Grants	61,323	3,9,10	
ARRC	20.500	AK-03-0059	FTC	Federal Transit - Capital Investment Grants	457,659	3,9,10	
ARRC	20.500	AK-03-0073	FTC	Federal Transit - Capital Investment Grants	1,319,326	3,9,10	
ARRC	20.500	AK-04-0003	FTC	Federal Transit - Capital Investment Grants	70,851	3,9,10	
ARRC	20.500	AK-05-0007	FTC	Federal Transit - Capital Investment Grants	64,987	3,9,10	
ARRC	20.500	AK-05-0009	FTC	Federal Transit - Capital Investment Grants	1,136,455	3,9,10	
ARRC	20.500	AK-05-0010	FTC	Federal Transit - Capital Investment Grants	2,657,301	3,9,10	
ARRC	20.500	AK-05-0011	FTC	Federal Transit - Capital Investment Grants	1,319,731	3,9,10	
ARRC	20.500	AK-05-0012	FTC	Federal Transit - Capital Investment Grants	9,117,312	3,9,10	
ARRC	20.500	AK-05-0013	FTC	Federal Transit - Capital Investment Grants	3,173,251	3,9,10	
ARRC	20.500	AK-55-0003	FTC	Federal Transit - Capital Investment Grants	79,895	3,9,10	
DOTPF	20.500		FTC	Federal Transit - Capital Investment Grants	8,032,727	6,10	174,051
	20.500 Total				34,253,047		174,051
DOTPF	20.505			Federal Transit - Metropolitan Planning Grants	253,217	6	253,514
ARRC	20.507	AK-90-X030-00	FTC	Federal Transit - Formula Grants	18,847	3,9,10	
ARRC	20.507	AK-90-X039-00	FTC	Federal Transit - Formula Grants	333,527	3,9,10	
ARRC	20.507	AK-90-X043-00	FTC	Federal Transit - Formula Grants	212,999	3,9,10	
ARRC	20.507	AK-90-X047-00	FTC	Federal Transit - Formula Grants	2,681,124	3,9,10	
ARRC	20.507	AK-90-X049-00	FTC	Federal Transit - Formula Grants	15,289,057	3,9,10	
ARRC	20.507	AK-90-X050-00	FTC	Federal Transit - Formula Grants	3,080,067	3,9,10	
	20.507 Total				21,615,621		-
DOTPF	20.509			Formula Grants for Other Than Urbanized Areas	6,476,283	6	5,727,260
DOTPF	20.513		TSPC	Capital Assistance Program for Elderly Persons and Persons with Disabilities	368,807	6,10	292,724
DOTPF	20.514			Public Transportation Research	40,904	6	37,074
DOTPF	20.516		TSPC	Job Access - Reverse Commute	164,587	10	108,177
ARRC	20.520	AK-20-X001-00		Paul S. Sarbanes Transit in the Parks	3,405,859	9	
DOTPF	20.600		HSC	State and Community Highway Safety	1,909,698	6,10	1,419,627
DOTPF	20.601		HSC	Alcohol Impaired Driving Countermeasures Incentive Grants I	1,064,828	6,10	336,532
DOTPF	20.602		HSC	Occupant Protection Incentive Grants	121,234	6,10	21,584
DOTPF	20.604		HSC	Safety Incentives Grants for Use of Seatbelts	1,993	6,10	
COURT	20.607			Alcohol Open Container Requirements	702,132	4	
DOTPF	20.607			Alcohol Open Container Requirements	3,747,285		1,479,650
	20.607 Total				4,449,417		1,479,650
DOTPF	20.609		HSC	Safety Belt Performance Grants	33,709	10	
DOTPF	20.610		HSC	State Traffic Safety Information System Improvements Grants	131,722	10	24,102
DOTPF	20.611		HSC	Incentive Grant Program to Prohibit Racial Profiling	32,911	10	
DOTPF	20.612		HSC	Incentive Grant Program to Increase Motorcyclist Safety	58,407	10	3,228
DOTPF	20.613		HSC	Child Safety and Child Booster Seat Incentive Grants	35,342	6,10	
UofA	20.701		R&DC	University Transportation Centers Program	2,370,670	3,10	88,002
DMVA	20.703			Interagency Hazardous Materials Public Sector Training and Planning Grants	56,846		
UofA	20.762	PO Z894269	R&DC	Research Grants (Pass-through from University of Hawaii)	3,542	3,10	
DCCED	20.930	Small Air Service		Payments for Small Community Air Service Development	8,216	4	
ARRC	20.999	DTFR53-05-G-00005		Luminescent Grade Crossing-R&D - 2005	3,380	9	
ARRC	20.999	DTFR53-08-G-00004		Collision Avoidance System-2008	878,280	9	
ARRC	20.999	DTFRDV-03-G-60040		Rail Safety and Infrastructure Improvements - 2003	7,551	9	
ARRC	20.999	DTFRDV-04-G-00005		Rail Safety and Infrastructure Improvements - 2004	11,322	9	
ARRC	20.999	DTFRDV-06-G-00006		Rail Safety and Infrastructure Improvements - 2006	5,275	9	
ARRC	20.999	DTFRDV-99-G-60005		Anchorage International Airport Rail Passenger Station - 1999	29,284	9	
DNR	20.999	DTHF70-05-E-00028		Alaska Trails Initiative	1,685,344	4	

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By Federal Agency

State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
DOTPF	20.999	DFFAA 06-A-00006		Barrow Airport Rehabilitation	129,484	6	
DOTPF	20.999	DTFA04-81-F-81018		Pay half of electric billed on shared meter at Kodiak Airport	46,992		
DOTPF	20.999	DTFA04-92-89229		Prorated Share of utilities and repair/maintenance Cost FAA ARFF Deadhorse Combined Facility	115,017		
DOTPF	20.999	DTFAA 05-A-00009		Goodnews Bay airport runway edge lighting	158,352	6	
DOTPF	20.999	DTFAA 06-A-00009		Nightmute Airport runway edge lighting	192,316	6	
DOTPF	20.999	DTFAA 06-X-00009		Atka Arpt lighting	708,170	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 airports	253,585	6	
DOTPF	20.999	DTFAAL-05-A-00011		FAA agreement to install lighting at Kohkanok & Kongiganak airports	17,504	6	
DOTPF	20.999	DTFAAL-05-X-00006		Design & construct FAA facility in Nome reimbursed by FAA through PO	300,297	6	
DOTPF	20.999	DTFAAL-05-X-00011		FAA agreement to install lighting at King Cove & New Stuyahok airports	271,668	6	
DOTPF	20.999	DTFAWA-04-A-00003		FAA agreement for installation of lighting at Kohkanok & Nunapitchuk airports.	1,062,427		
DOTPF	20.999	DTFAWA-05-A-00009		FAA agreement to install REIL lights at Stevens Village & King Cove airports	4,004	6	
DOTPF	20.999	DTFAWA-06-A-00009		FAA agreement to install PAPI lights at Stuyahok airport	88,350	6	
DOTPF	20.999	DTFAWA-26-A00009		FAA agreement to install lighting at Tuntutuliak airport	402,223	6	
DOTPF	20.999	FHWA-AK-PRA-DENA 10(19)		Contract with Forest Highway Administration for Denali Bridges	82,964	6	
DOTPF	20.999	FHWA-HAAM 40F		Contract with FHWA Office of Acquisition Management for CLARUS	1,459	6	
		20.999 Total			6,455,248		-
DEC	20.DTFAAL-04X-8000			Clean up Contaminated Sites in AK	112,175		
DNR	20.DTHF70-05-E-0002	DTHF70-05-E-00020		Sea Trails	2,025		
		U.S. Department of Transportation			632,207,471		20,950,058
		U.S. Department of Treasury					
DCCED	21.999	08PA041		Phase II Rural Alaska Financial Education and Financial Services	45,620		40,918
DEED	21.999			Jobs and Growth Tax Relief Reconciliation Act of 2003	160,914		
DOA	21.999			Jobs and Growth Tax Relief Reconciliation Act of 2002	48,897		
DPS	21.999			Jobs and Growth Tax Relief Reconciliation Act of 2002	154,074		
UofA	21.999		R&DC	Miscellaneous	304,752	3,10	
		U.S. Department of Treasury			714,257		40,918
		Office of Personnel Management					
UofA	27.011			Intergovernmental Personnel Act (IPA) Mobility Program	127,358		
		Office of Personnel Management			127,358		-
		U.S. Equal Employment Opportunity Commission					
OG	30.002			Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	111,018		
		U.S. Equal Employment Opportunity Commission			111,018		-
		U.S. General Services Administration					
DOA	39.003			Donation of Federal Surplus Personal Property	2,419,724	14	
UofA	39.009		R&DC	Federal Citizen Information Center	9,601,748	3,10	224,835
OG	39.011			Election Reform Payments	476,480		
		U.S. General Services Administration			12,497,952		224,835

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By Federal Agency**

State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
<u>National Aeronautics and Space Administration</u>							
UofA	43.001	PO 4600003770	R&DC	Aerospace Education Services Program (Pass-through from The Aerospace Corporation)	19,475	3,10	
UofA	43.001	SUB Z631501	R&DC	Aerospace Education Services Program (Pass-through from University of Maryland)	48,799	3,10	
UofA	43.001		R&DC	Aerospace Education Services Program	487,257	3,10	
UofA	43.001			Aerospace Education Services Program	17,092		
	43.001 Total				572,623		-
DMVA	43.002			Technology Transfer	596,793		
UofA	43.999	1541927	R&DC	Miscellaneous (Pass-through from University of Colorado)	(3,661)	3,10	
UofA	43.999	06CA84A-08-002	R&DC	Miscellaneous (Pass-through from SETI Institute)	24,413	3,10	
UofA	43.999	1-0001080910	R&DC	Miscellaneous (Pass-through from University of California, Berkeley)	2,023	3,10	
UofA	43.999	SUB 0008149	R&DC	Miscellaneous (Pass-through from University of Pittsburgh)	9,973	3,10	
UofA	43.999	SUB 09-046	R&DC	Miscellaneous (Pass-through from University of New Hampshire)	43,864	3,10	
UofA	43.999	SUB 200707-E		Miscellaneous (Pass-through from George Mason University)	12,134		
UofA	43.999	SUB No. NNG06GH12G-06-002	R&DC	Miscellaneous (Pass-through from SETI Institute)	206	3,10	
UofA	43.999	Subcontract 486547 Pending	R&DC	Miscellaneous (Pass-through from University of Washington)	39,980	3,10	
UofA	43.999	UW 471380 MOD 1	R&DC	Miscellaneous (Pass-through from University of Washington)	8,532	3,10	
UofA	43.999	Z627201	R&DC	Miscellaneous (Pass-through from University of Maryland)	89,875	3,10	
UofA	43.999		R&DC	Miscellaneous	11,508,257	3,10	50,787
UofA	43.999			Miscellaneous	143		
	43.999 Total				11,735,739		50,787
National Aeronautics and Space Administration					12,905,155		50,787
<u>Institute of Museum and Library Services</u>							
DEED	45.307	17276		21st Century Museum Professionals	49,907		
DEED	45.310	17336		Grants to States	791,919		561,420
DEED	45.312	17278		National Leadership Grants	23,014		
Institute of Museum and Library Services					864,840		561,420
<u>National Endowment for the Arts</u>							
DEED	45.025	17335		Promotion of the Arts - Partnership Agreements	663,094		254,025
National Endowment for the Arts					663,094		254,025
<u>National Endowment for the Humanities</u>							
UofA	45.129	G08-0044		Promotion of the Humanities - Federal/State Partnership (Pass-through from Alaska Humanities Forum)	102		
UofA	45.149			Promotion of the Humanities - Division of Preservation and Access	91,152		
UofA	45.169			Promotion of the Humanities - Office of Digital Humanities	23,413		
National Endowment for the Humanities					114,667		-
<u>National Science Foundation</u>							
UofA	47.041			Engineering Grants	98,765		31,562
UofA	47.041		R&DC	Engineering Grants	273,209	3,10	51,649
	47.041 Total				371,974		83,211
UofA	47.049	Subaward No. 30891-A	R&DC	Mathematical and Physical Sciences (Pass-through from Stanford University)	158,940	3,10	
UofA	47.049		R&DC	Mathematical and Physical Sciences	589,966	3,10	
	47.049 Total				748,906		-

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By Federal Agency**

State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
UofA	47.050	892069	R&DC	Geosciences (Pass-through from University of Washington)	25,063	3,10	
UofA	47.050	2008000779A		Geosciences (Pass-through from WGBH Educational Foundation)	30,348	3	
UofA	47.050	59-0011127 MOD 4	R&DC	Geosciences (Pass-through from SRI International)	495,597	3,10	
UofA	47.050	A100521	R&DC	Geosciences (Pass-through from Woods Hole Oceanographic Institution)	11,354	3,10	
UofA	47.050	SUB 1703-01 PO126669	R&DC	Geosciences (Pass-through from Embry-Riddle Aeronautical University)	(7,890)	3,10	
UofA	47.050	Subaward EAR-0350028-11	R&DC	Geosciences (Pass-through from UNAVCO, Inc.)	41,030	3,10	
UofA	47.050		R&DC	Geosciences	2,463,956	3,10	28,967
UofA	47.050			Geosciences	3,397,120	3	30,926
	47.050 Total				6,456,578		59,893
UofA	47.070	1120822-184882		Computer and Information Science and Engineering (Pass-through from Carnegie Mellon University)	40,330		
UofA	47.070		R&DC	Computer and Information Science and Engineering	344,979	3,10	
UofA	47.070			Computer and Information Science and Engineering	45,521		
	47.070 Total				430,830		-
UofA	47.074	592485	R&DC	Biological Sciences (Pass-through from University of Washington)	9,562	3,10	
UofA	47.074	SA5573-11487, PO 1382500	R&DC	Biological Sciences (Pass-through from University of California, Berkeley)	(8,060)	3,10	
UofA	47.074			Biological Sciences	276,972		
UofA	47.074		R&DC	Biological Sciences	3,171,982	3,10	162,191
	47.074 Total				3,450,456		162,191
UofA	47.075		R&DC	Social, Behavioral, and Economic Sciences	450,570	3,10	
UofA	47.076		R&DC	Education and Human Resources	4,118,451	3,10	25,000
UofA	47.076			Education and Human Resources	2,157,133		66,373
	47.076 Total				6,275,584		91,373
UofA	47.078	40082-00-01 B	R&DC	Polar Programs (Pass-through from City College of New York)	10,106	3,10	
UofA	47.078	AGRMT BSSN-SA-4 / ARC-0634079	R&DC	Polar Programs (Pass-through from Aleut International Association)	65,661	3,10	
UofA	47.078	ARCUS Contract 8.26.04	R&DC	Polar Programs (Pass-through from Arctic Research Consortium of the U.S.)	38,748	3,10	
UofA	47.078	CA 08-09	R&DC	Polar Programs (Pass-through from University of Maryland - UMCES)	45,271	3,10	
UofA	47.078	Pending		Polar Programs (Pass-through from Barrow Arctic Science Consortium)	(38,528)		
UofA	47.078	PO S115043	R&DC	Polar Programs (Pass-through from Woods Hole Oceanographic Institution)	19,323	3,10	
UofA	47.078	Subcontract 573685	R&DC	Polar Programs (Pass-through from University of Washington)	21,330	3,10	
UofA	47.078		R&DC	Polar Programs	12,599,464	3,10	249,590
UofA	47.078			Polar Programs	511,746		
	47.078 Total				13,273,121		249,590
UofA	47.079		R&DC	International Science and Engineering (OISE)	342,047	3,10	
UofA	47.079			International Science and Engineering (OISE)	28,627		
	47.079 Total				370,674		-
UofA	47.081			Office of Experimental Program to Stimulate Competitive Research	9,489		
UofA	47.082	SPO 000069542	R&DC	ARRA - Trans-NSF Recovery Act Research Support (Pass-through from University of Colorado)	601	3,10	
UofA	47.999		R&DC	Miscellaneous	78,315	3,10	4,577
UofA	47.999			Miscellaneous	24,387		
	47.999 Total				102,702		4,577

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By Federal Agency

State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
National Science Foundation					31,941,485		650,835
<u>U.S. Small Business Administration</u>							
UofA	59.009			Procurement Assistance to Small Businesses	73,479		
UofA	59.037			Small Business Development Centers	578,612		
U.S. Small Business Administration					652,091		-
<u>U.S. Department of Veterans Affairs</u>							
AHFC	64.114			Veterans Housing - Guaranteed and Insured Loans	4,017,851	13	
DMVA	64.999			State Approving Agency	80,211		
DOTPF	64.999			Traffic Mitigation in to new VA clinic	399,086	6	
64.999 Total					479,297		-
U.S. Department of Veterans Affairs					4,497,148		-
<u>U.S. Environmental Protection Agency</u>							
AEA	66.034	XA-960429-01		Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	12,454	5	
DEC	66.034			Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	286,229		
66.034 Total					298,683		-
AEA	66.040	DS96077901		State Clean Diesel Grant Program	18,468		
DEC	66.040			State Clean Diesel Grant Program	9,109		
66.040 Total					27,577		-
AEA	66.202	EM-833233-01		Congressionally Mandated Projects	468,763		459,965
DCCED	66.202	Rural Utility Business Advisor		Congressionally Mandated Projects	1,103,625		213,933
DEC	66.202			Congressionally Mandated Projects	47,111,050		2,617,447
UofA	66.202	PO 600663	R&DC	Congressionally Mandated Projects (Pass-through from Fairbanks North Star Borough)	24,835	3,10	
UofA	66.202			Congressionally Mandated Projects	307,355		
UofA	66.202			Congressionally Mandated Projects	114,757		
66.202 Total					49,130,385		3,291,345
DEC	66.419			Water Pollution Control State, Interstate and Tribal Program Support	359,603		
DEC	66.432			State Public Water System Supervision	2,284,385		
DOA	66.433			State Underground Water Source Protection	126,500		
DEC	66.436			Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act	49,404		
DEC	66.454			Water Quality Management Planning	99,993		
DEC	66.458			Capitalization Grants for Clean Water State Revolving Funds	7,149,075	3,17	6,757,353
DFG	66.461			Regional Wetland Program Development Grants	76,956		
DEC	66.467			Wastewater Operator Training Grant Program	5,411		
DEC	66.468			Capitalization Grants for Drinking Water State Revolving Funds	14,850,718	3,18	12,554,088
DEC	66.471			State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	171,230		
DEC	66.472			Beach Monitoring and Notification Program Implementation Grants	187,427		35,800
DEC	66.474			Water Protection Grants to the States	202,224		

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By Federal Agency**

State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
DEC	66.511			Office of Research and Development Consolidated Research/Training/Fellowships	213,453		
UofA	66.514			Science To Achieve Results (STAR) Fellowship Program	268		
DEC	66.605			Performance Partnership Grants	5,134,755		314,934
DEC	66.608			Environmental Information Exchange Network Grant Program and Related Assistance	273,290		
DEC	66.700			Consolidated Pesticide Enforcement Cooperative Agreements	276,131		
DEC	66.708			Pollution Prevention Grants Program	58,410		
DEC	66.804			Underground Storage Tank Prevention, Detection and Compliance Program	289,331		
DEC	66.805			Leaking Underground Storage Tank Trust Fund Corrective Action Program	409,491		
DEC	66.809			Superfund State and Indian Tribe Core Program Cooperative Agreements	141,367		
DEC	66.817			State and Tribal Response Program Grants	469,323		
UofA	66.999	KWF-UAF-001	R&DC	Miscellaneous (Pass-through from Kenai Watershed Forum)	66,240	3,10	
UofA	66.999	PO 281122	R&DC	Miscellaneous (Pass-through from Municipality of Anchorage)	97,150	3,10	
UofA	66.999			Miscellaneous	40,558		9,000
	66.999 Total				203,948		9,000
DEC	66.LUST Trust Cost Recovery			LUST Trust Cost Recovery	15,293		
U.S. Environmental Protection Agency					82,504,631		22,962,520
<u>U.S. Department of Energy</u>							
AEA	81.041	DE-FG29-05R021604		State Energy Program	125,000		
AEA	81.041	F07-52105-001		State Energy Program	5,006		
AHFC	81.041			State Energy Program	245,659	12	
	81.041 Total				375,665		-
AHFC	81.042			Weatherization Assistance for Low-Income Persons	1,442,855		1,442,855
UofA	81.049		R&DC	Office of Science Financial Assistance Program	25,694	3,10	
AEA	81.079	DE-FG36-05GO85001		Regional Biomass Energy Programs	3,151		
AEA	81.087	DE-FG36-05GO85038		Renewable Energy Research and Development	41,707	5	
UofA	81.089	643168	R&DC	Fossil Energy Research and Development (Pass-through from Sandia National Laboratories)	66,801	3,10	
UofA	81.089	746154	R&DC	Fossil Energy Research and Development (Pass-through from Sandia National Laboratories)	38,057	3,10	
UofA	81.089		R&DC	Fossil Energy Research and Development	536,477	3,10	29,954
UofA	81.089			Fossil Energy Research and Development	178,077		
	81.089 Total				819,412		29,954
UofA	81.113	UM03-02-074	R&DC	Defense Nuclear Nonproliferation Research (Pass-through from University of Mississippi)	175,007	3,10	
AEA	81.117	DE-FG3604R021600		Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	26,357		
AEA	81.122	DE-FG0706ID14790		Electricity Delivery and Energy Reliability, Research, Development and Analysis	225,731		225,741
UofA	81.999	17560	R&DC	Miscellaneous (Pass-through from Battelle Pacific Northwest Lab)	262	3,10	
UofA	81.999	109081 G002315		Miscellaneous (Pass-through from Washington State University)	29,001		
UofA	81.999	60-4005-102		Miscellaneous (Pass-through from Inland Northwest Research Alliance)	15		

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By Federal Agency

State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
UofA	81.999	No. 9064	R&DC	Miscellaneous (Pass-through from Battelle Pacific Northwest Lab)	21,481	3,10	
UofA	81.999		R&DC	Miscellaneous	1,259,258	3,10	225,022
	81.999 Total				1,310,017		225,022
		U.S. Department of Energy			4,445,596		1,923,572
		U.S. Department of Education					
DLWD	84.002	813/87946		Adult Education - Basic Grants to States	983,158		695,518
UofA	84.007		SFAC	Federal Supplemental Educational Opportunity Grants	643,246	3,10	
DEED	84.010	17126	TIAC	Title I Grants to Local Educational Agencies	39,280,893	10	38,801,943
DEED	84.011	17127		Migrant Education - State Grant Program	6,170,984		5,446,395
DEED	84.013	17129		Title I Program for Neglected and Delinquent Children	246,908		244,223
DEED	84.027	17232	SEC	Special Education - Grants to States	32,648,218	10	30,083,573
DLWD	84.027	2902/2903/2926	SEC	Special Education - Grants to States	115,985	4,10	96,000
	84.027 Total				32,764,203		30,179,573
UofA	84.031			Higher Education - Institutional Aid	4,855,050		
UofA	84.032		SFAC	Federal Family Education Loans	53,882,560	3,10	
UofA	84.033		SFAC	Federal Work - Study Program	526,871	3,10	
DEED	84.041	17238	IAC	Impact Aid	26,135,890	3,10	
UofA	84.042		TRIOC	TRIO - Student Support Services	622,517	10	
UofA	84.044		TRIOC	TRIO - Talent Search	591,482	10	
UofA	84.047		TRIOC	TRIO - Upward Bound	1,302,738	10	71,543
DEED	84.048	17244		Career and Technical Education - Basic Grants to States	3,334,923		2,496,712
UofA	84.048	ADN 0580592		Career and Technical Education - Basic Grants to States	-		14,300
UofA	84.048	EL 09.163.01 EL09.163.02		Career and Technical Education - Basic Grants to States	-		20,000
	84.048 Total				3,334,923		2,531,012
DLWD	84.063	815	SFAC	Federal Pell Grant Program	225,989	10	
UofA	84.063		SFAC	Federal Pell Grant Program	11,184,180	3,10	
	84.063 Total				11,410,169		-
UofA	84.066		TRIOC	TRIO - Educational Opportunity Centers	609,852	10	
UofA	84.116			Fund for the Improvement of Postsecondary Education	369,010		
DLWD	84.126	819	VRCC	Rehabilitation Services - Vocational Rehabilitation Grants to States	9,399,572	3,10	179,910
DEED	84.144	17167		Migrant Education - Coordination Program	8,995		
DEED	84.161	17152		Rehabilitation Services - Client Assistance Program	117,463		
DLWD	84.169	823		Independent Living - State Grants	342,700		337,192
DEED	84.173	17242	SEC	Special Education - Preschool Grants	1,030,080	10	968,710
DLWD	84.177	827		Rehabilitation Services - Independent Living Services for Older Individuals who are Blind	225,085		225,085
DHSS	84.181		EISC	Special Education - Grants for Infants and Families	2,262,203	10	1,607,214
DEED	84.185	17254		Byrd Honors Scholarships	109,125		
DEED	84.186	17255		Safe and Drug-Free Schools and Communities - State Grants	1,596,354		1,513,619
DLWD	84.187	830		Supported Employment Services for Individuals with Significant Disabilities	346,152		
DEED	84.196	17257		Education for Homeless Children and Youth	199,777		175,096
DEED	84.213	17264		Even Start - State Educational Agencies	355,462		330,428
DEED	84.215	17231		Fund for the Improvement of Education	100,171		
UofA	84.215			Fund for the Improvement of Education	116,276		
	84.215 Total				216,447		-
DLWD	84.224	834		Assistive Technology	396,522		340,000
DEED	84.243	17246		Tech-Prep Education	157,059		
DLWD	84.265	836		Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	23,025		

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By Federal Agency

State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
UofA	84.268		SFAC	Federal Direct Student Loans	46,500	3,10	
DEED	84.287	17271		Twenty-First Century Community Learning Centers	4,736,605		4,616,397
DEED	84.298	17267		State Grants for Innovative Programs	264,878		231,642
UofA	84.299			Indian Education -- Special Programs for Indian Children	317,931		
UofA	84.303	R303A980236		Challenge Grants for Technology in Education (Pass-through from Chugach School District)	(115)		
UofA	84.305			Education Research, Development and Dissemination	414,218		
DEED	84.318	17241		Education Technology State Grants	1,066,163		1,003,568
DEED	84.323	17159		Special Education - State Personnel Development	536,016		
UofA	84.325			Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	358,639		27,097
DEED	84.330	17122		Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	12,366		
UofA	84.330	Agmt Dated 1/20/09	R&DC	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants) (Pass-through from Anchorage School District)	18,915	3,10	
	84.330 Total				31,281		-
DOC	84.331	V331A010032		Grants to States for Workplace and Community Transition Training for Incarcerated Individuals	71,646		
UofA	84.333			Demonstration Projects to Support Postsecondary Faculty, Staff, and Administrations in Educating Students with Disabilities	224,649		
UofA	84.336			Teacher Quality Partnership Grants	1,610,270		283,739
UofA	84.342			Preparing Tomorrow's Teachers to Use Technology	(146)		
DEED	84.350	17164		Transition to Teaching	818,764		
UofA	84.350			Transition to Teaching	(803)		
	84.350 Total				817,961		-
UofA	84.356	Amended PO 100-ISER-06	R&DC	Alaska Native Educational Programs (Pass-through from Association of Alaska School Boards)	3,764	3,10	
UofA	84.356	MOA 11-30-06		Alaska Native Educational Programs (Pass-through from Doyon Foundation)	7,055		
UofA	84.356	MOA Dated 3/27/2006		Alaska Native Educational Programs (Pass-through from Project GRAD Kenai Peninsula)	4,326		
UofA	84.356	Prof Svcs Agmt Dtd 4/21/08	R&DC	Alaska Native Educational Programs (Pass-through from Alaska Pacific University)	4,162	3,10	
UofA	84.356	Subaward Dtd 4/9/05 Amend 4	R&DC	Alaska Native Educational Programs (Pass-through from Copper River Native Association)	18,274	3,10	
UofA	84.356			Alaska Native Educational Programs	3,894,860		251,417
	84.356 Total				3,932,441		251,417
DEED	84.357	17273		Reading First State Grants	1,234,172		1,092,766
DEED	84.358	17373		Rural Education	36,365		
DEED	84.363	17189		School Leadership	98,100		
UofA	84.363	409-RAPPS		School Leadership (Pass-through from Alaska Staff Development Network)	30,290		
	84.363 Total				128,390		-
DEED	84.365	17175		English Language Acquisition Grants	1,025,490		976,465
DEED	84.366	17252		Mathematics and Science Partnerships	19,060		
UofA	84.366	0590652		Mathematics and Science Partnerships	709,275		41,873
	84.366 Total				728,335		41,873
DEED	84.367	17172		Improving Teacher Quality State Grants	14,244,975	3	13,599,177

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By Federal Agency

State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
DEED	84.369	17171		Grants for State Assessments and Related Activities	3,652,978		
DEED	84.372	17274		Statewide Data Systems	663,357		
UofA	84.375		SFAC	Academic Competitiveness Grants	72,870	3,10	
UofA	84.376		SFAC	National Science and Mathematics Access to Retain Talent (SMART) Grants	260,828	3,10	
DEED	84.377	17165		School Improvement Grants	435,131		406,533
UofA	84.379			Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	17,500		
DEED	84.404	17238	IAC	ARRA - Impact Aid - School Construction Formula Grants, Recovery Act	1,190,796	3,10	
DEED	84.999	17300		Consolidated Programs IASA Admin	693,574		
UofA	84.999	92-AK01		Miscellaneous (Pass-through from National Writing Project Corporation)	101,463		12,360
UofA	84.999	Agrmnt Dtd 6/06 Amend 05/09	R&DC	Miscellaneous (Pass-through from Alaska Humanities Forum)	38,818	3,10	
UofA	84.999	PR/PO 9P11071 Amend 1	R&DC	Miscellaneous (Pass-through from Anchorage School District)	13,529	3,10	
UofA	84.999	PR/PO 9P13709 Amend 1	R&DC	Miscellaneous (Pass-through from Anchorage School District)	9,634	3,10	
	84.999 Total				857,018		12,360
DOC	84.002A	V002A070002		Adult Basis Education/ (ABE/GED)	35,338		
ASLC	84.032L		SFAC	Federal Family Education Loans	(913,709)	3,10,21	
DLWD	84.048A	87920/88908/86938		Career and Technical Education - Basic Grants to States	138,766	4	
ACPE	84.069A	N069A080002		Leveraging Educational Assistance Partnership Program	47,762		
ACPE	84.069B	N069B080001		Special Leveraging Educational Assistance Partnership Program	61,437		
ACPE	84.378A	P378A080025		College Access Challenge Grant Program	73,094		
DLWD	84.390A	892	VRCC	ARRA - Rehabilitation Services-Vocational Rehabilitation Grants to States, Recovery Act	136,769	3,10	
COURT	84.936A	9833		Fund for Justice and Education for the Color of Justice Program (Pass-through Council on Legal Education Opportunity)	6,121		
DEC	84.DE-FG01-06LM00075			Amchitka Oversight Monitoring	26,250		
		U.S. Department of Education			239,105,445		106,190,495
				<u>National Archives and Records Administration</u>			
DEED	89.003	17141		National Historical Publications and Records Grants	7,403		
				<u>National Archives and Records Administration</u>	7,403		-
				<u>Denali Commission</u>			
AEA	90.100	Various		Denali Commission Program	15,937,019	3	13,131,611
AEA	90.100			Denali Commission Program	273,009	3	
AHFC	90.100			Denali Commission Program	9,160,565		9,160,565
DCCED	90.100	Accelerated Infrastructure		Denali Commission Program	92,397	4	157,967
DCCED	90.100	Mini Grant		Denali Commission Program	18,748		18,260
DCCED	90.100	Multi-Use Facilities		Denali Commission Program	92,675		60,037
DEC	90.100			Denali Commission Program	865,069		
DHSS	90.100			Denali Commission Program	3,610,045		3,581,037
DLWD	90.100	842		Denali Commission Program	2,748,505		1,980,164
DOTPF	90.100			Denali Commission Program	2,693,709	6	7,158
UofA	90.100	Letter 9/15/06 Email 10/01/08		Denali Commission Program (Pass-through from Alaska Public Broadcasting)	42,660		
UofA	90.100	Letter Agreement 174-05		Denali Commission Program (Pass-through from Alaska Public Broadcasting)	20,287		
UofA	90.100		R&DC	Denali Commission Program	(7)	3,10	
UofA	90.100			Denali Commission Program	742,411		1,900
		Denali Commission			36,297,092		28,098,699

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By Federal Agency

State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
<u>Election Assistance Commission</u>							
OG	90.401			Help America Vote Act Requirements Payments	1,556,624		
Election Assistance Commission					1,556,624		-
<u>U.S. Department of Health and Human Services</u>							
DHSS	93.009			Compassion Capital Fund	583,599		74,054
DHSS	93.041			Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	75,082		
DHSS	93.042			Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	136,751		
DHSS	93.043			Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	118,657		95,782
DHSS	93.044		AC	Special Program for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	2,081,692	10	1,790,672
DHSS	93.045		AC	Special Program for the Aging - Title III, Part C - Nutrition Services	3,190,825	10	2,438,907
AHFC	93.048			Special Programs for the Aging - Title IV - and Title II - Discretionary Projects	86,227		82,927
DHSS	93.048			Special Programs for the Aging - Title IV - and Title II - Discretionary Projects	163,181		
UofA	93.048		R&DC	Special Programs for the Aging - Title IV - and Title II - Discretionary Projects	265,655	3,10	
93.048 Total					515,063		82,927
DHSS	93.052			National Family Caregiver Support, Title III, Part E	744,262		675,048
DHSS	93.053		AC	Nutrition Services Incentive Program	559,077	10	
DHSS	93.069			Public Health Emergency Preparedness Consolidated Programs	5,713,698		1,309,516
DHSS	93.110			Maternal and Child Health Federal Consolidated Programs	480,156		
UofA	93.110	Agreement 228A1		Maternal and Child Health Federal Consolidated Programs (Pass-through from Children's Hospital Los Angeles)	45,082		
UofA	93.110	PO Y432109 MOD 4	R&DC	Maternal and Child Health Federal Consolidated Programs (Pass-through from University of Arizona Tucson)	10,397	3,10	
UofA	93.110			Maternal and Child Health Federal Consolidated Programs	12,705		11,395
93.110 Total					548,340		11,395
DHSS	93.116			Project Grants and Cooperative Agreements for Tuberculosis Control Programs	999,924		143,542
DHSS	93.127			Emergency Medical Services for Children	111,091		
DHSS	93.130			Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	465,144		
DHSS	93.136			Injury Prevention and Control Research and State and Community Based Programs	197,112		
DPS	93.136			Injury Prevention and Control Research and State and Community Based Programs	-		104,575
93.136 Total					197,112		104,575
DHSS	93.150			Projects for Assistance in Transition from Homelessness (PATH)	299,624		365,848
UofA	93.178			Nursing Workforce Diversity	260,543		
DHSS	93.193			Urban Indian Health Services	88,970		
DEC	93.210			Tribal Self-Governance Program: IHS Compacts/Funding Agreements (Pass-through from ANTHC)	2,075,250		
DHSS	93.217			Family Planning - Services	593,029		112,000
UofA	93.226		R&DC	Research on Healthcare Costs, Quality and Outcomes	24,196	3,10	

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By Federal Agency

State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
DPS	93.228			Indian Health Service - Health Management Development Program	1,611,049		1,349,636
DHSS	93.234			Traumatic Brain Injury State Demonstration Grant Program	31,202		30,000
DHSS	93.236			Grants for Dental Public Health Residency Training	85,566		
DHSS	93.240			State Capacity Building	201,092		
DHSS	93.241			State Rural Hospital Flexibility Program	626,050		193,148
UofA	93.242		R&DC	Mental Health Research Grants	1,108,690	3,10	170,655
DHSS	93.243			Substance Abuse and Mental Health Services - Projects of Regional and National Significance	781		
DHSS	93.251			Universal Newborn Hearing Screening	157,979		10,641
DHSS	93.256			State Planning Grants Health Care Access for the Uninsured	17,654		
DHSS	93.259			Rural Access to Emergency Devices Grant	172,851		
DHSS	93.268		IC	Immunization Grants	17,824,510	3,10,23	
UofA	93.273		R&DC	Alcohol Research Programs	136,302	3,10	
UofA	93.279	0057.01.01-1R01DA019640 MOD 1	R&DC	Drug Abuse and Addiction Research Programs (Pass-through from Pacific Institute for Research and Evaluation Louisville Center)	(84)	3,10	
UofA	93.279	SUB - NIDA 1R44DA022907-01		Drug Abuse and Addiction Research Programs (Pass-through from Terra Nova Learning Systems)	1,083		
UofA	93.279		R&DC	Drug Abuse and Addiction Research Programs	597,740	3,10	
	93.279 Total				598,739		-
DHSS	93.283			Centers for Disease Control and Prevention: Investigations and Technical Assistance	7,578,559		1,600
UofA	93.283			Centers for Disease Control and Prevention - Investigations and Technical Assistance	185,622		
	93.283 Total				7,764,181		1,600
UofA	93.300		R&DC	National Center for Health Workforce Analysis	27,517	3,10	
DHSS	93.301			Small Rural Hospital Improvement Grant Program	145,256		139,492
UofA	93.307		R&DC	Minority Health and Health Disparities Research	586,033	3,10	49,370
UofA	93.358			Advanced Education Nursing Traineeships	50,721		
UofA	93.359	563270		Nurse Education, Practice and Retention Grants (Pass-through from University of Washington)	4,016		
UofA	93.389	597677	R&DC	National Center for Research Resources (Pass-through from University of Washington)	9,617	3,10	
UofA	93.389		R&DC	National Center for Research Resources	5,542,705	3,10	
UofA	93.389			National Center for Research Resources	114,262		
	93.389 Total				5,666,584		-
DHSS	93.556			Promoting Safe and Stable Families	433,435		437,901
DHSS	93.558		TANFC	Temporary Assistance for Needy Families	26,981,321	3,10	
DOR	93.563			Child Support Enforcement	17,495,188	3,6	
DOR	93.563			ARRA - Child Support Enforcement	1,086,500	3	
	93.563 Total				18,581,688		-
AHFC	93.568			Low-Income Home Energy Assistance	487,980	4	487,980
DHSS	93.568			Low-Income Home Energy Assistance	20,434,909	3	
	93.568 Total				20,922,889		487,980
DCCED	93.569	Community Services Block Grant	CSBGC	Community Services Block Grant	2,707,261	10	2,562,810
DHSS	93.575		CCC	Child Care and Development Block Grant	13,980,918	10	6,639,981
COURT	93.586	0601AKSCIT		State Court Improvement Program	13,332	6	
COURT	93.586	0701AKSCID		State Court Improvement Program	75,052		
COURT	93.586	0701AKSCIP		State Court Improvement Program	82,389		

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By Federal Agency

State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
COURT	93.586	0701AKSCIT		State Court Improvement Program	76,335		
COURT	93.586	0801AKSCIT		State Court Improvement Program	72,699		
COURT	93.586	G-0601AKSCIP		State Court Improvement Program	61,370	6	
	93.586 Total				381,177		-
DHSS	93.590			Community-Based Child Abuse Prevention Grants	457,462		501,207
DHSS	93.596		CCC	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	7,882,622	10	
DOR	93.597			Grants to States for Access and Visitation Programs	57,698	6	
DHSS	93.599			Chafee Education and Training Vouchers Program (ETV)	171,899		
DEED	93.600	17330	HDSC	Head Start	110,638	10	10,700
DHSS	93.603			Adoption Incentive Payments	86,503		80,000
OG	93.617			Voting Access for Individuals with Disabilities - Grants to States	56,218		
DHSS	93.630			Developmental Disabilities Basic Support and Advocacy Grants	461,678		
UofA	93.632			University Centers for Excellence in Developmental Disabilities Education, Research, and Service	519,508		
DHSS	93.643			Children's Justice Grants to States	110,823		
DHSS	93.645			Child Welfare Services - State Grants	26,432		348,884
UofA	93.648			Child Welfare Services Training Grants	17,890		
DHSS	93.658			ARRA - Foster Care - Title IV-E	388,554		
DHSS	93.658			Foster Care - Title IV-E	12,246,893		644,549
UofA	93.658	EN 693065		Foster Care - Title IV-E	744,312		
	93.658 Total				13,379,759		644,549
DHSS	93.659			ARRA - Adoption Assistance	875,517	3	
DHSS	93.659			Adoption Assistance	8,218,242	3	
	93.659 Total				9,093,759		-
DHSS	93.667			Social Services Block Grant	8,994,552	3	697,246
DHSS	93.669			Child Abuse and Neglect State Grants	107,637		
DHSS	93.670			Child Abuse and Neglect Discretionary Activities	(1)		
DPS	93.671			Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	735,885		592,629
DHSS	93.674			Chafee Foster Care Independence Program	387,244		90,000
UofA	93.701		R&DC	ARRA - Trans-NIH Recovery Act Research Support	4,639	3,10	
DEC	93.722			ARRA - IHS Tribal Agreements (Pass-through from ANTHC)	645,440		
DHSS	93.767			Children's Health Insurance Program	15,285,726	3	
DHSS	93.768			Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities	497,010		
DHSS	93.773			Medicare - Hospital Insurance	627,034		
LAW	93.775	0901AK5050	MC	State Medicaid Fraud Control Units	501,749	3,5,10	
DHSS	93.777		MC	State Survey and Certification of Health Care Providers and Suppliers	887,472	3,10	
DHSS	93.778		MC	ARRA - Medical Assistance Program	58,002,903	3,10,20	
DHSS	93.778		MC	Medical Assistance Program	667,622,803	3,10,20	
UofA	93.778	EN 0693093	MC	Medical Assistance Program	-	10	5,400
	93.778 Total				725,625,706		5,400
DHSS	93.779			Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	315,371		19,498
DHSS	93.789			Alternatives to Psychiatric Residential Treatment Facilities for Children	267,755		
UofA	93.822			Health Careers Opportunity Program	(1,101)		

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By Federal Agency**

State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
UofA	93.824			Basic / Core Area Health Education Centers	630,758		559,000
UofA	93.837		R&DC	Cardiovascular Diseases Research	202,622	3,10	
UofA	93.847		R&DC	Diabetes, Digestive, and Kidney Diseases Extramural Research	35,499	3,10	
UofA	93.848		R&DC	Digestive Diseases and Nutrition Research	485,647	3,10	79,984
UofA	93.853		R&DC	Extramural Research Programs in the Neurosciences and Neurological Disorders	185,782	3,10	41,571
DHSS	93.888			Specially Selected Health Projects	240,599		
UofA	93.888		R&DC	Specially Selected Health Projects	3,651	3,10	
UofA	93.888			Specially Selected Health Projects	360,478		
	93.888 Total				604,728		-
DHSS	93.889			National Bioterrorism Hospital Preparedness Program	1,333,296		25,611
UofA	93.912	Agreement 78399	R&DC	Rural Health Care Services Outreach and Rural Health Network Development Program (Pass-through from Southeast Alaska Regional Health Consortium)	113,562	3,10	
UofA	93.912	PO 74623	R&DC	Rural Health Care Services Outreach and Rural Health Network Development Program (Pass-through from Southeast Alaska Regional Health Consortium)	(19)	3,10	
UofA	93.912	PO 76643 Amend 1	R&DC	Rural Health Care Services Outreach and Rural Health Network Development Program (Pass-through from Southeast Alaska Regional Health Consortium)	(45)	3,10	
	93.912 Total				113,498		-
DHSS	93.913			Grants to States for Operation of Offices of Rural Health	184,660		
DHSS	93.917			HIV Care Formula Grants	1,203,039		415,440
DEED	93.938	17308		Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	228,702		29,455
DHSS	93.940			HIV Prevention Activities - Health Department Based	1,363,413		598,021
DHSS	93.944			Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	144,301		
DHSS	93.945			Assistance Programs for Chronic Disease Prevention and Control	(49,131)		
DHSS	93.958			Block Grants for Community Mental Health Services	642,433		20,321
DHSS	93.959			Block Grants for Prevention and Treatment of Substance Abuse	4,671,256		4,499,519
UofA	93.969			Geriatric Education Centers	466,515		
DHSS	93.977			Preventive Health Services - Sexually Transmitted Diseases Control Grants	225,544		
DHSS	93.988			Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	393,710		15,000
DHSS	93.991			Preventive Health and Health Services Block Grant	396,101		
DHSS	93.994			Maternal and Child Health Services Block Grant to the States	1,475,510		18,343
UofA	93.999	1935 S JB147 / Pending	R&DC	Miscellaneous (Pass-through from UCLA School of Public Health)	685,572	3,10	
UofA	93.999	Pending	R&DC	Miscellaneous (Pass-through from Mount Sinai School of Medicine)	60,209	3,10	
UofA	93.999	Pending	R&DC	Miscellaneous (Pass-through from UCLA School of Public Health)	93,042	3,10	
UofA	93.999		R&DC	Miscellaneous	64,411	3,10	
UofA	93.999			Miscellaneous	5,014		
	93.999 Total				908,248		-
DHSS	93.030178D4D-CDC			Adult Lead Surveillance Data	10,243		

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By Federal Agency

State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
DEC	93.1R13FD00358301			AK Food Safety Task Conference	4,871		
DHSS	93.200-2000-07201			NCHS Contract	59,808		
DHSS	93.223-03-4401			Mammography Inspection	81,478		
DHSS	93.230-BHPR-034(03)			National Health Services Corp - Student/Resident Experiences and Rotations in Community Health (SEARCH)	37,788		
DHSS	93.243-03-1045			NIOSH Trauma Registry	70,500		
DEC	93.HHSF223200840135C			FDA Food Inspections	559,746		
U.S. Department of Health and Human Services					944,172,963		28,569,858
<u>U.S. Corporation for National and Community Service</u>							
DCCED	94.003	Administration		State Commissions	31,094		
DCCED	94.004	Learn & Serve Formula		Learn and Serve America - School and Community Based Programs	63,148		46,003
UofA	94.005	06LHHAZ001		Learn and Serve America Higher Education (Pass-through from Community College National Center for Community Engagement)	14,176		
UofA	94.005	SUB 00001316		Learn and Serve America Higher Education (Pass-through from Princeton University)	12,641		
94.005 Total					26,817		-
DCCED	94.006	Formula/Competitive		AmeriCorps	2,032,330		2,032,330
DCCED	94.007	Education/Disability		Planning and Program Development Grants	74,230		16,762
DCCED	94.009	Program Development and Training		Training and Technical Assistance	80,828		10,237
UofA	94.013	06VSPAK011-08		Volunteers in Service to America (Pass-through from Rural Alaska Community Action Program)	2,589		
UofA	94.013			Volunteers in Service to America	1,454		
94.013 Total					4,043		-
U.S. Corporation for National and Community Service					2,312,490		2,105,332
<u>Social Security Administration</u>							
DLWD	96.001	844	DISSIC	Social Security - Disability Insurance	3,728,806	10	
DLWD	96.006	845	DISSIC	Supplemental Security Income	531,909	10	
UofA	96.008			Social Security - Work Incentives Planning and Assistance Program	76,325		
Social Security Administration					4,337,040		-
<u>U.S. Department of Homeland Security</u>							
DMVA	97.001			Interoperable Emergency Communications Grant Program (IECGP)	2,436		
DMVA	97.004		HLSC	State Domestic Preparedness Equipment Support Program	(550)	10	
DNR	97.012			Boating Safety Financial Assistance	1,172,859	5,6	
DNR	97.013			State Access to the Oil Spill Liability Trust Fund	2,348		
DMVA	97.017			Pre-Disaster Mitigation Competitive Grants	403,249		74,106
DCCED	97.023	Community Assistance Program		Community Assistance Program State Support Services Element (CAP-SSSE)	93,223		25,239
DMVA	97.026			Emergency Management Institute - Training Assistance	12,221		
ARRC	97.036	1663-DR-AK		Disaster Grants - Public Assistance (Presidentially Declared Disasters)	142,305	4,9	
ARRC	97.036	1669-DR-AK		Disaster Grants - Public Assistance (Presidentially Declared Disasters)	272,156	4,9	
ARRC	97.036	1796-DR-AK		Disaster Grants - Public Assistance (Presidentially Declared Disasters)	334,252	4,9	
DMVA	97.036			Disaster Grants - Public Assistance (Presidentially Declared Disasters)	6,836,528		4,267,614
97.036 Total					7,585,241		4,267,614
ARRC	97.039	1445.00006		Hazard Mitigation Grant	59,835	4,9	
ARRC	97.039	HMGP-1571.0006		Hazard Mitigation Grant	153	4,9	
ARRC	97.039	HMGP-1584.0004		Hazard Mitigation Grant	1,837	4,9	
ARRC	97.039	HMGP-1663.00008		Hazard Mitigation Grant	68,574	4,9	

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By Federal Agency

State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
ARRC	97.039	HMGP-1666.0003		Hazard Mitigation Grant	73,376	4,9	
DMVA	97.039			Hazard Mitigation Grant	2,456,413		1,310,663
	97.039 Total				2,660,188		1,310,663
DNR	97.041			National Dam Safety Program	650		
DMVA	97.042			Emergency Management Performance Grants	2,345,721		833,188
DPS	97.043			State Fire Training Systems Grants	28,574		
DPS	97.044			Assistance to Firefighters Grant	72,899		
UofA	97.044			Assistance to Firefighters Grant	360,000		
	97.044 Total				432,899		-
DCCED	97.045	Cooperating Technical Partners		Cooperating Technical Partners	43,958		
DNR	97.046			Fire Management Assistance Grant	1,423,735		
DMVA	97.053			Citizen Corps	69,374		58,693
DOTPF	97.056			Port Security Grant Program	776	6	
DOTPF	97.056			Port Security Grant Program	96,752	6	
	97.056 Total				97,528		-
UofA	97.061	Z884255	R&DC	Centers for Homeland Security (Pass-through from University Of Hawaii)	292,298	3,10	
DOTPF	97.067		HLSC	Homeland Security Grant Program	810,413	10	
DCCED	97.070	Map Modernization		Map Modernization Management Support	34,892		
DMVA	97.071			Metropolitan Medical Response System	339,594		339,594
DOTPF	97.072			National Explosives Detection Canine Team Program	112,766		
DMVA	97.073			State Homeland Security Program (SHSP)	2,612,080		1,797,392
DMVA	97.074			Law Enforcement Terrorism Prevention Program (LETPP)	718,092		293,041
DMVA	97.075			Rail and Transit Security Grant Program	9,936		
DMVA	97.078			Buffer Zone Protection Program (BZPP)	450,290		118,198
DFG	97.999			Miscellaneous Homeland Security	2,485		
DEC	97.HSCG5009P643GB8			US Coast Guard Oversight	7,516		
		U.S. Department of Homeland Security			21,764,016		9,117,728
		<u>U.S. Agency for International Development</u>					
UofA	98.001	280/000-08-1146	R&DC	USAID Foreign Assistance for Programs Overseas (Pass-through from University Of Maryland, College Park)	11,913	3,10	
UofA	98.012	FY08-AR03-U-ALASKA-01 - MOD 1		USAID Development Partnerships for University Cooperation and Development (Pass-through from IREX)	65,591		
		U.S. Agency for International Development			77,504		-
		<u>State Justice Institute</u>					
COURT	99.999	SJI-09-T-003		SJI Technology Assistance Grant	3,380		
		State Justice Institute			3,380		-
		Total Federal Financial Assistance			2,813,430,723		357,066,759

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009

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, 2009.
- 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, 2009, using the A-133 criteria, the State of Alaska has 35 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, 2009

Note 7: Food Stamps

Food Stamps - At fiscal year end, June 30, 2009, food stamp inventory was \$0 and during FY09, approximately \$116.2 million were issued. (CFDA 10.551)

Note 8: WIC Rebates

During FY09 the Alaska Department of Health and Social Services (DHSS) earned cash rebates of \$4,709,100 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 7,671 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 annual case load to determine average individual benefits. Total rebate dollars were then divided by the average benefit, determining the increased food instruments issued. This result divided 12 months. (CFDA 10.557).

Note 9: Fiscal Year

All State of Alaska agencies are reported using a fiscal year which 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

- Denali Commission
- National Aeronautics and Space Administration
- National Science Foundation
- U.S. Agency for International Development
- U.S. Department of Agriculture
- U.S. Department of Commerce
- U.S. Department of Defense
- U.S. Department of Education
- U.S. Department of Energy
- U.S. Department of Health and Human Services
- U.S. Department of Homeland Security
- U.S. Department of Interior
- U.S. Department of Justice
- U.S. Department of Transportation
- U.S. Department of Treasury
- U.S. Environmental Protection Agency
- U.S. General Services Administration

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009

B. Student Financial Assistance Programs Cluster

U.S. Department of Education

- 84.007 Federal Supplemental Educational Opportunity Grants
- 84.032 Federal Family Education Loans
- 84.033 Federal Work-Study Program
- 84.063 Federal Pell Grant Program
- 84.268 Federal Direct Student Loans
- 84.375 Academic Competitiveness Grants
- 84.376 National Science and Mathematics Access to Retain Talent(SMART) Grants
- 84.032L Federal Family Education Loans

C. Other Clusters

Aging Cluster

- 93.044 Special Programs for the Aging - Title III, Part B-Grants for Supportive Services and Senior Centers
- 93.045 Special Programs for the Aging: Title III, Part C - Nutrition Services
- 93.053 Nutrition Services Incentive Program

CDBG – State-Administered Small Cities Program Cluster

- 14.228 Community Development Block Grants/State’s Program and Non-Entitlement Grants in Hawaii

CFP Cluster

- 14.872 Public Housing Capital Fund

Child Care and Development Fund Cluster

- 93.575 Child Care and Development Block Grant
- 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund

Child Nutrition Cluster

- 10.553 School Breakfast Program
- 10.555 National School Lunch Program
- 10.556 Special Milk Program for Children
- 10.559 Summer Food Service Program for Children

CSBG Cluster

- 93.569 Community Services Block Grant

Disability Insurance/SSI Cluster

- 96.001 Social Security - Disability Insurance
- 96.006 Supplemental Security Income

Early Intervention Services (IDEA) Cluster

- 84.181 Special Education – Grants for Infants and Families

Emergency Food Assistance Cluster

- 10.568 Emergency Food Assistance Program (Administrative Costs)
- 10.569 Emergency Food Assistance Program (Food Commodities)

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009

Employment Service Cluster

- 17.207 Employment Service/Wagner-Peyser Funded Activities
- 17.801 Disabled Veterans' Outreach Program (DVOP)
- 17.804 Local Veterans' Employment Representative Program

Federal Transit Cluster

- 20.500 Federal Transit - Capital Investment Grants
- 20.507 Federal Transit - Formula Grants

Fish and Wildlife Cluster

- 15.605 Sport Fish Restoration Program
- 15.611 Wildlife Restoration

Head Start Cluster

- 93.600 Head Start

Highway Planning and Construction Cluster

- 20.205 Highway Planning and Construction
- 20.219 Recreational Trails Program

Highway Safety Cluster

- 20.600 State and Community Highway Safety
- 20.601 Alcohol Impaired Driving Countermeasures Incentive Grants I
- 20.602 Occupant Protection Incentive Grants
- 20.604 Safety Incentive Grants for Use of Seatbelts
- 20.609 Safety Belt Performance Grants
- 20.610 State Traffic Safety Information System Improvements Grants
- 20.611 Incentive Grant Program to Prohibit Racial Profiling
- 20.612 Incentive Grant Program to Increase Motorcyclist Safety
- 20.613 Child Safety and Child Booster Seat Incentive Grants

Homeland Security Cluster

- 97.004 State Domestic Preparedness Equipment Support Program
- 97.067 Homeland Security Grant Program

Impact Aid Cluster

- 84.041 Impact Aid
- 84.404 Impact Aid – School Construction Formula Grants, Recovery Act

Immunization Cluster

- 93.268 Immunization Grants

Medicaid Cluster

- 93.775 State Medicaid Fraud Control Units
- 93.777 State Survey and Certification of Health Care Providers and Suppliers
- 93.778 Medical Assistance Program

Public Works and Economic Development Cluster

- 11.300 Investments for Public Works and Economic Development Facilities
- 11.307 Economic Adjustment Assistance

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009

Schools and Roads Cluster

10.665 Secure Payments for Schools and Roads – Grants to States

Section 8 Project-Based Cluster

14.182 Section 8 New Construction/Substantial Rehabilitation

14.195 Section 8 Housing Assistance Payments Program

14.249 Section 8 Moderate Rehabilitation Single Room Occupancy

Special Education Cluster

84.027 Special Education - Grants to States

84.173 Special Education - Preschool Grants

Supplemental Nutrition Assistance Program Cluster

10.551 Supplemental Nutrition Assistance Program

10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

TANF Cluster

93.558 Temporary Assistance for Needy Families

Title I, Part A Cluster

84.010 Title I Grants to Local Educational Agencies

Transit Services Programs Cluster

20.513 Capital Assistance Program for Elderly Persons and Persons with Disabilities

20.516 Job Access – Reverse Commute

TRIO Cluster

84.042 TRIO - Student Support Services

84.044 TRIO - Talent Search

84.047 TRIO - Upward Bound

84.066 TRIO - Educational Opportunity Centers

Vocational Rehabilitation Cluster

84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States

84.390A Rehabilitation Services-Vocational Rehabilitation Grants to States, Recovery Act

Workforce Investment Act Cluster

17.258 WIA Adult Program

17.259 WIA Youth Activities

17.260 WIA Dislocated Workers

Note 11: Unemployment Insurance

Federal participation in FY09 Unemployment Insurance benefits was \$51,870,420 (this includes \$9,208,531 under the ARRA Federal Additional Unemployment Compensation Program). Federal participation for program administration was \$22,867,687 (this includes \$819,842 under the Extend Unemployment Compensation Program and \$120,372 under ARRA Federal Additional Unemployment Compensation Program). UI benefits paid by the State during FY09 was \$147,921,375 and Reed Act distribution was \$410,201. (CFDA 17.225)

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009

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 Expenditures of Federal Awards. PVE funds represent the State of Alaska's share of settlement proceeds in various lawsuits between the federal government and oil producers. During FY09, AHFC expended \$55194 from the trust fund in support of ENERGY programs.

Note 13: AHFC Loan Guarantee Programs

During FY09, 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, 2009, are:

Housing and Urban Development FHA Mortgage Insurance	\$ 718,194,550
Department of Veterans' Affairs Mortgage Guarantees	728,082,421
Farmers Home Administration Mortgage Insurance	171,635,770
Total Loan Guarantees and Insurance Programs	<u>\$ 1,617,912,741</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 FY09 the State processed federal property valued at \$10,385,083 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 \$2,419,724. The ending inventory at June 30, 2009, carried at the donors' acquisition cost was \$2,025,890. (CFDA 39.003)

Note 15: Commodities

DEED administers federal commodities distribution through other governmental and nonprofit agencies. In FY09, commodities distributed totaled \$3,930,096 (\$3,728,130 regular (\$1,872,521 CFDA 10.555; \$8,656 CFDA10.558; \$2,400 CFDA10.559; \$1,844,553 CFDA 10.569) and \$201,966 ARRA (CFDA 10.569)). Commodities are valued at cost. These commodities are not reported in the State of Alaska basic financial statements for the year ended June 30, 2009. (CFDA 10.569)

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, 2009, there were 4 outstanding scholarships, which totaled \$20,492. (CFDA 84.176)

Note 17: Capitalization Grants for Clean Water 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, 2009, 136 loan commitments totaling \$282,898,154 had been granted. Total loans against these commitments were \$210,934,205 of which \$153,501,290 was federal participation. Of the \$153,501,290, \$6,757,353 was disbursed in FY09. Repayment received during FY09 totaled \$12,516,159. Loans outstanding at June 30, 2009, totaled \$118,274,403. (CFDA 66.458)

Note 18: Capitalization Grants for Drinking Water State Revolving Fund

EPA jointly funds the Alaska Safe Drinking Water Loan Fund with the State. At fiscal year end June 30, 2009, 107 loan commitments totaling \$174,818,000 had been granted which consists of \$7,821,000 in disadvantaged assistance and \$166,997,000 in loan assistance. Total loans against these commitments were \$116,917,701 of

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009

which \$87,178,626 was federal participation and . Of the \$87,178,626, \$12,554,088 was disbursed in FY09. Repayment received during FY09 totaled \$3,826,351. Loans outstanding at June 30, 2009, totaled \$96,160,881. (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. FY09 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, 2009, totaled \$126,578. Federal share of principal is \$120,010.

Note 20: Medical Assistance Program Deferred Claims

During FY09, the DHSS did not submit federal claims for school based administrative expenditures. Therefore, the FY09 Schedule of Expenditures of Federal Awards does not include any claims related to this program. However, DHSS currently has \$12.8 million in deferrals for school based administration claims program. The \$8.1 million is based on claims made in prior years, and the \$4.7 million is based on claims made in FY08. The U.S. Department of Health and Human Services, Centers for Medicaid and Medicare Services' (CMS) financial management review was performed for the time period January 1, 2007 through June 30, 2008. The initial report has been issued and the State's response is currently under review by the CMS.

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 loans (Stafford and Consolidation), and (c) special allowance payments (net of excess interest) paid by the Secretary of the U.S. Department of Education to holders of eligible loans. FFELP loans outstanding at year end were \$153,882,599. (CFDA 84.032L)

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 (\$2,327) as of June 30, 2009.

Note 23: Immunization Grants

Federal expenditures include vaccines received during FY09 valued at \$15,710,607. (CFDA 93.268)

Note 24: Small Business Economic Development Loan Fund

The U.S. Department of Commerce funds the Economic Development Assistance Revolving Loan Fund at the Department of Commerce, Community and Economic Development. The federal share of loans outstanding at June 30, 2009 totaled \$4,390,794. (CFDA 11.307).

(Intentionally left blank)

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2009 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:

The Department continues to negotiate with the Centers for Medicare and Medicaid Services (CMS) to resolve questioned costs. DHSS received the CMS draft Financial Management Report on the review of School-Based Administrative Claiming Program on Oct. 22, 2009. DHSS's response is due to CMS by November 22, 2009. One objective of this review was to help resolve outstanding deferrals.

DHSS did not conduct the Medicaid Administrative Claiming program during SFY09. For SFY10, DHSS will be conducting the program. Several enhancements will be implemented with the school districts in SFY10. For example, all survey participants will be required to have training certificates on file with survey contractor prior to taking the survey, a simple random selection of the survey week and survey participants will be performed. The results of the survey will be applied to the school districts cost pool to calculate a statistically valid claim. At this time, DHSS believes these enhancements will comply with the CMS approved claiming plan.

Report: **02-40005-05**
Finding Number: **18**
Fiscal Year: **2004**
Initial Finding Year: **2003**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: **\$5,505,244**

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:

Please refer to updated response on finding #25, report 02-40004-04.

Report: **02-40005-05**
Finding Number: **21**
Fiscal Year: **2004**
Initial Finding Year: **2004**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: **\$1,155,982**

Prior Audit Finding:

We recommend the State Medicaid director improve internal controls over prescription drug payments.

Status/corrective action planned/reasons for no further action:

The previous response concerning the MedPak issue remains unchanged. DHSS is considering a change to the pharmacy reimbursement regulations in response to the University of Oklahoma dispensing fee cost survey. However, the pharmacy reimbursement benchmark average wholesale price (AWP) is being discontinued within the next two years and an equivalent benchmark is not yet available to replace AWP.

The Department hired another pharmacist in May 2009 to help address fraud and abuse, provide quality assurance and additional pharmacy program oversight.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2009 Audit

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	Prior Audit Finding: <u>The State Medicaid director and the DHSS commissioner should take action to improve the agency's utilization control and program integrity function.</u> Status/corrective action planned/reasons for no further action: The Program Integrity Section continues under consistent management and is working to improve utilization control and program integrity coordination and operations across DHSS. Coordination is achieved through monthly Audit Committee, quarterly HealthCare Services and regular DHSS/MFCU meetings.
<hr/>	
Report: 02-40007-07 Finding Number: 05 Fiscal Year: 2006 Initial Finding Year: 2004 Federal Agency: USDHHS State Agency: DHSS CFDA: 93.575 and 93.596 Questioned Costs: \$179,560 CFDA: 93.778 Questioned Costs: \$44,120	Prior Audit Finding: <u>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.</u> Status/corrective action planned/reasons for no further action: This audit finding has been resolved in accordance with OMB Circular A-133_.315.
<hr/>	
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: <u>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.</u> Status/corrective action planned/reasons for no further action: This audit finding has been resolved in accordance with OMB Circular A-133_.315.
<hr/>	
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: <u>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).</u> Status/corrective action planned/reasons for no further action: This audit finding has been resolved in accordance with OMB Circular A-133_.315.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2009 Audit

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 and 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:

This finding has been resolved in accordance with OMB Circular A-133_.315.

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:

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

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 occurred without a cost shift to HCBS care. As part of the work under SB 61, a solicitation via RFP has been awarded for an analysis of Alaska Medicaid Programs long-term care services, with part of the analysis to cover additional PCA changes. This analysis has been completed and delivered November 2008; it is expected to be useful to Alaska as we look for changes to make Medicaid more fiscally sustainable.

In FY09 CMS reported preliminary observations and findings based on a focused review over Alaska's Home and Community Based Services Waivers and Personal Care Services. This review identified concerns regarding the implementation and State oversight over the programs. DHSS and CMS are now collaborating to address the concerns identified in the review.

DHSS acknowledges past problems with quality assurance and program integrity management. DHSS has adopted an audit flowchart and policy regarding the how and when Medicaid overpayments will be reported on the CMS-64.

DHSS also acknowledges that the old and aging current Medicaid Management Information System (MMIS) does not have the modern capability for desired internal control features; a contract for the procurement of a new MMIS system has been awarded the Affiliated Computer Systems (ACS). The new MMIS system will include enhanced features and a relational database to improve claims payment controls.

The new MMIS has been delayed and will not go live in June 2010 as previously expected. A revised date has not yet been established.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2009 Audit

Report: 02-40007-07 Finding Number: 10 Fiscal Year: 2006 Initial Finding Year: 2002	Prior Audit Finding: <u>The State Medicaid director and the DHSS commissioner should take action to improve the agency's utilization control and program integrity function.</u>
Federal Agency: USDHHS State Agency: DHSS CFDA: 93.778 Questioned Costs: None	Status/corrective action planned/reasons for no further action: Please refer to the updated response on finding #17, report 02-40006-06.

Report: 02-40008-08 Finding Number: 07 Fiscal Year: 2007 Initial Finding Year: 2006	Prior Audit Finding: <u>The DHSS finance officer should improve the controls over categorization and allocation of allowable claims.</u>
Fed. Agency: USDHHS & USDA State Agency: DHSS CFDA: 10.561 Questioned Costs: \$72,584 CFDA: 93.558 Questioned Costs: \$831,332 CFDA: 93.767 Questioned Costs: \$413,816	Status/corrective action planned/reasons for no further action: This audit finding has been resolved in accordance with OMB Circular A-133_.315.

Report: 02-40008-08 Finding Number: 08 Fiscal Year: 2007 Initial Finding Year: 2005	Prior Audit Finding: <u>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.</u>
Federal Agency: USDHHS State Agency: DHSS CFDA: 93.767 Questioned Costs: \$273,630	Status/corrective action planned/reasons for no further action: This audit finding has been resolved in accordance with OMB Circular A-133_.315.

Report: 02-40008-08 Finding Number: 10 Fiscal Year: 2007 Initial Finding Year: 2007	Prior Audit Finding: <u>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.</u>
Federal Agency: USDHHS State Agency: DHSS CFDA: 93.778 Questioned Costs: None	Status/corrective action planned/reasons for no further action: This audit finding has been resolved in accordance with OMB Circular A-133_.315.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2009 Audit

Report: **02-40008-08**
Finding Number: **11**
Fiscal Year: **2007**
Initial Finding Year: **2002**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.775 and 93.778**
Questioned Costs: **None**

Prior Audit Finding:

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

Status/corrective action planned/reasons for no further action:

Please refer to the updated response on finding #08, report 02-40009-09.

Report: **02-40009-09**
Finding Number: **03**
Fiscal Year: **2008**
Initial Finding Year: **2008**

Federal Agency: **USDHHS
and USDA**
State Agency: **DHSS**
CFDA: **10.551**
CFDA: **10.557**
CFDA: **10.561**
CFDA: **93.558**
CFDA: **93.568**
CFDA: **93.659**
CFDA: **93.767**
CFDA: **93.777**
CFDA: **93.778**
Questioned Costs:
Indeterminate

Prior Audit Finding:

DHSS' Assistant Commissioner should develop adequate controls to ensure data entered into Maximus Cost Allocation and Rate System (MAXCARS) is accurate and complete.

Status/corrective action planned/reasons for no further action:

The department concurs that adequate controls are needed to ensure that data entered into MAXCars is accurate and complete.

Significant steps have been taken to improve processes and internal controls in the past eight months.

A thorough review of the department's Public Assistance Cost Allocation Plan (PACAP) was conducted. Procedures for quarterly review and updates have been drafted. The PACAP has been amended as needed each quarter in calendar year 2009. The federal Division of Cost Allocation (DCA) approved the PACAP for FY10.

Alaska Statewide Accounting System (AKSAS) accounting structures and MAXCars allocation methods have been reviewed for alignment with the PACAP.

The department is revising how AKSAS accounting structures are used in the department to strengthen the ability to track expenditures from AKSAS to MAXCARS and back into AKSAS. This project will allow for reporting of direct and allocated expenditures from a single system, simplifying current reporting processes.

DHSS is in the process of developing and instituting data reviews at key points in the quarterly cost allocation process in order to ensure the accuracy of the MAXCars input data. This includes:

- An initial review conducted to ensure the statistical data is complete and timely.
- A second, more thorough, review conducted prior to the data being entered into MAXCars, at which time the data is checked for accuracy and consistency.
- Once DHSS division staff enters that data into MAXCars, a comparison report of the current quarter stats and the prior quarter's stats will be sent to the divisions for review. If errors are identified, the division staff provides a corrected statistic.
- As a trial run, a report comparing the prior quarter's expenditures to the current quarter's expenditures sent to the divisions for review. This review identifies potential accounting anomalies prior to the final allocation process. If found, they are researched to determine if the data is valid or, if problems are identified, corrected prior to running the final CAP.

Procedures will be documented prior to project completion. The end result will be a documented system that will address various aspects of managing federal funds and Legislative Audit's expressed concerns. Anticipated completion of this project is December 31, 2010.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2009 Audit

Report: **02-40009-09**
Finding Number: **04**
Fiscal Year: **2008**
Initial Finding Year: **2008**

Federal Agency: **USDHHS
and USDA**

State Agency: **DHSS**

CFDA: **10.551**

CFDA: **10.557**

CFDA: **10.561**

CFDA: **93.558**

CFDA: **93.568**

CFDA: **93.659**

CFDA: **93.767**

CFDA: **93.777**

CFDA: **93.778**

Questioned Costs:

Indeterminate

Prior Audit Finding:

DHSS' assistant commissioner of Finance Management Services should implement controls over federal revenue collections.

Status/corrective action planned/reasons for no further action:

Project efforts are on-going and FMS has hired a qualified Accountant V in June 2009 to fill the long-term manager vacancy in the Revenue Unit.

This position is responsible for managing unit activities to draw down, post revenue and report federal expenditures. The Accountant V has begun reviewing processes and has identified methods to strengthen internal controls. Timelines for quarterly processes have been established and additional staff training has begun.

The Accountant V is working with the Revenue Project Manager to ensure coordination of effort between unit staff and the project team.

Report: **02-40009-09**
Finding Number: **05**
Fiscal Year: **2008**
Initial Finding Year: **2008**

Federal Agency: **USDHHS
and USDA**

State Agency: **DHSS**

CFDA: **10.551**

CFDA: **10.557**

CFDA: **10.561**

CFDA: **93.558**

CFDA: **93.568**

CFDA: **93.659**

CFDA: **93.767**

CFDA: **93.777**

CFDA: **93.778**

Questioned Costs:

Indeterminate

Prior Audit Finding:

DHSS' assistant commissioner of Finance and Management Services should ensure that staff are adequately trained and supervised.

Status/corrective action planned/reasons for no further action:

The department concurs with this recommendation.

FMS has taken significant steps to provide training and supervision to staff. In January 2009, the newly established Deputy Director position was filled. The Deputy Director is responsible for supervision of the Finance Officer, Federal Revenue Unit Manager and Revenue Project Manager positions. The Deputy Director ensures coordination between these sections, other FMS sections and the Administrative Operations Managers (AOM) in the divisions.

FMS has implemented training activities. In May 2009, the Finance Officer, Budget Manager, Revenue Project Manager and Deputy Director began a series of one to two hour training sessions to AOMs and their lower level administrative staff related to year-end activities. Billed as "refresher" courses, these sessions ranged from a basic overview of the re-appropriation period and auto pay clearing activities to revised programs and using ALDER reports to track the status of appropriations.

In July 2009, FMS initiated a training "academy" to deploy in the fall. Division Directors and AOMs were interviewed to determine training needs and department employees were surveyed for their input. Courses were developed on key administrative functions and in October 2009, the Juneau Academy was held with approximately 275 DHSS staff attending. Academies in Fairbanks and Anchorage were held in November. Approximately 17% of DHSS employees attended one or more classes.

An overview of the cost allocation process was presented at the AOM meeting on November 10, 2009 followed by two days of training for Revenue Unit staff and others on MAXCars, the department's cost allocation software.

This focus on training, supervision and mentoring of staff will be on-going.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2009 Audit

Report: **02-40009-09**
Finding Number: **06**
Fiscal Year: **2008**
Initial Finding Year: **2008**

Federal Agency: **USDHHS
and USDA**
State Agency: **DHSS**
CFDA: **93.558**
Questioned Costs: **\$418,573**

CFDA: **10.551**
CFDA: **10.557**
CFDA: **10.561**
CFDA: **93.568**
CFDA: **93.569**
CFDA: **93.767**
CFDA: **93.777**
CFDA: **93.778**
Questioned Costs:
Indeterminate

Prior Audit Finding:

DHSS Finance Officer should ensure that expenditures are supported by sufficient documentation.

Status/corrective action planned/reasons for no further action:

The department's previous response and corrective action remains unchanged:

The department concurs that expenditures should be supported by sufficient documentation.

There were two areas involved in this finding, missing support for adjustments in the allocation system and missing support for a payment made by the fiscal office.

Regarding allocation adjustment support, the department has begun a comprehensive review, rebuild and documentation of the federal reporting and revenue collection system. As a part of this project, procedures for the compilation and permanent retention of necessary supporting documentation are being developed and documented. The staff member primarily responsible for entering adjustments into the allocation system is responsible for verifying that supporting documentation is complete and retained.

Repayment of questioned costs is pending.

Report: **02-40009-09**
Finding Number: **07**
Fiscal Year: **2008**
Initial Finding Year: **2007**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.767**
CFDA: **93.778**
Questioned Costs: **None**

Prior Audit Finding:

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.

Status/corrective action planned/reasons for no further action:

This audit finding has been resolved in accordance with OMB Circular A-133_.315.

Report: **02-40009-09**
Finding Number: **08**
Fiscal Year: **2008**
Initial Finding Year: **2002**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.775**
CFDA: **93.778**
CFDA: **93.767**
Questioned Costs: **None**

Prior Audit Finding:

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

Status/corrective action planned/reasons for no further action:

The department concurs with the finding.

The Program Integrity Section continues under consistent management and is working to improve utilization control and program integrity coordination and operations across DHSS. Coordination is achieved through monthly Audit Committee, quarterly HealthCare Services and regular DHSS/MFCU meetings.

Fiscal agent operations were assumed by Affiliated Computer Services on November 1, 2008. DHCS continues to work with the fiscal agent at the executive and program level regarding contractual nonperformance issues.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2009 Audit

Report: **02-4009-09**
Finding Number: **09**
Fiscal Year: **2008**
Initial Finding Year: **2008**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
CFDA: **93.767**
Questioned Costs: **None**

Prior Audit Finding:

DHCS' director should implement written policies and procedures to improve the accounting and reporting of drug rebates.

Status/corrective action planned/reasons for no further action:

This audit recommendation has been partially implemented.

The fiscal agent maintains the detailed information on the drug rebate billing and collecting for the State in their own computer system. They also prepare the CMS 64-9R for the regular drug rebate program, the supplemental drug rebate program, and the combined report. These reports did not specifically match the state accounting system especially if deposits are made in the last few days of a quarter due to the necessary delay in recording these deposits in the State's accounting system.

The State had no way to identify what the discrepancy in the amounts between the fiscal agent and the state accounting system consisted of. This has since been corrected with a working partnership between the fiscal agent, HCS and the Revenue Unit. HCS has stepped in to determine the accuracy of the fiscal agents accounting records and match them to the State's accounting system. The fiscal agent provides a complete audit trail of the previous quarter within 10 days. This audit trail is matched to an audit trail from the state accounting system. Each transaction in the state accounting system is matched up to the corresponding entries in the fiscal agents accounting system. This is done by identifying the exact recipient number, check number, batch ID, deposit date, receipt amount, manufacturer ID and also includes the person that entered the information into their system and when it was input. Every entry in the state accounting system is matched up this way. If there were deposits at the end of the quarter that do not show in the state accounting system, we are able to identify the exact transactions and track them for processing in the next quarter.

Once the reconciliation has taken place and any errors are identified and corrected, the fiscal agent is then notified by HCS that they may proceed with the preparation of the CMS 64-9r reports. The fiscal agent prepares the reports and sends them to the Revenue Unit. HCS sends the completed reconciliation and both the fiscal agent's and the State's accounting system audit trails to the Revenue Unit. Step by step procedures on how to accomplish the reconciliation has been completed and distributed. The fiscal agent has also provided direct access to their drug rebate accounting system to HCS staff members. HCS also went back and reconciled the drug rebate financial information back to January 1, 2003 quarter by quarter up to the present time and is working with CMS to determine how to correct the reporting errors found in this reconciliation.

Interest Accrual and Collection:

No change. We do not agree with this portion of the recommendation. We believe we are in compliance with the CMS guidelines on the calculation of interest, which is applied on a quarterly basis. CMS has not released a more substantial program wide mandate.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2009 Audit

Report: **02-40009-09**
Finding Number: **11**
Fiscal Year: **2008**
Initial Finding Year: **2008**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.767**
Questioned Costs: **\$16,952**

CFDA: **93.778**
Questioned Costs: **\$211,835**

Prior Audit Finding:

We recommend the director of DHSS' Division of Behavioral Health take steps to ensure out-of-state providers of residential psychiatric treatment centers (RPTC) are paid in accordance with federal and state requirements.

Status/corrective action planned/reasons for no further action:

The department concurs with the need to better document negotiated RPTC rates.

The Division of Behavioral Health (DBH) has made progress in efforts to establish documented policies and procedures to support their negotiated rate agreements with providers. Documented policies and procedures are in place and affected DBH staff has received training to appropriately apply these policies and procedures. Rate negotiations are conducted in accordance with 7 AAC 43.380 (c) and files maintained for each out-of-state residential psychiatric treatment center (RPTC) provider include the cost information provided by the facility in support of their negotiated rates for the services provided.

Repayment of questioned costs is pending.

Report: **02-40009-09**
Finding Number: **12**
Fiscal Year: **2008**
Initial Finding Year: **2008**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.558**
Questioned Costs: **\$1,197,787**

Prior Audit Finding:

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.

Status/corrective action planned/reasons for no further action:

This audit finding has been resolved in accordance with OMB Circular A-133_.315.

Report: **02-40009-09**
Finding Number: **13**
Fiscal Year: **2008**
Initial Finding Year: **2008**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.558**
Questioned Costs: **None**

Prior Audit Finding:

The DPA program coordinator for the TANF program should improve procedures to ensure work participation activities are documented in accordance with Alaska's work verification plan and accurately report to the federal government.

Status/corrective action planned/reasons for no further action:

This audit finding has been resolved in accordance with OMB Circular A-133_.315.

Report: **02-40009-09**
Finding Number: **14**
Fiscal Year: **2008**
Initial Finding Year: **2008**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.659**
Questioned Costs: **\$41,580**

Prior Audit Finding:

The Director of the Office of Children's Services (OCS) should ensure that Adoption Assistance subsidy payments are made in accordance with federal regulations.

Status/corrective action planned/reasons for no further action:

The ORCA system update to the service table was released in August 2009 and has been implemented. Questioned costs have been refunded.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2009 Audit

Report: **02-40009-09**
Finding Number: **20**
Fiscal Year: **2008**
Initial Finding Year: **2008**

Federal Agency: **HUD**
State Agency: **AHFC**
CFDA: **14.871**
Questioned Costs: **None**

Prior Audit Finding:

According to OMB A-133 Compliance Supplement, the public housing agency's (PHA's) administrative plan must state the methods used to determine that the rent to owner is reasonable in comparison to rent for other comparable unassisted units. The PHA must determine that the rent to owner is reasonable at the time of initial leasing, and must maintain records to document the basis for such determination. The PHA determination must consider unit attributes such as the location, quality, size, unit type, age of unit, amenities, housing services, and maintenance and utilities provided by the owner. The Corporation's policies state that Form SE315 (Unassisted Unit Comparability Survey) will be used to document the information necessary to make a reasonable rent determination. As stated in procedures, two forms shall be placed in the client folder.

Of the 23 participant files tested, three files were found to have deficiencies in the documentation of a reasonable rent determination. Two files were missing all documentation for rent reasonableness (no "Unassisted Unit Comparability Survey"). The third file had filled out forms which contained two "Unassisted Unit Comparability Survey" with amounts but they were substantially lower than the accepted unit and no explanation was document on their forms.

Status/corrective action planned/reasons for no further action:

This remains a finding in the current year. See Finding Number 24

Rent reasonableness has been a training topic in several of the previous fall staff trainings. Related forms have been modified to streamline the process.

Research of other similar sized housing authorities suggests that one problem almost unique to a program our size is the fact that AHFC does not have a computerized database to extract comparable rents. The reason is that the CCS software currently used by the Public Housing Division is no longer actively supported by the software owner, *Emphasys*. As a consequence, PHD relies solely on paper based comparables that are labor intensive to compile and update. With the help of AHFC Risk Management and Information Systems, a software solicitation was issued within the past month. Based upon our initial review, staff is confident that new software will include a rent reasonableness component to ensure quality control and comparable rent.

Report: **02-40009-09**
Finding Number: **21**
Fiscal Year: **2008**
Initial Finding Year: **2008**

Federal Agency: **HUD**
State Agency: **AHFC**
CFDA: **14.871**
Questioned Costs: **None**

Prior Audit Finding:

According to 24 CFR 982.308(b)(1) "The tenant and the owner must enter a written lease for the unit. The lease must be executed by the owner and the tenant." Of the 23 participant files tested, one instance was found in which a Housing Assistance Payment (HAP) was made on behalf of a participant to a landlord when an executed lease between the tenant and landlord wasn't in place.

Status/corrective action planned/reasons for no further action:

The Public Housing Division considers this finding resolved. Corrective action was taken to address the single file where a signed lease was missing from the file. The topic was raised in the 2008 staff training. Quarterly quality control file reviews have not revealed any additional instances where a current lease is missing from the file.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2009 Audit

Report: **02-4009-09**
Finding Number: **22**
Fiscal Year: **2008**
Initial Finding Year: **2008**

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 the 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 Title IV programs. In accordance to CFR, Title 34, Section 668-22, returned funds are to be allocated in the following order: unsubsidized, subsidized and then Pell Grants.

According to CFR, Title 34, Section 668-173, returns of Title IV funds are required to be deposited or transferred into the Student Financial Assistance account or electronic fund transfers initiated to the Department of Education or the appropriate Federal Family Education Loans lender as soon as possible, but no later than thirty days after the date the institution determines the student withdrew.

For the program year 2007-2008, the University of Alaska Fairbanks failed to identify withdrawn Title IV recipients in a timely manner, incorrectly calculated return amounts for some students, and allocated one return to the wrong fund. For the program year 2007-2008, the University of Alaska Anchorage and the University of Alaska Southeast 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 the program year 2008-2009, a new report was designed to capture withdrawn students that have received federal financial aid. Each campus has procedures in place to identify and process withdrawals on a daily to weekly basis.
- The University of Alaska Fairbanks has processed returns for the \$2,095, \$2,394, and \$1,854 in subsidized loans, unsubsidized loans and Pell Grant awards, respectively, and has contacted the lender and requested the return for \$2,036 to be corrected and properly allocated to the appropriate loan fund.

(Intentionally left blank)

STATE OF ALASKA
CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2009

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, 2009*. 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.

(Intentionally left blank)

SECTION IV – APENDICES

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
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	2,018,477
	Alaska Aerospace Development Corporation Total			2,018,477
<u>Alaska Commission on Postsecondary Education</u>				
84.069A	N069A080002		Leveraging Educational Assistance Partnership Program	47,762
84.069B	N069B080001		Special Leveraging Educational Assistance Partnership Program	61,437
84.378A	P378A080025		College Access Challenge Grant Program	73,094
	Alaska Commission on Postsecondary Education Total			182,293
<u>Alaska Energy Authority</u>				
10.001	UAF 07-0127		Agricultural Research - Basic and Applied Research	125
10.859	Various		Assistance to High Energy Cost Rural Communities	3,834,377
15.615	70152-03-0007		Cooperative Endangered Species Conservation Fund	24,675
66.034	XA-960429-01		Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	12,454
66.040	DS96077901		State Clean Diesel Grant Program	18,468
66.202	EM-833233-01		Congressionally Mandated Projects	468,763
81.041	DE-FG29-05R021604		State Energy Program	125,000
81.041	F07-52105-001		State Energy Program	5,006
81.079	DE-FG36-05GO85001		Regional Biomass Energy Programs	3,151
81.087	DE-FG36-05GO85038		Renewable Energy Research and Development	41,707
81.117	DE-FG3604R021600		Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	26,357
81.122	DE-FG0706ID14790		Electricity Delivery and Energy Reliability, Research, Development and Analysis	225,731
90.100	Various		Denali Commission Program	15,937,019
90.100			Denali Commission Program	273,009
	Alaska Energy Authority Total			20,995,842
<u>Alaska Housing Finance Corporation</u>				
10.410			Very Low to Moderate Income Housing Loans	80,829
14.117			Mortgage Insurance - Homes	2,780,843
14.182		S8PBC	Section 8 New Construction/Substantial Rehabilitation	2,216,118
14.195		S8PBC	Section 8 Housing Assistance Payments Program	6,509,182
14.227			Community Development Block Grants /Technical Assistance Program	94,260
14.235			Supportive Housing Program	11,206
14.238			Shelter Plus Care	409,949
14.239			HOME Investment Partnerships Program	3,884,525
14.241			Housing Opportunities for Persons with AIDS	481,062
14.249		S8PBC	Section 8 Moderate Rehabilitation Single Room Occupancy	390,701
14.317			ARRA - Section 8 Housing Assistance Payments Program Special Allocations (Recovery Act Funded)	625,490
14.850			Public and Indian Housing	10,504,624
14.870			Resident Opportunity and Supportive Services - Service Coordinators	39,351
14.871			Section 8 Housing Choice Vouchers	32,029,039
14.872		CFPC	Public Housing Capital Fund	2,650,692
14.875			Public Housing Neighborhood Networks Grants	75,141

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
64.114			Veterans Housing - Guaranteed and Insured Loans	4,017,851
81.041			State Energy Program	245,659
81.042			Weatherization Assistance for Low-Income Persons	1,442,855
90.100			Denali Commission Program	9,160,565
93.048			Special Programs for the Aging - Title IV - and Title II - Discretionary Projects	86,227
93.568			Low-Income Home Energy Assistance	487,980
			Alaska Housing Finance Corporation Total	78,224,149
			<u>Alaska Industrial Development and Export Authority</u>	
11.307	07-79-05820	PWEDC	Economic Adjustment Assistance	1,337,870
20.500	AK-04-0012-00	FTC	Federal Transit - Capital Investment Grants	2,497,877
			Alaska Industrial Development and Export Authority Total	3,835,747
			<u>Alaska Railroad Corporation</u>	
10.999	05DG11100000226		Railroad Back Country Whistle Stop Project (U.S. Forest Service - Whistle Stop)	83,660
12.999	DTFR53-08-G00008		2008 Access to Joint Tanana Training Complex (2008)	1,545,803
12.999	DTFRDV-05-G-00005		FY 2005-Military Installations Track Realignment (Track Realignment – Elmendorf AFB and Ft. Richardson 2005) (Pass-through from FRA)	178,177
12.999	DTFRDV-05-G-00006		Northern Line Realignment & Extension	655,015
12.999	DTFRDV-06-G-00007		FY 2006 Locomotives and Rail Cars to Support the Stryker Brigade (Locomotive/Railcars to Support Stryker Brigade - 2006)	160,967
12.999	DTFRDV-07-G-00005		Fort Wainwright/Eielson AFB Track Realignment (Track Realignment - Ft. Wainwright 2007)	45,979
12.999	DTFRDV-07-G-00006		Northern Line Extension (2007)	2,195,071
20.500	AK-03-0035	FTC	Federal Transit - Capital Investment Grants	4,263,224
20.500	AK-03-0039	FTC	Federal Transit - Capital Investment Grants	1,128
20.500	AK-03-0052	FTC	Federal Transit - Capital Investment Grants	61,323
20.500	AK-03-0059	FTC	Federal Transit - Capital Investment Grants	457,659
20.500	AK-03-0073	FTC	Federal Transit - Capital Investment Grants	1,319,326
20.500	AK-04-0003	FTC	Federal Transit - Capital Investment Grants	70,851
20.500	AK-05-0007	FTC	Federal Transit - Capital Investment Grants	64,987
20.500	AK-05-0009	FTC	Federal Transit - Capital Investment Grants	1,136,455
20.500	AK-05-0010	FTC	Federal Transit - Capital Investment Grants	2,657,301
20.500	AK-05-0011	FTC	Federal Transit - Capital Investment Grants	1,319,731
20.500	AK-05-0012	FTC	Federal Transit - Capital Investment Grants	9,117,312
20.500	AK-05-0013	FTC	Federal Transit - Capital Investment Grants	3,173,251
20.500	AK-55-0003	FTC	Federal Transit - Capital Investment Grants	79,895
20.507	AK-90-X030-00	FTC	Federal Transit - Formula Grants	18,847
20.507	AK-90-X039-00	FTC	Federal Transit - Formula Grants	333,527
20.507	AK-90-X043-00	FTC	Federal Transit - Formula Grants	212,999
20.507	AK-90-X047-00	FTC	Federal Transit - Formula Grants	2,681,124
20.507	AK-90-X049-00	FTC	Federal Transit - Formula Grants	15,289,057
20.507	AK-90-X050-00	FTC	Federal Transit - Formula Grants	3,080,067
20.520	AK-20-X001-00		Paul S. Sarbanes Transit in the Parks	3,405,859
20.999	DTFR53-05-G-00005		Luminescent Grade Crossing-R&D - 2005	3,380
20.999	DTFR53-08-G-00004		Collision Avoidance System-2008	878,280
20.999	DTFRDV-03-G-60040		Rail Safety and Infrastructure Improvements - 2003	7,551
20.999	DTFRDV-04-G-00005		Rail Safety and Infrastructure Improvements - 2004	11,322
20.999	DTFRDV-06-G-00006		Rail Safety and Infrastructure Improvements - 2006	5,275

STATE OF ALASKA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended June 30, 2009
 By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
20.999	DTRFDV-99-G-60005		Anchorage International Airport Rail Passenger Station - 1999	29,284
97.036	1663-DR-AK		Disaster Grants - Public Assistance (Presidentially Declared Disasters)	142,305
97.036	1669-DR-AK		Disaster Grants - Public Assistance (Presidentially Declared Disasters)	272,156
97.036	1796-DR-AK		Disaster Grants - Public Assistance (Presidentially Declared Disasters)	334,252
97.039	1445.00006		Hazard Mitigation Grant	59,835
97.039	HMGP-1571.0006		Hazard Mitigation Grant	153
97.039	HMGP-1584.0004		Hazard Mitigation Grant	1,837
97.039	HMGP-1663.00008		Hazard Mitigation Grant	68,574
97.039	HMGP-1666.0003		Hazard Mitigation Grant	73,376
Alaska Railroad Corporation Total				55,496,175
<u>Alaska Student Loan Corporation</u>				
84.032L		SFAC	Federal Family Education Loans	(913,709)
Alaska Student Loan Corporation Total				(913,709)
<u>Alaska Seafood Marketing Institute</u>				
10.601	Export Marketing		Market Access Program	5,037,979
Alaska Seafood Marketing Institute Total				5,037,979
<u>Alaska Court System / Alaska Judicial Council</u>				
16.580	2005-RG-CX-1072		Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	353,751
16.585	2003-DC-BX-0059		Drug Court Discretionary Grant Program	36,259
20.607			Alcohol Open Container Requirements	702,132
93.586	0601AKSCIT		State Court Improvement Program	13,332
93.586	0701AKSCID		State Court Improvement Program	75,052
93.586	0701AKSCIP		State Court Improvement Program	82,389
93.586	0701AKSCIT		State Court Improvement Program	76,335
93.586	0801AKSCIP		State Court Improvement Program	72,699
93.586	G-0601AKSCIP		State Court Improvement Program	61,370
99.999	SJI-09-T-003		SJI Technology Assistance Grant	3,380
84.936A	9833		Fund for Justice and Education for the Color of Justice Program (Pass-through Council on Legal Education Opportunity)	6,121
Alaska Court System / Alaska Judicial Council Total				1,482,820
<u>Department of Commerce, Community and Economic Development</u>				
10.665	National Forest Receipts	SRC	Secure Payments for Schools and Roads - Grants to States	20,885,345
10.766	Rural Internet Access		Community Facilities Loans and Grants	471,008
10.769	Rural Business Enterprise		Rural Business Enterprise Grants	(662)
10.857	Bulk Fuel Bridge Loans		State Bulk Fuel Revolving Fund Grants	5,920
11.307	Alaska Rural Visitor	PWEDC	Economic Adjustment Assistance	107,432
11.307	Coalition For Economic Development	PWEDC	Economic Adjustment Assistance	46,764

STATE OF ALASKA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended June 30, 2009
 By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
11.307	Small Business Economic Development Loan Fund	PWEDC	Economic Adjustment Assistance	298,733
11.419	Coastal Zone Management		Coastal Zone Management Administration Awards	1,049,248
11.438	Fish Revitalization-Fish & Game		Pacific Coast Salmon Recovery - Pacific Salmon Treaty Program	13,418
14.228	Community Development Block Grants	SSCPC	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	3,777,366
14.231	Emergency Shelter Grants Program		Emergency Shelter Grants Program	134,545
15.226	Payments in Lieu of Taxes		Payments in Lieu of Taxes	9,968,866
15.227	National Petroleum Reserve Alaska Impact Mitigation		Distribution of Receipts to State and Local Governments	11,810,115
16.580	Prescription Drug Monitoring		Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	20,953
20.930	Small Air Service		Payments for Small Community Air Service Development	8,216
21.999	08PA041		Phase II Rural Alaska Financial Education and Financial Services	45,620
66.202	Rural Utility Business Advisor		Congressionally Mandated Projects	1,103,625
90.100	Accelerated Infrastructure		Denali Commission Program	92,397
90.100	Mini Grant		Denali Commission Program	18,748
90.100	Multi-Use Facilities		Denali Commission Program	92,675
93.569	Community Services Block Grant	CSBGC	Community Services Block Grant	2,707,261
94.003	Administration		State Commissions	31,094
94.004	Learn & Serve Formula		Learn and Serve America - School and Community Based Programs	63,148
94.006	Formula/Competitive		AmeriCorps	2,032,330
94.007	Education/Disability		Planning and Program Development Grants	74,230
94.009	Program Development and Training		Training and Technical Assistance	80,828
97.023	Community Assistance Program		Community Assistance Program State Support Services Element (CAP-SSSE)	93,223
97.045	Cooperating Technical Partners		Cooperating Technical Partners	43,958
97.070	Map Modernization		Map Modernization Management Support	34,892
Department of Commerce, Community and Economic Development Total				55,111,296
<u>Department of Environmental Conservation</u>				
10.025			Plant and Animal Disease, Pest Control and Animal Care	184,247
10.479			Food Safety Cooperative Agreements	191,434
10.760			Water and Waste Disposal Systems for Rural Communities	11,630,702
12.113			State Memorandum of Agreement Program for the Reimbursement of Technical Services	1,792,452
12.999			USAF Elmendorf Site Cleanup	4,189

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
66.034			Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	286,229
66.040			State Clean Diesel Grant Program	9,109
66.202			Congressionally Mandated Projects	47,111,050
66.419			Water Pollution Control State, Interstate and Tribal Program Support	359,603
66.432			State Public Water System Supervision	2,284,385
66.436			Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act	49,404
66.454			Water Quality Management Planning	99,993
66.458			Capitalization Grants for Clean Water State Revolving Funds	7,149,075
66.467			Wastewater Operator Training Grant Program	5,411
66.468			Capitalization Grants for Drinking Water State Revolving Funds	14,850,718
66.471			State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	171,230
66.472			Beach Monitoring and Notification Program Implementation Grants	187,427
66.474			Water Protection Grants to the States	202,224
66.511			Office of Research and Development Consolidated Research/Training/Fellowships	213,453
66.605			Performance Partnership Grants	5,134,755
66.608			Environmental Information Exchange Network Grant Program and Related Assistance	273,290
66.700			Consolidated Pesticide Enforcement Cooperative Agreements	276,131
66.708			Pollution Prevention Grants Program	58,410
66.804			Underground Storage Tank Prevention, Detection and Compliance Program	289,331
66.805			Leaking Underground Storage Tank Trust Fund Corrective Action Program	409,491
66.809			Superfund State and Indian Tribe Core Program Cooperative Agreements	141,367
66.817			State and Tribal Response Program Grants	469,323
90.100			Denali Commission Program	865,069
93.210			Tribal Self-Governance Program: IHS Compacts/Funding Agreements (Pass-through from ANTHC)	2,075,250
93.722			ARRA - IHS Tribal Agreements (Pass-through from ANTHC)	645,440
10.12-25-A4941			Pesticide Recordkeeping	16,432
10.AG-0109-P-08-0028			Forest Service Regulatory Oversight	3,636
11.45ABNAON0252			Miscellaneous Inspection Service	1,767
11.AB133C06SE3435			NOAA Pribilof Island Restoration	6,378
15.09 DOI NPS Collection			National Park Service Oversight	7,989
15.LAB072032			Bureau of Land Management Oversight	40,866
15.P9917080035			National Park Service Oversight	10,204
15.P9917900004			National Park Service Oversight	547
20.DTFAAL-04X-8000			Clean up Contaminated Sites in AK	112,175
66.LUST Trust Cost Recovery			LUST Trust Cost Recovery	15,293
84.DE-FG01-06LM00075			Amchitka Oversight Monitoring	26,250
93.1R13FD00358301			AK Food Safety Task Conference	4,871
93.HHSF223200840135C			FDA Food Inspections	559,746

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
97.HSCG5009P643GB8			US Coast Guard Oversight	7,516
			Department of Environmental Conservation Total	98,233,862
			<u>Department of Education and Early Development</u>	
10.553	17131	CNC	School Breakfast Program	5,972,724
10.555	17132	CNC	National School Lunch Program	25,544,675
10.555	17132		National School Lunch Program - Food Commodities	1,872,521
10.556	17133	CNC	Special Milk Program for Children	14,685
10.558	17134		Child and Adult Care Food Program	8,165,536
10.558	17134		Child and Adult Care Food Program-Food Commodities	8,656
10.559	17137	CNC	Summer Food Service Program for Children	855,670
10.559	17137		Summer Food Service Program for Children - Food Commodities	2,400
10.560	17135		State Administrative Expenses for Child Nutrition	601,948
10.568	17138	EFAC	Emergency Food Assistance Program (Administrative Costs)	165,845
10.568	17196	EFAC	ARRA - Emergency Food Assistance Program (Administrative Costs)	36,370
10.569		EFAC	Emergency Food Assistance Program (Food Commodities)	1,844,553
10.569		EFAC	ARRA - Emergency Food Assistance Program (Food Commodities)	201,966
10.574	17400		Team Nutrition Grants	74,606
10.582	17166		Fresh Fruit and Vegetable Program	423,592
12.999	17178		Troops to Teachers	3,969
21.999			Jobs and Growth Tax Relief Reconciliation Act of 2003	160,914
45.025	17335		Promotion of the Arts - Partnership Agreements	663,094
45.307	17276		21st Century Museum Professionals	49,907
45.310	17336		Grants to States	791,919
45.312	17278		National Leadership Grants	23,014
84.010	17126	TIAC	Title I Grants to Local Educational Agencies	39,280,893
84.011	17127		Migrant Education - State Grant Program	6,170,984
84.013	17129		Title I Program for Neglected and Delinquent Children	246,908
84.027	17232	SEC	Special Education - Grants to States	32,648,218
84.041	17238	IAC	Impact Aid	26,135,890
84.048	17244		Career and Technical Education - Basic Grants to States	3,334,923
84.144	17167		Migrant Education - Coordination Program	8,995
84.161	17152		Rehabilitation Services - Client Assistance Program	117,463
84.173	17242	SEC	Special Education - Preschool Grants	1,030,080
84.185	17254		Byrd Honors Scholarships	109,125
84.186	17255		Safe and Drug-Free Schools and Communities - State Grants	1,596,354
84.196	17257		Education for Homeless Children and Youth	199,777
84.213	17264		Even Start - State Educational Agencies	355,462
84.215	17231		Fund for the Improvement of Education	100,171
84.243	17246		Tech-Prep Education	157,059
84.287	17271		Twenty-First Century Community Learning Centers	4,736,605
84.298	17267		State Grants for Innovative Programs	264,878
84.318	17241		Education Technology State Grants	1,066,163
84.323	17159		Special Education - State Personnel Development	536,016
84.330	17122		Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	12,366

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
84.350	17164		Transition to Teaching	818,764
84.357	17273		Reading First State Grants	1,234,172
84.358	17373		Rural Education	36,365
84.363	17189		School Leadership	98,100
84.365	17175		English Language Acquisition Grants	1,025,490
84.366	17252		Mathematics and Science Partnerships	19,060
84.367	17172		Improving Teacher Quality State Grants	14,244,975
84.369	17171		Grants for State Assessments and Related Activities	3,652,978
84.372	17274		Statewide Data Systems	663,357
84.377	17165		School Improvement Grants	435,131
84.404	17238	IAC	ARRA - Impact Aid - School Construction Formula Grants, Recovery Act	1,190,796
84.999	17300		Consolidated Programs IASA Admin	693,574
89.003	17141		National Historical Publications and Records Grants	7,403
93.600	17330	HDSC	Head Start	110,638
93.938	17308		Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	228,702
			Department of Education and Early Development Total	190,046,399
<u>Department of Fish and Game</u>				
10.025			Plant and Animal Disease, Pest Control and Animal Care	73,129
10.914			Wildlife Habitat Incentive Program	(147)
10.999			Miscellaneous U.S. Forest Service	496,193
11.405			Anadromous Fish Conservation Act Program	239,588
11.407			Interjurisdictional Fisheries Act of 1986	131,742
11.417			Sea Grant Support	478,098
11.420			Coastal Zone Management Estuarine Research Reserves	561,267
11.437			Pacific Fisheries Data Program (Pass-through Pacific States Marine Fisheries Commission)	2,113,147
11.437			Pacific Fisheries Data Program	2,741,830
11.438			Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	24,324,041
11.439			Marine Mammal Data Program (Pass-through from North Slope Borough)	26,477
11.439			Marine Mammal Data Program	758,111
11.472			Unallied Science Program (Pass-through North Pacific Research Board)	149,724
11.473			Coastal Services Center	43,357
11.999			Miscellaneous NOAA	405,414
12.420			Military Medical Research and Development	91,612
12.999			Miscellaneous Army	107,178
15.222			Cooperative Inspection Agreements With States and Tribes	7,859
15.225			Recreation Resource Management	68,918
15.231			Fish, Wildlife and Plant Conservation Resource Management (Pass-through National Fish & Wildlife Foundation)	92,908
15.231			Fish, Wildlife and Plant Conservation Resource Management	34,936
15.605		F&WC	Sport Fish Restoration Program	19,192,920
15.608			Fish and Wildlife Management Assistance	820,103
15.611		F&WC	Wildlife Restoration	11,476,630
15.615			Cooperative Endangered Species Conservation Fund	55,496

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
15.616			Clean Vessel Act	34,390
15.622			Sportfishing and Boating Safety Act	221,603
15.626			Hunter Education and Safety Program	80,000
15.630			Coastal Program	9,590
15.631			Partners for Fish and Wildlife	88
15.633			Landowner Incentive Program	57,682
15.634			State Wildlife Grants	2,408,738
15.636			Alaska Subsistence Management	8,102
15.636			Alaska Subsistence Management	1,773,003
15.999			Miscellaneous National Park Service	63,435
15.999			Miscellaneous Bureau of Land Management	95,559
15.999			Miscellaneous Minerals Management Services	461,932
15.999			Miscellaneous U.S. Fish and Wildlife Service	606,667
66.461			Regional Wetland Program Development Grants	76,956
97.999			Miscellaneous Homeland Security	2,485
Department of Fish and Game Total				70,390,761
<u>Department of Health and Social Services</u>				
10.551		SNAP	Supplemental Nutrition Assistance Program	116,211,831
10.557			Special Supplemental Nutrition Program for Women, Infants and Children	23,920,095
10.561		SNAP	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10,920,685
16.523			Juvenile Accountability Block Grants	224,818
16.529			Education, Training and Enhanced Services to End Violence Against and Abuse of Women with Disabilities	155,294
16.540			Juvenile Justice and Delinquency Prevention - Allocation to States	676,530
16.541			Part E - Developing, Testing and Demonstrating Promising New Programs	1,525,562
16.544			Gang Free Schools and Communities - Community-Based Gang Intervention	76,123
16.548			Title V - Delinquency Prevention Program	322,843
16.580			Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	62,156
16.727			Enforcing Underage Drinking Laws Program	244,038
17.720			Disability Employment Policy Development	477,635
84.181		EISC	Special Education - Grants for Infants and Families	2,262,203
90.100			Denali Commission Program	3,610,045
93.009			Compassion Capital Fund	583,599
93.041			Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	75,082
93.042			Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	136,751
93.043			Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	118,657
93.044		AC	Special Program for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	2,081,692
93.045		AC	Special Program for the Aging - Title III, Part C - Nutrition Services	3,190,825
93.048			Special Programs for the Aging - Title IV - and Title II - Discretionary Projects	163,181
93.052			National Family Caregiver Support, Title III, Part E	744,262

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
93.053		AC	Nutrition Services Incentive Program	559,077
93.069			Public Health Emergency Preparedness	5,713,698
93.110			Maternal and Child Health Federal Consolidated Programs	480,156
93.116			Project Grants and Cooperative Agreements for Tuberculosis Control Programs	999,924
93.127			Emergency Medical Services for Children	111,091
93.130			Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	465,144
93.136			Injury Prevention and Control Research and State and Community Based Programs	197,112
93.150			Projects for Assistance in Transition from Homelessness (PATH)	299,624
93.193			Urban Indian Health Services	88,970
93.217			Family Planning - Services	593,029
93.234			Traumatic Brain Injury State Demonstration Grant Program	31,202
93.236			Grants for Dental Public Health Residency Training	85,566
93.240			State Capacity Building	201,092
93.241			State Rural Hospital Flexibility Program	626,050
93.243			Substance Abuse and Mental Health Services - Projects of Regional and National Significance	781
93.251			Universal Newborn Hearing Screening	157,979
93.256			State Planning Grants Health Care Access for the Uninsured	17,654
93.259			Rural Access to Emergency Devices Grant	172,851
93.268		IC	Immunization Grants	17,824,510
93.283			Centers for Disease Control and Prevention: Investigations and Technical Assistance	7,578,559
93.301			Small Rural Hospital Improvement Grant Program	145,256
93.556			Promoting Safe and Stable Families	433,435
93.558		TANFC	Temporary Assistance for Needy Families	26,981,321
93.568			Low-Income Home Energy Assistance	20,434,909
93.575		CCC	Child Care and Development Block Grant	13,980,918
93.590			Community-Based Child Abuse Prevention Grants	457,462
93.596		CCC	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	7,882,622
93.599			Chafee Education and Training Vouchers Program (ETV)	171,899
93.603			Adoption Incentive Payments	86,503
93.630			Developmental Disabilities Basic Support and Advocacy Grants	461,678
93.643			Children's Justice Grants to States	110,823
93.645			Child Welfare Services - State Grants	26,432
93.658			ARRA - Foster Care - Title IV-E	388,554
93.658			Foster Care - Title IV-E	12,246,893
93.659			ARRA - Adoption Assistance	875,517
93.659			Adoption Assistance	8,218,242
93.667			Social Services Block Grant	8,994,552
93.669			Child Abuse and Neglect State Grants	107,637
93.670			Child Abuse and Neglect Discretionary Activities	(1)
93.674			Chafee Foster Care Independence Program	387,244
93.767			Children's Health Insurance Program	15,285,726
93.768			Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities	497,010
93.773			Medicare - Hospital Insurance	627,034

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
93.777		MC	State Survey and Certification of Health Care Providers and Suppliers	887,472
93.778		MC	ARRA - Medical Assistance Program	58,002,903
93.778		MC	Medical Assistance Program	667,622,803
93.779			Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	315,371
93.789			Alternatives to Psychiatric Residential Treatment Facilities for Children	267,755
93.888			Specially Selected Health Projects	240,599
93.889			National Bioterrorism Hospital Preparedness Program	1,333,296
93.913			Grants to States for Operation of Offices of Rural Health	184,660
93.917			HIV Care Formula Grants	1,203,039
93.940			HIV Prevention Activities - Health Department Based	1,363,413
93.944			Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	144,301
93.945			Assistance Programs for Chronic Disease Prevention and Control	(49,131)
93.958			Block Grants for Community Mental Health Services	642,433
93.959			Block Grants for Prevention and Treatment of Substance Abuse	4,671,256
93.977			Preventive Health Services - Sexually Transmitted Diseases Control Grants	225,544
93.988			Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	393,710
93.991			Preventive Health and Health Services Block Grant	396,101
93.994			Maternal and Child Health Services Block Grant to the States	1,475,510
93.030178D4D-CDC			Adult Lead Surveillance Data	10,243
93.200-2000-07201			NCHS Contract	59,808
93.223-03-4401			Mammography Inspection	81,478
93.230-BHPR-034(03)			National Health Services Corp - Student/Resident Experiences and Rotations in Community Health (SEARCH)	37,788
93.243-03-1045			NIOSH Trauma Registry	70,500
			Department of Health and Social Services Total	1,062,370,494
<u>Department of Labor and Workforce Development</u>				
17.002	850		Labor Force Statistics	700,162
17.005	853		Compensation and Working Conditions	102,529
17.207	858	ESC	Employment Service/Wagner-Peyser Funded Activities	8,758,620
17.225	864		Unemployment Insurance	213,740,780
17.225	993		ARRA - Unemployment Insurance	120,372
17.225	FU 33030 - AC 79544/69444		ARRA - Unemployment Insurance	9,208,531
17.235	955		Senior Community Service Employment Program	2,328,603
17.235	996		ARRA - Senior Community Service Employment Program	120,166
17.245	871		Trade Adjustment Assistance	323,927
17.258	997	WIAC	ARRA - WIA Adult Program	4,094
17.258	922/923	WIAC	WIA Adult Program	3,530,074
17.259	952	WIAC	WIA Youth Activities	3,154,642
17.259	999	WIAC	ARRA - WIA Youth Activities	64,397

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
17.260	998	WIAC	ARRA - WIA Dislocated Workers	3,276
17.260	932/933/937	WIAC	WIA Dislocated Workers	6,943,912
17.266	885		Work Incentive Grants	521,280
17.271	915		Work Opportunity Tax Credit Program (WOTC)	52,068
17.273	856		Temporary Labor Certification for Foreign Workers	56,115
17.503	887		Occupational Safety and Health - State Program	1,434,764
17.504	888		Consultation Agreements	685,021
17.801	893	ESC	Disabled Veterans' Outreach Program (DVOP)	285,067
17.804	895	ESC	Local Veterans' Employment Representative Program	256,597
17.807	897		Transition Assistance Program	65,409
84.002	813/87946		Adult Education - Basic Grants to States	983,158
84.027	2902/2903/2926	SEC	Special Education - Grants to States	115,985
84.063	815	SFAC	Federal Pell Grant Program	225,989
84.126	819	VRCC	Rehabilitation Services - Vocational Rehabilitation Grants to States	9,399,572
84.169	823		Independent Living - State Grants	342,700
84.177	827		Rehabilitation Services - Independent Living Services for Older Individuals who are Blind	225,085
84.187	830		Supported Employment Services for Individuals with Significant Disabilities	346,152
84.224	834		Assistive Technology	396,522
84.265	836		Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	23,025
90.100	842		Denali Commission Program	2,748,505
96.001	844	DISSIC	Social Security - Disability Insurance	3,728,806
96.006	845	DISSIC	Supplemental Security Income	531,909
84.048A	87920/88908/86938		Career and Technical Education - Basic Grants to States	138,766
84.390A	892	VRCC	ARRA - Rehabilitation Services-Vocational Rehabilitation Grants to States, Recovery Act	136,769
Department of Labor and Workforce Development Total				271,803,349
<u>Department of Military and Veterans' Affairs</u>				
11.419			Coastal Zone Management Administration Awards	291,927
11.467			Meteorologic and Hydrologic Modernization Development	2,241
11.555			Public Safety Interoperable Communications Grant Program	2,125,847
12.400			Military Construction, National Guard	400,776
12.401			National Guard Military Operations and Maintenance (O&M) Projects	17,961,720
12.404			National Guard Civilian Youth Opportunities	2,858,639
16.999			Counterdrug Support Program-Asset Forfeiture	124,126
20.703			Interagency Hazardous Materials Public Sector Training and Planning Grants	56,846
43.002			Technology Transfer	596,793
64.999			State Approving Agency	80,211
97.001			Interoperable Emergency Communications Grant Program (IECGP)	2,436
97.004		HLSC	State Domestic Preparedness Equipment Support Program	(550)
97.017			Pre-Disaster Mitigation Competitive Grants	403,249
97.026			Emergency Management Institute - Training Assistance	12,221
97.036			Disaster Grants - Public Assistance (Presidentially Declared Disasters)	6,836,528
97.039			Hazard Mitigation Grant	2,456,413

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
97.042			Emergency Management Performance Grants	2,345,721
97.053			Citizen Corps	69,374
97.071			Metropolitan Medical Response System	339,594
97.073			State Homeland Security Program (SHSP)	2,612,080
97.074			Law Enforcement Terrorism Prevention Program (LETPP)	718,092
97.075			Rail and Transit Security Grant Program	9,936
97.078			Buffer Zone Protection Program (BZPP)	450,290
Department of Military and Veterans' Affairs Total				40,754,510
<u>Department of Natural Resources</u>				
10.001			Agricultural Research - Basic and Applied Research	11,402
10.025			Plant and Animal Disease, Pest Control and Animal Care	456,669
10.156			Federal-State Marketing Improvement Program	55,560
10.162			Inspection Grading and Standardization	11,739
10.163			Market Protection and Promotion	115,343
10.169			Specialty Crop Block Grant Program	109,888
10.664			Cooperative Forestry Assistance	3,096,003
10.676			Forest Legacy Program	1,915,682
10.677			Forest Land Enhancement Program	168,967
10.680			Forest Health Protection	9,017
10.688	09DG11100489003		ARRA - Recovery Act of 2009: Wildland Fire Management	8,021
10.905			Plant Materials for Conservation	89,033
11.419			Coastal Zone Management Administration Awards	2,188,786
15.224			Cultural Resource Management	910,835
15.228			National Fire Plan - Wildland Urban Interface Community Fire Assistance	104,137
15.250			Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	195,056
15.252			Abandoned Mine Land Reclamation (AMLR) Program	651,252
15.426			Coastal Impact Assistance Program	150,923
15.608			Fish and Wildlife Management Assistance	1,803
15.614			Coastal Wetlands Planning, Protection, and Restoration Act	2,898,218
15.808			U.S. Geological Survey - Research and Data Collection	1,386,976
15.810			National Cooperative Geologic Mapping Program	216,833
15.814			National Geological and Geophysical Data Preservation Program	1,905
15.904			Historic Preservation Fund Grants-In-Aid	713,398
15.916			Outdoor Recreation - Acquisition, Development and Planning	944,832
15.929			Save America's Treasures	9,456
20.219		HPCC	Recreational Trails Program	1,037,346
20.999	DTHF70-05-E-00028		Alaska Trails Initiative	1,685,344
97.012			Boating Safety Financial Assistance	1,172,859
97.013			State Access to the Oil Spill Liability Trust Fund	2,348
97.041			National Dam Safety Program	650
97.046			Fire Management Assistance Grant	1,423,735
10.07FI11100100006	07FI11100100006		Kenai Dispatch Center (AKDF070003)	184,674
10.07FI11100100006	07FI11100100006		USFS Fire Suppression (AKDF070002)	7,613,157
10.43-0120-5-0113	43-0120-5-0113		Spot Revegetation 2 (purchase order)	500
15.07HQSA0115	07HQSA0115		National Digital Catalog	9,929
15.1435-02-04-CA-40364	1435-02-04-CA-40364		Onshore Compliance	200,781

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
15.701816M445	701816M445		Cabin Site Surveys	15,698
15.701817D055	701817D055		National Historic Preservation Act for Alaska	13,258
15.701817J676	701817J676		Scenic Byway Planning	28,647
15.701817M364	701817M364		Frazer Fish Pass	9,806
15.AAI	0203ML1302		Wickersham House	80,179
15.AK-C-12-L-1	AK-C-12-L-1		Portage River - Afognak Coastal Protection	2,193
15.ANN	H9915040004		Fire Program Analysis	419
15.LAA040005	LAA040005		BLM Fire Suppression	2,158,181
15.LAP072043	LAP072043		Resource Management Plans	20,034
15.P9911080006	P9911080006		NSP Anilca Planning - 08	26,539
15.P9911090021	P9911090021		Planning Assistance	55,000
20.DTHF70-05-E-00020	DTHF70-05-E-00020		Sea Trails	2,025
Department of Natural Resources Total				32,165,036
<u>Department of Administration</u>				
16.541			Part E - Developing, Testing and Demonstrating Promising New Programs	71,350
16.576			Crime Victim Compensation	454,698
16.710			Public Safety Partnership and Community Policing Grants	845,433
20.232			Commercial Drivers License State Programs	484,061
21.999			Jobs and Growth Tax Relief Reconciliation Act of 2002	48,897
39.003			Donation of Federal Surplus Personal Property	2,419,724
66.433			State Underground Water Source Protection	126,500
Department of Administration Total				4,450,663
<u>Department of Corrections</u>				
16.593	RSAT 08-02		Residential Substance Abuse Treatment for State Prisoners	47,090
84.331	V331A010032		Grants to States for Workplace and Community Transition Training for Incarcerated Individuals	71,646
84.002A	V002A070002		Adult Basis Education/ (ABE/GED)	35,338
Department of Corrections Total				154,074
<u>Department of Revenue</u>				
93.563			Child Support Enforcement	17,495,188
93.563			ARRA - Child Support Enforcement	1,086,500
93.597			Grants to States for Access and Visitation Programs	57,698
Department of Revenue Total				18,639,386
<u>Department of Transportation and Public Facilities</u>				
10.665		SRC	Secure Payments for Schools and Roads - Grants to States	170,000
10.999	USDA 68-0150-5-009		Design & construct facility for the Plant Materials Center in Palmer	51,900
10.999	USDA 72-015-05A-054		Contract with Dept of Agriculture for culvert replacement on Nordale Road	76,941
10.999	USFS 07-01-818J7-44		Haines Sawmill Creek Culvert Imp.	50,000
10.999	USFS 07-RO-11100100-076		Contract with USFS for fish passage-ways on Mitkof, Hydaburg, and Yakutat Highways	20,137
10.999	USFS 43-0109-3-0356		Auire ROW Land on Coffman Cove Road	8
10.999			Contract with Forest Service for Bank Stabilization at Stariski Creek	50,000
11.999			Space leased by National Weather Service at DOTPF facility in Slana and Ernestine	20

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
12.999	F65501-95C0017		Maintain Galena Airport to USAF Safety Standards	202,200
12.999	F65501-96C0006		Maintain King Salmon Airport to USAF Safety Standards	603,426
12.999	N6871104MDC4010		Funding from US Navy for Adak Airport Operations	1,179,703
15.999	BLM-LAA 08-001		BLM partnership to develop Dalton Hwy Corridor	3,542
15.999			National Park Service for Maintenance at Nebesna Rest Stop	45,875
16.585			Drug Court Discretionary Grant Program	5,349
16.585			Drug Court Discretionary Grant Program	162,426
20.106			ARRA - Airport Improvement Program	5,721,610
20.106			Airport Improvement Program	225,648,906
20.205		HPCC	ARRA - Highway Planning and Construction	2,797,763
20.205		HPCC	Highway Planning and Construction	306,629,042
20.218			National Motor Carrier Safety	810,388
20.231			Performance and Registration Information Systems Management	110,179
20.233			Border Enforcement Grants	674,347
20.234			Safety Data Improvement Program	652
20.235			Commercial Motor Vehicle Operator Training Grants	82,658
20.237			Commercial Vehicle Information Systems and Networks	173,231
20.238			Commercial Drivers License Information System	48,818
20.500		FTC	Federal Transit - Capital Investment Grants	8,032,727
20.505			Federal Transit - Metropolitan Planning Grants	253,217
20.509			Formula Grants for Other Than Urbanized Areas	6,476,283
20.513		TSPC	Capital Assistance Program for Elderly Persons and Persons with Disabilities	368,807
20.514			Public Transportation Research	40,904
20.516		TSPC	Job Access - Reverse Commute	164,587
20.600		HSC	State and Community Highway Safety	1,909,698
20.601		HSC	Alcohol Impaired Driving Countermeasures Incentive Grants I	1,064,828
20.602		HSC	Occupant Protection Incentive Grants	121,234
20.604		HSC	Safety Incentives Grants for Use of Seatbelts	1,993
20.607			Alcohol Open Container Requirements	3,747,285
20.609		HSC	Safety Belt Performance Grants	33,709
20.610		HSC	State Traffic Safety Information System Improvements Grants	131,722
20.611		HSC	Incentive Grant Program to Prohibit Racial Profiling	32,911
20.612		HSC	Incentive Grant Program to Increase Motorcyclist Safety	58,407
20.613		HSC	Child Safety and Child Booster Seat Incentive Grants	35,342
20.999	DFFAA 06-A-00006		Barrow Airport Rehabilitation	129,484
20.999	DTFA04-81-F-81018		Pay half of electric billed on shared meter at Kodiak Airport	46,992
20.999	DTFA04-92-89229		Prorated Share of utilities and repair/maintenance Cost FAA ARFF Deadhorse Combined Facility	115,017
20.999	DTFAA 05-A-00009		Goodnews Bay airport runway edge lighting	158,352
20.999	DTFAA 06-A-00009		Nightmute Airport runway edge lighting	192,316
20.999	DTFAA 06-X-00009		Atka Arpt lighting	708,170
20.999	DTFAAL-05-A-00002		FAA agreement for install of Precision Approach Path Indicator (PAPI) & Runway End Identifier Lighting (REIL) at various airports	253,585
20.999	DTFAAL-05-A-00011		FAA agreement to install lighting at Kohkanok & Kongiganak airports	17,504
20.999	DTFAAL-05-X-00006		Design & construct FAA facility in Nome reimbursed by FAA through PO	300,297

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
20.999	DTF AAL-05-X-00011		FAA agreement to install lighting at King Cove & New Stuyahok airports	271,668
20.999	DTF AWA-04-A-00003		FAA agreement for installation of lighting at Kohkanok & Nunapitchuk airports.	1,062,427
20.999	DTF AWA-05-A-00009		FAA agreement to install REIL lights at Stevens Village & King Cove airports	4,004
20.999	DTF AWA-06-A-00009		FAA agreement to install PAPI lights at Stuyahok airport	88,350
20.999	DTF AWA-26-A00009		FAA agreement to install lighting at Tuntutuliak airport	402,223
20.999	FHWA-AK-PRA-DENA 10(19)		Contract with Forest Highway Administration for Denali Bridges	82,964
20.999	FHWA-HAAM 40F		Contract with FHWA Office of Acquisition Management for CLARUS	1,459
64.999			Traffic Mitigation in to new VA clinic	399,086
90.100			Denali Commission Program	2,693,709
97.056			Port Security Grant Program	776
97.056			Port Security Grant Program	96,752
97.067		HLSC	Homeland Security Grant Program	810,413
97.072			National Explosives Detection Canine Team Program	112,766
Department of Transportation and Public Facilities Total				575,741,089
<u>Department of Public Safety</u>				
16.527			Supervised Visitation, Safe Havens for Children	49,429
16.543			Missing Children's Assistance	34,898
16.554			National Criminal History Improvement Program (NCHIP)	277,195
16.560			National Institute of Justice Research, Evaluation, and Development Project Grants	197,703
16.575			Crime Victim Assistance	1,241,425
16.580			Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	1,032,331
16.588			Violence Against Women Formula Grants	2,130,382
16.589			Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	324,153
16.590			Grants to Encourage Arrest Policies and Enforcement of Protection Orders	182,260
16.593			Residential Substance Abuse Treatment for State Prisoners	51,153
16.609			Community Prosecution and Project Safe Neighborhoods	265,535
16.710			Public Safety Partnership and Community Policing Grants	1,300,833
16.738			Edward Byrne Memorial Justice Assistance Grant Program	1,026,966
16.742			Paul Coverdell Forensic Sciences Improvement Grant Program	124,437
16.743			Forensic Casework DNA Backlog Reduction Program	166,595
16.999	AKAST0100		Federal Equitable Sharing Agreement	349,751
21.999			Jobs and Growth Tax Relief Reconciliation Act of 2002	154,074
93.228			Indian Health Service - Health Management Development Program	1,611,049
93.671			Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	735,885

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
97.043			State Fire Training Systems Grants	28,574
97.044			Assistance to Firefighters Grant	72,899
10.02CA-111001-039			Cooperative Law Enforcement Agreement	46,422
11.04 and			National Marine Fisheries Joint Enforcement Agreement	2,230,907
06/07/08-NMFS-JEA				
16.05-2 & CY08/CY09			Marijuana Eradication	83,669
Department of Public Safety Total				13,718,525
<u>Knik Arm Bridge Toll Authority</u>				
20.205	PJ E 56047	HPCC	Highway Planning and Construction	3,986,221
Knik Arm Bridge Toll Authority Total				3,986,221
<u>Department of Law</u>				
16.580	2005DDBX1154		Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	814,725
16.588	2005WFAX0001		Violence Against Women Formula Grants	930,898
16.590	2007WEAX0060		Grants to Encourage Arrest Policies and Enforcement of Protection Orders	398,846
93.775	0901AK5050	MC	State Medicaid Fraud Control Units	501,749
Department of Law Total				2,646,218
<u>Office of the Governor</u>				
30.002			Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	111,018
39.011			Election Reform Payments	476,480
90.401			Help America Vote Act Requirements Payments	1,556,624
93.617			Voting Access for Individuals with Disabilities - Grants to States	56,218
Office of the Governor Total				2,200,340
<u>University of Alaska</u>				
10.001		R&DC	Agricultural Research - Basic and Applied Research	1,163,471
10.025		R&DC	Plant and Animal Disease, Pest Control, and Animal Care	68,494
10.200	061553007	R&DC	Grants for Agricultural Research, Special Research Grants (Pass-through from Utah State University)	29,939
10.200		R&DC	Grants for Agricultural Research, Special Research Grants	3,154,199
10.200			Grants for Agricultural Research, Special Research Grants	147,015
10.202		R&DC	Cooperative Forestry Research	817,566
10.203		R&DC	Payments to Agricultural Experiment Stations Under the Hatch Act	958,630
10.206		R&DC	Grants for Agricultural Research - Competitive Research Grants	400,033
10.206			Grants for Agricultural Research - Competitive Research Grants	231,646
10.228		R&DC	Alaska Native Serving and Native Hawaiian Serving Institutions Education Grants	150,773
10.228			Alaska Native Serving and Native Hawaiian Serving Institutions Education Grants	1,835,424
10.303	07-001492-UAK		Integrated Programs (Pass-through from University of California, Davis)	24,714
10.303	BJKE27-UA (P0013815)		Integrated Programs (Pass-through from University of Idaho)	90,992

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
10.303	BJKH15 SB005		Integrated Programs (Pass-through from University of Idaho)	1,060
10.303	K009607-AK		Integrated Programs (Pass-through from University of California, Davis)	11,762
10.304	Amendment 5 07-002558-12		Homeland Security - Agricultural (Pass-through from University of California, Davis)	23,658
10.443	PO Z738018	R&DC	Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers (Pass-through from University of Hawaii, Hilo)	4,275
10.443			Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers	33,746
10.455			Community Outreach and Assistance Partnership Program	14,940
10.500	104777-G00189 0		Cooperative Extension Service (Pass-through from Washington State University)	198,099
10.500	G002219		Cooperative Extension Service (Pass-through from Washington State University)	14,333
10.500	S08023		Cooperative Extension Service (Pass-through from Kansas State University)	75,586
10.500	S08107 MOD 2		Cooperative Extension Service (Pass-through from Kansas State University)	29,358
10.500	S09161		Cooperative Extension Service (Pass-through from Kansas State University)	9,278
10.500	UTSTUNV46460AK		Cooperative Extension Service (Pass-through from University of Wyoming)	7,003
10.500	UTSTUNV46465AK		Cooperative Extension Service (Pass-through from University of Wyoming)	10,698
10.500	UTSUNV46467AK		Cooperative Extension Service (Pass-through from University of Wyoming)	570
10.500		R&DC	Cooperative Extension Service	106,674
10.500			Cooperative Extension Service	1,961,172
10.557	PO 3409010318 Rev 2		Special Supplemental Nutrition Program for Women, Infants, and Children (Pass-through from Oklahoma State Department of Health)	13,920
10.578	ASO LOG No. 08-092		WIC Grants To States (WGS) (Pass-through from State of Hawaii - Department of Health)	13,366
10.652		R&DC	Forestry Research	44,789
10.652			Forestry Research	77,128
10.664		R&DC	Cooperative Forestry Assistance	26,382
10.664			Cooperative Forestry Assistance	11,130
10.680		R&DC	Forest Health Protection	10,821
10.760			Water and Waste Disposal Systems for Rural Communities	9,741
10.769		R&DC	Rural Business Enterprise Grants	(67,500)
10.769			Rural Business Enterprise Grants	63,973
10.999	SA TNC/AKNHP LDFIRE 2007	R&DC	Miscellaneous (Pass-through from The Nature Conservancy)	47,657
10.999		R&DC	Miscellaneous	369,749
10.999			Miscellaneous	269,025
11.303			Economic Development - Technical Assistance	110,073
11.307		PWEDC	Economic Adjustment Assistance	538,236
11.400			Geodetic Surveys and Services (Geodesy and Applications of the National Geodetic Reference System)	12,653
11.407			Interjurisdictional Fisheries Act of 1986	17,602
11.417	Agreement S080017 AMNDMT 1	R&DC	Sea Grant Support (Pass-through from Texas A&M University, Galveston)	51,321

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
11.417			Sea Grant Support	351,213
11.417		R&DC	Sea Grant Support	2,075,422
11.420		R&DC	Coastal Zone Management Estuarine Research Reserves	12,817
11.427		R&DC	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	79,403
11.430		R&DC	Undersea Research	980,478
11.431		R&DC	Climate and Atmospheric Research	601,550
11.432		R&DC	Office of Oceanic and Atmospheric Research (OAR) Joint and Cooperative Institutes	3,097,140
11.439	NA05NMF4391068	R&DC	Marine Mammal Data Program (Pass-through from North Pacific Marine Science Foundation)	1
11.439		R&DC	Marine Mammal Data Program	314,367
11.439			Marine Mammal Data Program	12,749
11.454	AC-598	R&DC	Unallied Management Projects (Pass-through from Bering Sea Fisherman's Association)	17,631
11.460		R&DC	Special Oceanic and Atmospheric Projects	2,503,848
11.463	2006-0093-012	R&DC	Habitat Conservation (Pass-through from National Fish & Wildlife Foundation)	48,876
11.463	2008-0066-008	R&DC	Habitat Conservation (Pass-through from National Fish & Wildlife Foundation)	1,604
11.467	S08-68871	R&DC	Meteorologic and Hydrologic Modernization Development (Pass-through from University Corporation for Atmospheric Research)	4,349
11.467	S08-71435	R&DC	Meteorologic and Hydrologic Modernization Development (Pass-through from University Corporation for Atmospheric Research)	9,391
11.467		R&DC	Meteorologic and Hydrologic Modernization Development	70,934
11.468	UM 09-09-024	R&DC	Applied Meteorological Research (Pass-through from University of Mississippi)	47,238
11.472	503		Unallied Science Program (Pass-through North Pacific Research Board)	38,133
11.472	509	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	5,780
11.472	A100501	R&DC	Unallied Science Program (Pass-through from Woods Hole Oceanographic Institution)	19,954
11.472	B51	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	34,527
11.472	B52	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	58,001
11.472	B53	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	97,685
11.472	B67	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	80,812
11.472	B67/YR2	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	40,270
11.472	B68	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	57,186
11.472	B77	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	14,846
11.472	B77 YEAR 2	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	32,696
11.472	F2631	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	36,996

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
11.472	NPRB Agreement 826		Unallied Science Program (Pass-through North Pacific Research Board)	33,115
11.472	Pending	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	2,883
11.472	PROJ 828	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	955
11.472	Project - 901	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	14,443
11.472	Project 514	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	7,390
11.472	Project 607	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	57,865
11.472	Project 614	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	44,132
11.472	Project 615		Unallied Science Program (Pass-through North Pacific Research Board)	24,798
11.472	Project 617	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	8,335
11.472	Project 627	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	(2,752)
11.472	Project 702	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	15,464
11.472	Project 706	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	18,157
11.472	Project 708	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	27,382
11.472	Project 714	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	69,210
11.472	Project 727	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	18,701
11.472	Project 804	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	225,749
11.472	Project 814	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	18,759
11.472	Project 821	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	18,165
11.472	Project 923	R&DC	Unallied Science Program (Pass-through North Pacific Research Board)	2,932
11.472			Unallied Science Program	35,139
11.473	07-5-25535.3734 CA05-22	R&DC	Coastal Services Center (Pass-through from University of Maryland - UMCES)	25,739
11.473	CA- 07-11 Z7315-1	R&DC	Coastal Services Center (Pass-through from University of Maryland - UMCES)	76,647
11.473	H2100-11	R&DC	Coastal Services Center (Pass-through from Alaska Ocean Observing System)	91,181
11.473	H2100-12		Coastal Services Center (Pass-through from Alaska Ocean Observing System)	26,519
11.473	H-2201	R&DC	Coastal Services Center (Pass-through from Seward Association for Advancement of Science)	66,220
11.473	H2221-00	R&DC	Coastal Services Center (Pass-through from Alaska Ocean Observing System)	472,683
11.473	Project No. AMD 2	R&DC	Coastal Services Center (Pass-through from Alaska Ocean Observing System)	8,265
11.473	R2206-01	R&DC	Coastal Services Center (Pass-through from Alaska SeaLife Center)	14,147

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
11.481	SubAgreement No. 270040E	R&DC	Educational Partnership Program (Pass-through from North Carolina Agricultural & Technical State University)	76,615
11.481			Educational Partnership Program	164,896
11.999	Letter 09/17/08		Miscellaneous (Pass-through from Consortium for Oceanographic Research & Education)	15,064
11.999		R&DC	Miscellaneous	109,472
11.999			Miscellaneous	13,695
12.002			Procurement Technical Assistance For Business Firms	307,339
12.114	UM 07-11-041	R&DC	Collaborative Research and Development (Pass-through from University of Mississippi)	52,899
12.300	A100585	R&DC	Basic and Applied Scientific Research (Pass-through from Woods Hole Oceanographic Institution)	89,134
12.300	Index 332520 PO426688	R&DC	Basic and Applied Scientific Research (Pass-through)from Wayne State University	811
12.300	R00427 FSU 091004-520-015474	R&DC	Basic and Applied Scientific Research (Pass-through)from Florida State University	41,995
12.300		R&DC	Basic and Applied Scientific Research	1,259,109
12.420		R&DC	Military Medical Research and Development	1,713,976
12.431	060803-360295-01	R&DC	Basic Scientific Research (Pass-through from Mississippi State University)	361,035
12.431	Subgrant; 08-48,49,50 Date 8.7.8		Basic Scientific Research (Pass-through from Academy of Applied Science)	12,156
12.431		R&DC	Basic Scientific Research	483,837
12.630		R&DC	Basic, Applied, and Advanced Research in Science and Engineering	501,629
12.800	SUB Q01193	R&DC	Air Force Defense Research Sciences Program (Pass-through from New Mexico State University)	(4,234)
12.800		R&DC	Air Force Defense Research Sciences Program	218,249
12.800			Air Force Defense Research Sciences Program	19,468
12.910		R&DC	Research and Technology Development	1,887,160
12.999	2-340-0210766	R&DC	Miscellaneous (Pass-through from RTI International)	27,553
12.999	Subcontract F011656	R&DC	Miscellaneous (Pass-through from University of Michigan)	60,243
12.999		R&DC	Miscellaneous	1,270,452
14.515			Alaska Native / Native Hawaiian Institutions Assisting Communities	1,758,549
14.901	08-HHP-374648-0001		Healthy Homes Demonstration Grants (Pass-through from Auburn University)	5,500
15.114			Indian Education - Higher Education Grant Program	21,448
15.224		R&DC	Cultural Resource Management	125,418
15.224			Cultural Resource Management	1,368,345
15.225		R&DC	Recreation Resource Management	73,953
15.231		R&DC	Fish, Wildlife and Plant Conservation Resource Management	2,413
15.421		R&DC	Alaska Coastal Marine Institute	343,383
15.423		R&DC	Minerals Management Service (MMS) Environmental Studies Program (ESP)	135,530
15.608	2007-0140-000		Fish and Wildlife Management Assistance (Pass-through from National Fish & Wildlife Foundation)	130,726
15.608		R&DC	Fish and Wildlife Management Assistance	25,891
15.608			Fish and Wildlife Management Assistance	1,318
15.630			Coastal Program	274
15.630		R&DC	Coastal Program	15,205
15.642		R&DC	Challenge Cost Share	34,855
15.650		R&DC	Research Grants (Generic)	21,829

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
15.655		R&DC	Migratory Bird Monitoring, Assessment and Conservation	1,493
15.805		R&DC	Assistance to State Water Resources Research Institutes	128,038
15.807		R&DC	Earthquake Hazards Reduction Program	465,228
15.808	AV04-AK01	R&DC	U.S. Geological Survey - Research and Data Collection (Pass-through from America View, Inc.)	10
15.808	AV08-AK01	R&DC	U.S. Geological Survey - Research and Data Collection (Pass-through from America View, Inc.)	12,179
15.808		R&DC	U.S. Geological Survey - Research and Data Collection	2,584,311
15.808			U.S. Geological Survey - Research and Data Collection	14,163
15.811		R&DC	Gap Analysis Program	97,939
15.812		R&DC	Cooperative Research Units Program	1,025,341
15.900			Disposal of Surplus Wildlife	3,548
15.900		R&DC	Disposal of Surplus Wildlife	347,627
15.904		R&DC	Historic Preservation Fund Grants-In-Aid	36,265
15.999	19758 Initial 2006 (21199)	R&DC	Miscellaneous (Pass-through from University of Vermont)	22,176
15.999	2005-0011-036	R&DC	Miscellaneous (Pass-through from National Fish & Wildlife Foundation)	7,886
15.999	20118 Initial 2002	R&DC	Miscellaneous (Pass-through from University of Vermont)	45,925
15.999	AC-299	R&DC	Miscellaneous (Pass-through from Bering Sea Fisherman's Association)	(3,313)
15.999	MOA Dated 8-21-07	R&DC	Miscellaneous (Pass-through from Hoonah Indian Association)	38,327
15.999	PO S953776 0000326714-21833	R&DC	Miscellaneous (Pass-through from Rutgers)	49,490
15.999		R&DC	Miscellaneous	1,150,384
15.999			Miscellaneous	322,075
16.541	RSA Dated 9/1/06		Part E - Developing, Testing and Demonstrating Promising New Programs (Pass-through from Bristol Bay Area Health Corporation)	1,793
16.550		R&DC	State Justice Statistics Program for Statistical Analysis Centers	20,182
16.560		R&DC	National Institute of Justice Research, Evaluation, and Development Project Grants	63,503
16.999		R&DC	Miscellaneous	(2,157)
16.999			Miscellaneous	10,045
17.260		WIAC	WIA Dislocated Workers	(5,643)
17.261			WIA Pilots, Demonstrations, and Research Projects	254,070
17.268			H-1B Job Training Grants	192,875
17.269			Community Based Job Training Grants	268,698
17.600			Mine Health and Safety Grants	26,243
19.999			Miscellaneous	204,059
20.109	61069-UAADTFACT-02-D-00037 12		Air Transportation Centers of Excellence (Pass-through from Embry-Riddle Aeronautical University)	115,556
20.109	61077-UAA PO 133596		Air Transportation Centers of Excellence (Pass-through from Embry-Riddle Aeronautical University)	84,426
20.109		R&DC	Air Transportation Centers of Excellence	121,482
20.200		R&DC	Highway Research and Development Program	521
20.215			Highway Training and Education	253,956
20.701		R&DC	University Transportation Centers Program	2,370,670
20.762	PO Z894269	R&DC	Research Grants (Pass-through from University of Hawaii)	3,542

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
21.999		R&DC	Miscellaneous	304,752
27.011			Intergovernmental Personnel Act (IPA) Mobility Program	127,358
39.009		R&DC	Federal Citizen Information Center	9,601,748
43.001	PO 4600003770	R&DC	Aerospace Education Services Program (Pass-through from The Aerospace Corporation)	19,475
43.001	SUB Z631501	R&DC	Aerospace Education Services Program (Pass-through from University of Maryland)	48,799
43.001		R&DC	Aerospace Education Services Program	487,257
43.001			Aerospace Education Services Program	17,092
43.999	1541927	R&DC	Miscellaneous (Pass-through from University of Colorado)	(3,661)
43.999	06CA84A-08-002	R&DC	Miscellaneous (Pass-through from SETI Institute)	24,413
43.999	1-0001080910	R&DC	Miscellaneous (Pass-through from University of California, Berkeley)	2,023
43.999	SUB 0008149	R&DC	Miscellaneous (Pass-through from University of Pittsburgh)	9,973
43.999	SUB 09-046	R&DC	Miscellaneous (Pass-through from University of New Hampshire)	43,864
43.999	SUB 200707-E		Miscellaneous (Pass-through from George Mason University)	12,134
43.999	SUB No. NNG06GH12G-06-002	R&DC	Miscellaneous (Pass-through from SETI Institute)	206
43.999	Subcontract 486547 Pending	R&DC	Miscellaneous (Pass-through from University of Washington)	39,980
43.999	UW 471380 MOD 1	R&DC	Miscellaneous (Pass-through from University of Washington)	8,532
43.999	Z627201	R&DC	Miscellaneous (Pass-through from University of Maryland)	89,875
43.999		R&DC	Miscellaneous	11,508,257
43.999			Miscellaneous	143
45.129	G08-0044		Promotion of the Humanities - Federal/State Partnership (Pass-through from Alaska Humanities Forum)	102
45.149			Promotion of the Humanities - Division of Preservation and Access	91,152
45.169			Promotion of the Humanities - Office of Digital Humanities	23,413
47.041			Engineering Grants	98,765
47.041		R&DC	Engineering Grants	273,209
47.049	Subaward No. 30891-A	R&DC	Mathematical and Physical Sciences (Pass-through from Stanford University)	158,940
47.049		R&DC	Mathematical and Physical Sciences	589,966
47.050	892069	R&DC	Geosciences (Pass-through from University of Washington)	25,063
47.050	2008000779A		Geosciences (Pass-through from WGBH Educational Foundation)	30,348
47.050	59-0011127 MOD 4	R&DC	Geosciences (Pass-through from SRI International)	495,597
47.050	A100521	R&DC	Geosciences (Pass-through from Woods Hole Oceanographic Institution)	11,354
47.050	SUB 1703-01 PO126669	R&DC	Geosciences (Pass-through from Embry-Riddle Aeronautical University)	(7,890)
47.050	Subaward EAR-0350028-11	R&DC	Geosciences (Pass-through from UNAVCO, Inc.)	41,030
47.050		R&DC	Geosciences	2,463,956
47.050			Geosciences	3,397,120

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
81.113	UM03-02-074	R&DC	Defense Nuclear Nonproliferation Research (Pass-through from University of Mississippi)	175,007
81.999	17560	R&DC	Miscellaneous (Pass-through from Battelle Pacific Northwest Lab)	262
81.999	109081 G002315		Miscellaneous (Pass-through from Washington State University)	29,001
81.999	60-4005-102		Miscellaneous (Pass-through from Inland Northwest Research Alliance)	15
81.999	No. 9064	R&DC	Miscellaneous (Pass-through from Battelle Pacific Northwest Lab)	21,481
81.999		R&DC	Miscellaneous	1,259,258
84.007		SFAC	Federal Supplemental Educational Opportunity Grants	643,246
84.031			Higher Education - Institutional Aid	4,855,050
84.032		SFAC	Federal Family Education Loans	53,882,560
84.033		SFAC	Federal Work - Study Program	526,871
84.042		TRIOC	TRIO - Student Support Services	622,517
84.044		TRIOC	TRIO - Talent Search	591,482
84.047		TRIOC	TRIO - Upward Bound	1,302,738
84.063		SFAC	Federal Pell Grant Program	11,184,180
84.066		TRIOC	TRIO - Educational Opportunity Centers	609,852
84.116			Fund for the Improvement of Postsecondary Education	369,010
84.215			Fund for the Improvement of Education	116,276
84.268		SFAC	Federal Direct Student Loans	46,500
84.299			Indian Education -- Special Programs for Indian Children	317,931
84.303	R303A980236		Challenge Grants for Technology in Education (Pass-through from Chugach School District)	(115)
84.305			Education Research, Development and Dissemination	414,218
84.325			Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	358,639
84.330	Agmt Dated 1/20/09	R&DC	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants) (Pass-through from Anchorage School District)	18,915
84.333			Demonstration Projects to Support Postsecondary Faculty, Staff, and Administrations in Educating Students with Disabilities	224,649
84.336			Teacher Quality Partnership Grants	1,610,270
84.342			Preparing Tomorrow's Teachers to Use Technology	(146)
84.350			Transition to Teaching	(803)
84.356	Amended PO 100-ISER-06	R&DC	Alaska Native Educational Programs (Pass-through from Association of Alaska School Boards)	3,764
84.356	MOA 11-30-06		Alaska Native Educational Programs (Pass-through from Doyon Foundation)	7,055
84.356	MOA Dated 3/27/2006		Alaska Native Educational Programs (Pass-through from Project GRAD Kenai Peninsula)	4,326
84.356	Prof Svcs Agmt Dtd 4/21/08	R&DC	Alaska Native Educational Programs (Pass-through from Alaska Pacific University)	4,162
84.356	Subaward Dtd 4/9/05 Amend 4	R&DC	Alaska Native Educational Programs (Pass-through from Copper River Native Association)	18,274
84.356			Alaska Native Educational Programs	3,894,860
84.363	409-RAPPS		School Leadership (Pass-through from Alaska Staff Development Network)	30,290

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
84.366	0590652		Mathematics and Science Partnerships	709,275
84.375		SFAC	Academic Competitiveness Grants	72,870
84.376		SFAC	National Science and Mathematics Access to Retain Talent (SMART) Grants	260,828
84.379			Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	17,500
84.999	92-AK01		Miscellaneous (Pass-through from National Writing Project Corporation)	101,463
84.999	Agrmnt Dtd 6/06 Amend 05/09	R&DC	Miscellaneous (Pass-through from Alaska Humanities Forum)	38,818
84.999	PR/PO 9P11071 Amend 1	R&DC	Miscellaneous (Pass-through from Anchorage School District)	13,529
84.999	PR/PO 9P13709 Amend 1	R&DC	Miscellaneous (Pass-through from Anchorage School District)	9,634
90.100	Letter 9/15/06 Email 10/01/08		Denali Commission Program (Pass-through from Alaska Public Broadcasting)	42,660
90.100	Letter Agreement 174-05		Denali Commission Program (Pass-through from Alaska Public Broadcasting)	20,287
90.100		R&DC	Denali Commission Program	(7)
90.100			Denali Commission Program	742,411
93.048		R&DC	Special Programs for the Aging - Title IV - and Title II - Discretionary Projects	265,655
93.110	Agreement 228A1		Maternal and Child Health Federal Consolidated Programs (Pass-through from Children's Hospital Los Angeles)	45,082
93.110	PO Y432109 MOD 4	R&DC	Maternal and Child Health Federal Consolidated Programs (Pass-through from University of Arizona Tucson)	10,397
93.110			Maternal and Child Health Federal Consolidated Programs	12,705
93.178			Nursing Workforce Diversity	260,543
93.226		R&DC	Research on Healthcare Costs, Quality and Outcomes	24,196
93.242		R&DC	Mental Health Research Grants	1,108,690
93.273		R&DC	Alcohol Research Programs	136,302
93.279	0057.01.01-1R01DA019640 MOD 1	R&DC	Drug Abuse and Addiction Research Programs (Pass-through from Pacific Institute for Research and Evaluation Louisville Center)	(84)
93.279	SUB - NIDA 1R44DA022907-01		Drug Abuse and Addiction Research Programs (Pass-through from Terra Nova Learning Systems)	1,083
93.279		R&DC	Drug Abuse and Addiction Research Programs	597,740
93.283			Centers for Disease Control and Prevention - Investigations and Technical Assistance	185,622
93.300		R&DC	National Center for Health Workforce Analysis	27,517
93.307		R&DC	Minority Health and Health Disparities Research	586,033
93.358			Advanced Education Nursing Traineeships	50,721
93.359	563270		Nurse Education, Practice and Retention Grants (Pass-through from University of Washington)	4,016
93.389	597677	R&DC	National Center for Research Resources (Pass-through from University of Washington)	9,617
93.389		R&DC	National Center for Research Resources	5,542,705
93.389			National Center for Research Resources	114,262
93.632			University Centers for Excellence in Developmental Disabilities Education, Research, and Service	519,508
93.648			Child Welfare Services Training Grants	17,890
93.658	EN 693065		Foster Care - Title IV-E	744,312
93.701		R&DC	ARRA - Trans-NIH Recovery Act Research Support	4,639

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
93.822			Health Careers Opportunity Program	(1,101)
93.824			Basic / Core Area Health Education Centers	630,758
93.837		R&DC	Cardiovascular Diseases Research	202,622
93.847		R&DC	Diabetes, Digestive, and Kidney Diseases Extramural Research	35,499
93.848		R&DC	Digestive Diseases and Nutrition Research	485,647
93.853		R&DC	Extramural Research Programs in the Neurosciences and Neurological Disorders	185,782
93.888		R&DC	Specially Selected Health Projects	3,651
93.888			Specially Selected Health Projects	360,478
93.912	Agreement 78399	R&DC	Rural Health Care Services Outreach and Rural Health Network Development Program (Pass-through from Southeast Alaska Regional Health Consortium)	113,562
93.912	PO 74623	R&DC	Rural Health Care Services Outreach and Rural Health Network Development Program (Pass-through from Southeast Alaska Regional Health Consortium)	(19)
93.912	PO 76643 Amend 1	R&DC	Rural Health Care Services Outreach and Rural Health Network Development Program (Pass-through from Southeast Alaska Regional Health Consortium)	(45)
93.969			Geriatric Education Centers	466,515
93.999	1935 S JB147 / Pending	R&DC	Miscellaneous (Pass-through from UCLA School of Public Health)	685,572
93.999	Pending	R&DC	Miscellaneous (Pass-through from Mount Sinai School of Medicine)	60,209
93.999	Pending	R&DC	Miscellaneous (Pass-through from UCLA School of Public Health)	93,042
93.999		R&DC	Miscellaneous	64,411
93.999			Miscellaneous	5,014
94.005	06LHHAZ001		Learn and Serve America Higher Education (Pass-through from Community College National Center for Community Engagement)	14,176
94.005	SUB 00001316		Learn and Serve America Higher Education (Pass-through from Princeton University)	12,641
94.013	06VSPAK011-08		Volunteers in Service to America (Pass-through from Rural Alaska Community Action Program)	2,589
94.013			Volunteers in Service to America	1,454
96.008			Social Security - Work Incentives Planning and Assistance Program	76,325
97.044			Assistance to Firefighters Grant	360,000
97.061	Z884255	R&DC	Centers for Homeland Security (Pass-through from University Of Hawaii)	292,298
98.001	280/000-08-1146	R&DC	USAID Foreign Assistance for Programs Overseas (Pass-through from University Of Maryland, College Park)	11,913
98.012	FY08-AR03-U-ALASKA-01 - MOD 1		USAID Development Partnerships for University Cooperation and Development (Pass-through from IREX)	65,591
University of Alaska Total				<u>204,658,727</u>
Total Federal Expenditures				<u>2,813,430,723</u>

(Intentionally left blank)

STATEWIDE ABBREVIATIONS

A

AAC	Alaska Administrative Code
AADC	Alaska Aerospace Development Corporation
AAL	Actuarial Accrued Liabilities
AAM	Alaska Administrative Manual
ABE/GED	Adult Basic Education/General Education Degree
AC	Aging Cluster
ACES	Alaska's Clear and Equitable Share
ACF	Administration for Children and Families
ACPE	Alaska Commission on Postsecondary Education
ACS	Affiliated Computer Systems <i>or</i> Alaska Court System
ADF&G	Alaska Department of Fish and Game
ADN	Associated Degree of Nursing
ADP	Automated Data Processing
AEA	Alaska Energy Authority
AF	Agency Fund
AFMLS	Asset Forfeiture and Money Laundering Section
AGIA	Alaska Gasline Inducement Act
AHCC	Alaska Housing Capital Corporation
AHRQ	Agency for Healthcare and Quality
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
AKSAS	Alaska State Accounting System
ALAE	Allocated Loss Adjustment Expenses
ALDER	Alaska Data Enterprise Reporting
ALSC	Alaska Legal Services Corporation
AMBBA	Alaska Municipal Bond Bank Authority
AMHT	Alaska Mental Health Trust
AMHTA	Alaska Mental Health Trust Authority
AMLR	Abandoned Mine Land Reclamation
AMS	Agricultural Marketing Service
ANGDA	Alaska Natural Gas Development Authority
ANTHC	Alaska Native Tribal Health Consortium
AOC	OPEB Cost
AOM	Administrative Operations Manager
APC	Annual Pension Cost
APFC	Alaska Permanent Fund Corporation
APHIS	Animal and Plant Health Inspection Service

APM	Alaska Procedures Manual
AR	Accounts Receivable
ARs	Appropriations
ARFF	Aircraft Rescue and Firefighting
ARHCT	Alaska Retiree Health Care Trusts
ARLF	Agriculture Revolving Loan Fund
ARMB	Alaska Retirement Management Board
ARMC	U.S. Army, Material Command
ARMY	Department of the Army, Office of the Chief of Engineers
ARMY MC	U.S. Army Medical Command
ARO/SERO	Anchorage Regional Office/Southeast Regional Office
ARPA	Advanced Research Projects Agency
ARRA	American Recovery and Investment Act
ARRC	Alaska Railroad Corporation
ARS	Agricultural Research Corporation
AS	Alaska Statute
ASD	Administrative Services Division
ASLC	Alaska Student Loan Corporation
ASMI	Alaska Seafood Marketing Institute
ASPIB	Alaska State Pension Investment Board
ATSDR	Agency for Toxic Substances and Disease Registry
AWP	Average Wholesale Cost

B

BJA	Bureau of Justice Assistance
BJS	Bureau of Justice Statistics
BLM	Bureau of Land Management
BLS	Bureau of Labor Statistics
BZPP	Buffer Zone Protection Program

C

CAEF	Commercial Assistance Enterprise Fund
CAFR	Comprehensive Annual Financial Report
CAP	Cost Allocation Plan
CBRF	Constitutional Budget Reserve Fund (Alaska)
CC	Collocation Code
CCC	Child Care and Development Cluster
CCDBG	Child Care and Development Block Grant
CCDF	Child Care Development Fund
CCLS	Community Care Licensing Specialists (Foster Care)
CDBG	Community Development Block Grants
CDC	Center for Disease Control

CFPC	CFP Cluster
CEGC	CDBG – Entitlement Grants Cluster
CFDA	Catalog of Federal Domestic Assistance
CFR	Code of Federal Regulations
Ch	Chapter
CIP	Capital Improvement Projects
CMIA	Cash Management Improvement Act of 1991
CMS	Centers for Medicare and Medicaid Services
CNC	Child Nutrition Cluster
COA	Chart of Accounts
COPs	Certificates of Participation
COURT	Alaska Court System/Alaska Judicial Council
CPA	Certified Public Accountant
CPF	Capital Project Fund
CSBGC	Community Services Block Grant Cluster
CPD	Office of Community Planning and Development
CPO	Corrections Program Office
CSED	Child Support Enforcement Division
CSREES	Cooperative State Research, Education, and Extension Service
CY	Current Year

D

DAS	Division of Administrative Services
DBH	Division of Behavioral Health
DC	Denali Commission
DCA	Division of Cost Allocation
DCCED	Department of Commerce, Community, and Economic Development (Alaska)
DCP	Deferred Compensation Plan
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)
DFG	Department of Fish and Game (Alaska)
DGS	Division of General Services
DHCS	Division of Health Care Services
DHSS	Department of Health and Social Services (Alaska)
DISSIC	Disability Insurance/SSI Cluster
DLA	Defense Logistics Agency <i>or</i> Division of Legislative Audit
DLWD	Department of Labor and Workforce Development (Alaska)
DMA	Division of Medical Assistance
DME	Division of Medical Equipment
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)
DOT&PF	Department of Transportation and Public Facilities (Alaska)
DOTPF	Department of Transportation and Public Facilities (Alaska)
DP	Data Processing Unit
DPA	Division of Public Assistance
DPCU	Discretely Presented Component Unit
DPH	Division of Public Health
DPM	Division of Payment Management
DPS	Department of Public Safety
DRB	Division of Retirement and Benefits
DSDS	Division of Senior and Disability Services
DSF	Debt Service Fund
DSH	Disproportionate Share Hospital
DSMAF	Deposits, Suspense, and Miscellaneous Agency Funds
DSS	Division of Senior Services
DUA	Disaster Unemployment Assistance
DUR	Drug Utilization Review
DVA	Department of Veterans Affairs
DVOP	Disabled Veterans' Outreach Program
DW	A Department-Wide Cost Allocation Methodology

E

EAC	Election Assistance Commission
EAEF	Energy Assistance Enterprise Fund
ED	Early Development (see Division of Early Development)
EDA	Economic Development Administration
EF	Enterprise Fund
EFAC	Emergency Food Assistance Cluster
EFSPC	Emergency Foods and Shelter Program Cluster
EIS	Environmental Impact Statement
EISC	Early Intervention Services (IDEA) Cluster
ELF	Economic Limit Factor
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
ESC	Employment Service Center

ESEA	Elementary and Secondary Education Act
ESD	Employment Security Division
ESP	Environment Studies Program
ESS	Education Support Services
ETA	Employment and Training Administration
ETS	Enterprise Technology Services
ETV	Education and Training Vouchers
EVOS	Exxon Valdez Oil Spill

F

F&M	Facilities and Maintenance
F&WC	Fish and Wildlife Cluster
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
FFADC	Foreign Food Aid Donation Cluster
FFEL	Federal Family Education Loan
FFELP	Federal Family Education Loan Program
FFP	Federal Financial Participation
FFY	Federal Fiscal Year
FG/SCC	Foster Grandparent/Senior Companion Cluster
FHSC	First Health Services Corporation
FHWA	Federal Highway Administration
FIA	Fairbanks International Airport
FICA	Federal Insurance Contributions Act
FIFO	First In, First Out
FMCSA	Federal Motor Carrier Safety Administration
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
FTC	Federal Transit Cluster
FTE	Full-time Equivalent
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

G&C	Grants and Contracts Unit
GAAP	Generally Accepted Accounting Principles
GAAS	Generally Accepted Auditing Standards
GASB	Governmental Accounting Standards Board
GASBS	Governmental Accounting Standards Board Statement
GeFONSI	General Fund and Other Non-Segregated Investments
GF	General Fund
GFOA	Government Finance Officers Association
GOV	Office of the Governor
GNMA	Government National Mortgage Association
GSA	U.S. General Services Administration

H

HAP	Housing Assistant Plan
HCB	Home and Community Based Agency
HCBS	Home and Community Based Services
HCC	Health Center Cluster
HCFA	Health Care Financing Administration
HCPCS	Health Care Common Procedure Coding System
HCS	Health Care Services
HDSC	Head Start Cluster
HFHC	Office of Housing – Federal Housing Commissioner
HIPAA	Health Insurance Portability and Accountability Act
HLSC	Homeland Security Cluster
HPCC	Highway Planning and Construction Cluster
H.R.	House Resolution
HRA	Health Reimbursement Arrangement
HRSA	Health Resources and Services Administration
HSC	Highway Safety Cluster
HUD	U.S. Department of Housing and Urban Development

I

IAC	Impact Aid Cluster
IAF	International Airport Fund
IASA	Improving America's Schools Act of 1994
IBM/CA	International Business Machines Corporation/Computer Associates
IC	Immunization Cluster
ICPC	Indian CDBG Program Cluster
IDEA	Individuals with Disabilities Act
IECGP	Interoperable Emergency Communication Grant Program
IEVS	Income Eligibility and Verification System
IHBGC	Indian Housing Block Grants Cluster
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	Ledger Code <i>or</i> Library of Congress
LEA	Local Education Agencies
LETPP	Law Enforcement Terrorism Prevention Program
LHCC	Lead Hazard Control Cluster
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

MAXCARS	Maximus Cost Allocation and Rate System
MBE/WBE	Minority & Women's Business Enterprises Program
MBIA	Municipal Bond Insurance Association
MC	Medicaid Cluster
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

MHTA	Alaska Mental Health Trust Authority
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
MS	Microsoft
MSA	Master Settlement Agreement and Final Judgment
MSCI EAFE	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
NCCCP	National Comprehensive Cancer Control Program
NCHIP	National Criminal History Improvement Program
NCHS	National Center for Health Statistics
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
NPRB	North Pacific Research Board
NPS	National Park Service
NR	Not Reported in CAFR
NRCS	Natural Resources Conservation Service
NRO/SCRO	Northern Regional Office/Southcentral Regional Office

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
OAEF	Other Agencies Enterprise Fund
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
OD&D	Occupation Death & Disability
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
OPEB	Other Post-Employment Benefits
OPM	Office of Personnel Management
OPPTS	Office of Prevention, Pesticides, and Toxic Substances
ORCA	Online Resources for the Children of Alaska
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
OTIS	On-line Tax Information System
OVC	Office of Victims of Crime
OW	Office of Water

P

PA	Prior Authorization
P&Ps	Policies and Procedures
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
Pension Funds	Pension Trust Funds' Investments
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
PF	Permanent Funds
PHA	Public Housing Agency
PHD	Public Housing Division
PHMSA	Pipeline and Hazardous Materials Safety Administration
PIH	Office of Public and Indian Housing
PL	Public Law
PMO	Property Management Office
PO	Purchase Order
POS	Point of Sell
PPA	Prior Period Adjustments
PPT	Petroleum Profit Tax
PSC	Program Support Center
PSF	Public School Fund
PTF	Pension and Other Employee Benefit Trust Fund
PVE	Petroleum Violation Escrow
PWEDC	Public Works and Economic Development Center

Q

QE	Quarter Ending
QSP	Quality Sample Program – Forest Service

R

R&DC	Research and Development Center
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
RPTC	Residential Psychiatric Treatment Centers
RRHC	Rural Rental Housing Cluster
RSA	Reimbursable Services Agreement
RUS	Rural Utilities Service

S

S8PBG	Section 8 Project-Based Cluster
SAAMS	Seward Association for Advancement of Science
SAMHSA	Substance Abuse and Mental Health Services Administration
SAS	Statement on Auditing Standards
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
SEC	Special Education Cluster
SEF	State Equipment Fleet
SEP	Senior Employment Program
SF	Division of School Finance
SFA	Student Financial Assistance
SFAC	Student Financial Assistance Program Cluster
SFAG	State Family Assistance Grant
SF Rev Bond	Sport Fishing Revenue Bonds
SFSFC	State Fiscal Stabilization Fund Cluster
SFY	State Fiscal Year
SGBG	Social Services Block Grant
SHSGP	Statewide Homeland Security Grant Program
SHSP	Statewide Homeland Security Program
SIFMA	Securities Industry and Financial Markets Association
SIR	Self-Insured Retention
SJI	State Justice Institute
SL	Money Market Fund
SLA	Session Laws of Alaska
SMART	National Science and Mathematics Access to Retain Talent Grant
SNAP	Supplemental Nutrition Assistance Program Cluster
Social Security	Social Security System

SOP	Standard Operating Procedures
SPCS	State Property Control System
SRC	Schools and Roads Cluster
SRF	Special Revenue Fund
SRS	Software Requirements Specification
SSA	Social Security Administration
SSCPC	CDBG – State Administered Small Cities Program Cluster
SSD	Support Services Division
SSSLA	Second Special Session Law of Alaska
STAR	Science to Achieve Results
State	State of Alaska
STEP	State Training and Employment Program
SUR	Surveillance and Utilization Review
SW	Statewide
SWCAP	Statewide Cost Allocation Plan
SWSA	Statewide Single Audit

T

TA	Travel Authorization
TANF	Temporary Assistance for Needy Families
TANFC	TANF Cluster
TAPS	Trans-Alaska Pipeline Liability
TBA	To-Be-Announced
TEACH	Teacher Assistance for College and Higher Education Grants
The Bank	Bank of New York Mellon
The Fund	Alaska Permanent Fund
The State	State of Alaska
The Trustees	APFC's Board Members
TIAC	Title I, Port A Cluster
TIPS	Treasury Inflation-Protected Securities
TLS	Teaching and Learning Support
TRIOC	TRIO Cluster
TRS	Teachers' Retirement System
TRS-DB	Teachers' Retirement System – Defined Benefits
TRS-DCR	Teachers' Retirement System – Defined Contribution Retirement
TSA	Treasury State Agreement
TSPC	Transit Services Program Cluster
TSRs	Tobacco Settlement Revenues
Treasury	Treasury Division, Department of Revenue (Alaska)
Trusts	Common Trust Funds

U

UA	University of Alaska
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
U.S.	United States
USAF	Office of the Air Force, Material Command
USAID	U.S. Agency for International Development
USC	United States Code
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
USDOl	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 (USDOl)
USGS	U.S. Geological Survey (USDOl)
USGSA	U.S. General Services Administrator
USIA	U.S. Information Agency
USSBA	U.S. Small Business Administration
USTREAS	U.S. Treasury
USSTURAA	U.S. Surface Transportation and Uniform Relocation Assistance Act

V

VAWA	Violence Against Women Act
VAWGO	Violence Against Women Grants Office
VBA	Veterans Benefits Administration
VRCC	Vocational Rehabilitation Cluster
VSW	Village Safe Water

W

WAFD	Western Alaska Fisheries Disaster
WAI	Wostman & Associates
Wells Fargo	Wells Fargo Insurance Services
WIA	Workforce Investment Act
WIAC	Workforce Investment Act Cluster
WIC	Women, Infants, & Children Special Supplemental Nutrition Program
WOTC	Work Opportunity Tax Credit Program

Y

Y2K	Year 2000
-----	-----------

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

ANNETTE KREITZER, COMMISSIONER

SEAN PARNELL, GOVERNOR

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

March 15, 2010

RECEIVED

MAR 16 2010

LEGISLATIVE AUDIT

Ms. Pat Davidson, CPA
Legislative Auditor
Division of Legislative Audit
P. O. Box 113300
Juneau, Alaska 99811-3300

RE: State of Alaska Single Audit for the Fiscal Year Ended June 30, 2009

Dear Ms. Davidson:

Thank you for the opportunity to respond to the State of Alaska Single Audit for fiscal year ended June 30, 2009 for the Department of Administration.

Recommendation No. 1

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

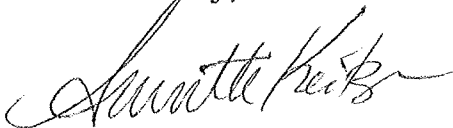
The Department of Administration (DOA) concurs with this recommendation.

ETS is currently working with a contractor to develop a Software Requirements Specification (SRS) based on clearly articulated business needs of three Department of Administration divisions, the Division of General Services (DGS), Enterprise Technology Services (ETS), and the Division of Administrative Services (DAS).

The SRS and associated Requirements Traceability Matrix are currently under internal review by project stakeholders and key users of any Asset Management solution that will be implemented. Review and final editing of the SRS and Traceability matrix are expected to be finalized in March 2010. This is a slight delay from the original project schedule due to competing demands on resources.

Procurement of an Asset Management solution, based on an approved SRS and Traceability Matrix, will begin in April 2010 when a request for a quote will be issued to IBM and CA (formerly known as Computer Associates), with an anticipated implementation in the summer of 2010. If neither vendor has a solution that can meet the requirements outlined in the SRS, a formal procurement using the Request For Proposal (RFP) process will be initiated for a custom software solution. This three-to-six month RFP process, if needed, will potentially delay implementation until late fall, 2010.

Sincerely,

A handwritten signature in cursive script, appearing to read "Annette Kreitzer".

Annette Kreitzer

cc: Rachael Petro, Deputy Commissioner
Kevin Brooks, Deputy Commissioner
Eric Swanson, Director of Administrative Services
Anand Dubey, Director of Enterprise Technology Services

State of Alaska
Department of Revenue
Commissioner's Office



SEAN PARNELL, GOVERNOR
333 Willoughby Avenue, 11th Floor
P.O. Box 110400
Juneau, Alaska 99811-0405
Phone: (907) 465-2300
Fax: (907) 465-2394

Pat Davidson, Legislative Auditor
Legislative Budget & Audit Committee
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

March 23, 2010
RECEIVED

MAR 23 2010

LEGISLATIVE AUDIT

Dear Ms. Davidson:

Thank you for your agency's review of the Department of Revenue, Tax Division, as part of the FY2009 Statewide Single Audit. We appreciate the opportunity to respond to the recommendation contained in the preliminary report dated June 30, 2009. The deficiencies identified in your letter are itemized and addressed below for the Tax Division.

Recommendation No. 2

The Department of Revenue's (DOR) commissioner should ensure that the Tax Division implements controls to improve its accountability for the recording, monitoring, and auditing of severance tax revenues.

Item 1: An ELF audit was performed by an inexperienced auditor but was not adequately reviewed by a technically qualified supervisor.

Response: We disagree in part and agree in part. The audit in question was largely conducted under the supervision of a highly experienced individual who retired two months prior to the audit assessment. However, at the time of that supervisor's departure, the audit fieldwork was not complete and sufficient handover did not occur. Therefore, while the majority of the audit was performed with a high level of oversight and supervision, the tail end of the audit process lost the supervisory oversight when a supervisor retired. The new supervisor is now working with the lead auditors to develop timelines for audit completion in order to allow the supervisor, audit master and director adequate time for review. Staff has been instructed to clearly document audit procedures and, during the audit process, the supervisor and audit master will meet with staff regularly to discuss audit progress and emerging issues. To develop staff, peer review has been added to the audit process for less complex audits and for all tax credit certificates processes. Procedures for peer reviews and supervisor reviews are clearly documented and retained as part of the general audit file. As staff gains experience with the oil and gas production tax, peer reviews will also be conducted on the most complex audits.

Item 2: When negotiating a time extension with a taxpayer for the 2004/2005 ELF audit, a tax division auditor verbally agreed to a modification of the timer period under review and the application of 15 AAC 55 for the 2006 audit. This agreement was not documented or approved by either DOR management or the Department of Law.

Response: We do not know of any inappropriate "agreement" between our auditor staff and a taxpayer. In the conduct of audits, our auditors make judgments about the reasonableness of costs and deductions as required by law, and incorporate those judgments into their final audit results. Those judgments are not "agreements" but are rather decision points. We require auditors to document in their review notes all meetings with taxpayers during the conduct of an audit, thereby summarizing all discussions, action items, and proposals. Such documentation includes items discussed; items where the taxpayer agrees or disagrees with the auditor's judgments; and items for follow-up. Audit management reviews the results of discussions to determine if requested courses of action require further approvals. We agree that any resolutions of items that are to be binding upon the department, verbal or otherwise, should have the appropriate management and legal review and approval.

Item 3: The division fails to document the review and approval of annual tax return refunds.

Response: We believe this finding is in reference to the documentation of the true-ups for the production tax filings for 2008 calendar year. The refund requests were reviewed by the Audit Master, but appropriate documentation did not occur due to supervisory turnover in the Production Tax Audit group. We have updated our tax true-up process with a checklist of specific procedures to be used in the review of all tax true-ups, regardless of whether a refund or additional payment is due. This process is not intended to take the place of an audit but will allow the department to gain some assurance on the mathematical correctness of the filings and to detect any obvious errors. Auditors perform the annual tax return reviews. After proper review, written approvals for refunds are made by the supervisor, audit master and director. Likewise, annual tax returns that result in additional tax being paid are reviewed for correctness by staff. Taxpayers who owe additional tax are notified in writing.

Item 4: The division continues to conduct ELF audits without developing and using auditing standards.

Response: We disagree. The standards to conduct ELF audits have been in place for many years. Management is committed to ensuring that staff is following the procedures and adhering to documentation standards which provide sufficient evidence to substantiate audit conclusions.

Item 5: No mandatory, standardized summary or detailed tax forms for ACES have been developed for taxpayers.

Response: After conducting workshops with the affected taxpayers throughout 2008, a 55 page Excel based production tax return has been developed and provided to taxpayers for final public comment in December 2009. Because of the complexity of the production tax calculation, a large form is required, and Management has been working closely with industry to ensure that their database systems will be able to produce the data necessary to supply the correct data for the state forms. In addition, development of the form has necessarily had to lag completion of the regulations implementing key elements of the new tax structure. Those regulations are expected to be completed by mid 2010. Taxpayers recently requested that the form, in its entirety, not be mandatory for the filing due March 31, 2010. The Department decided that the summary page of the form will be the only mandatory portion for the next annual filing in March 2010. Beginning with the 2010 annual return, to be filed March 31, 2011, the Division's complete form will be mandatory for all taxpayers.

Other forms for ACES have been developed and are mandatory, including forms to apply for and transfer credits, to apply for cash purchase of credits, and the monthly information report.

Item 6: Untimely initial review and reconciliation of tax returns are resulting in failure to identify returns which are incomplete or contain gross miscalculations or errors.

Response: We have updated our process with a checklist of specific procedures to review all tax true-ups, regardless of whether a refund or additional payment is due. This process is not intended to take the place of an audit but it will allow the department to get some assurance on the mathematical correctness of the filings and to detect any obvious errors.

Item 7: Taxpayer payments are not correctly reconciled with the state accounting system.

Response: The in-take, processing and payment reconciliation of oil and gas production taxes is currently an entirely manual system. All payments must be manually reconciled to tax returns as well as the state accounting system. Although it may appear that tax payments are not correctly reconciled, all tax payments are initially recorded as oil and gas production tax payments and then are manually reconciled to ensure that the payments are deposited into the proper revenue pool, i.e. oil tax, gas tax, gas surcharges, etc. Again, this is a manual process and, therefore, the risk of human error is great. The Tax Division has repeatedly requested funding to develop a revenue

tax management system which would automate and streamline the reconciliation process. To date, funding has not been provided. Therefore, we will continue with our manual processes and do our best to avoid human error.

Item 8: Management provided insufficient oversight to ensure compliance with statutes, regulations, policies, procedures, or management decisions.

Response: We disagree. Management continually communicates with staff on these matters via meetings and emails, and has discussions about the proper application of statutes and regulations. In addition, the Division is currently auditing tax returns under three different taxing schemes: ELF, PPT, and ACES. Management will and does ensure that staff adheres to regulations, policies, procedures and management decisions as they are made. To the extent that this item is addressing the supervisory staffing levels and capacity to supervise fully all activities of the junior auditors, we agree that changes to the state pay structure for senior and supervisory production tax auditor positions would improve the Department's ability to recruit and retain senior auditors in order to broaden the scope of oversight.

Item 9: No documented procedures are in place to monitor and ensure compliance by taxpayers with court and regulatory decisions affecting severance taxes owed the State.

Response: We disagree. The core purpose of our audits is "to monitor and ensure compliance by taxpayers with court and regulatory decisions affecting severance taxes owed the State". To the extent this item is a statement of concern that changes in legal standards be communicated with audit staff, the Department has, with the assistance from Department of Law, procedures in place to monitor the decisions of courts and regulatory agencies that affect production taxes owed the state, and has regular communications with audit staff in meetings and via email regarding such changes in law.

The bulk of the findings in the audit report are attributable to:

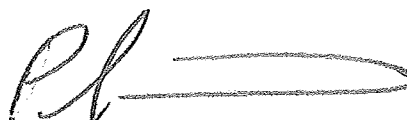
- staff turnover, particularly at the supervisory level;
- the inability to recruit senior level auditors at current pay levels, despite intensive recruitment efforts over the last two years; this means (1) less experienced auditors are working major audits, and (2) supervisors are having to spend time conducting complex audits, instead of using that time to supervise and developing audit manuals; and
- lack of automated tax processing systems to manage and share information; this dramatically increases the amount of time needed to complete audits and review returns, and thus, siphons resources away from program development.

As junior auditors in the Production Tax Audit Group gain experience, they will be able to take on more complex and higher volume audit work. This should relieve the some of the resource strain, provided these auditors continue working for the Department once they reach senior levels. Over the last three years, great efforts have been made by the Department to obtain an automated tax processing system to manage and share information, but funding for this project has not yet been forthcoming.

The management letter alleges that internal controls "continued to decline." That statement reflects a fundamental misunderstanding of the Department's current situation as it implies that a system was in place and has begun to fall apart. The Production Tax Audit group is operating under 3 different tax regimes (ELF, PPT and ACES), the two most recent of which (PPT and ACES) are dramatically different from the oldest regime. Thus, the Tax Division is building programs from the ground up to process and audit the PPT and ACES filings, and these processes include the incorporation of new regulations (not yet fully complete), control protocols, and data management (on existing 100% manually maintained and operated systems). The fact that the Department has not had the time, tools, or personnel resources to complete the creation and development of these programs is not decline, but rather a program build up in progress but not yet complete.

We believe that we have addressed the findings and recommendation presented in the preliminary audit report, however we would welcome any additional comments or questions from you or your staff.

Sincerely,



Patrick Galvin
Commissioner

Cc: Marcia Davis, Deputy Commissioner, Tax Division, DOR
Jon Iversen, Director, Tax Division, DOR
Dan Fauske, CEO/ Executive Director, AHFC
Joe Dubler, Finance Director, AHFC
Ginger Blaisdell, Director, Administrative Services Division, DOR
Susan Bell, Special Staff Assistant, Office of the Governor

(Intentionally left blank)

STATE OF ALASKA

Department of Education & Early Development

Office of the Commissioner

SEAN PARNELL, GOVERNOR

Goldbelt Place
801 West Tenth Street, Suite 200
P.O. Box 110500
Juneau, Alaska 99811-0500
(907) 465-2800
(907) 465-4156 Fax

RECEIVED

MAR 16 2010

LEGISLATIVE AUDIT

March 16, 2010

Pat Davidson, Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

Dear Ms. Davidson:

The Department of Education & Early Development (EED) appreciates the opportunity to respond to the audit recommendation in the preliminary audit report on the State of Alaska Single Audit for the Fiscal Year Ended June 30, 2009.

Recommendation No. 3

The Department of Education and Early Development's (DEED) director of Teaching and Learning Support should improve review procedures for Title II, Part A allocations to school districts to ensure compliance with federal requirements.

The department agrees with recommendation No. 3 and is in the process of revising and strengthening our procedures to ensure that all allocations to school districts under Title II, Part A are in compliance with federal requirements. In addition, the department has reviewed the Title II, Part A allocation worksheet to see that it is functioning properly to ensure that 80 percent of the allocation is based on the poverty rate and 20 percent of the allocation is based on population, as per federal requirements. Furthermore, the department has corrected both the FY2009 and FY2010 allocations. School districts were notified in October 2009 of their final adjusted FY2010 allocation, which included the net change in the FY2009 and FY2010 allocations.

Sincerely,



Larry LeDoux
Commissioner

(Intentionally left blank)

STATE OF ALASKA

DEPT. OF HEALTH AND SOCIAL SERVICES
OFFICE OF THE COMMISSIONER

SEAN PARNELL, GOVERNOR

P.O. BOX 110601
JUNEAU, ALASKA 99811-0601
PHONE: (907) 465-3030
FAX: (907) 465-3068

March 16, 2010

RECEIVED

MAR 17 2010

LEGISLATIVE AUDIT

Pat Davidson
Legislative Auditor
Division of Legislative Audit
PO Box 113300
Juneau, AK 99811-3300

RE: Response to preliminary audit report, FY09 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, 2009. The department's responses to the recommendations are as follows:

Recommendation No. 4

The Department of Health and Social Services' (DHSS) assistant commissioner should develop adequate controls to ensure the data entered into Maximus Cost Allocation and Rate System (MAXCARS) is accurate and complete.

The department concurs with this recommendation.

DHSS acknowledges that double review processes implemented in FY09 were not fully sufficient to identify or prevent errors in the data entered into MAXCARS. The Accountant V hired to manage the Revenue Unit in late June 2009 quickly identified this control deficiency and began researching solutions. In October 2009, the Revenue Unit Manager began working with Maximus to identify solutions within the software application. As a result, in late FY10, DHSS will move to importing statistics into MAXCARS via an Excel spreadsheet template designed to limit data entry errors by division staff. This new method will strengthen internal controls further by limiting user access to the MAXCARS live data environment and the potential modification of data stored there.

The Revenue Unit Manager began a review of the work performed by the cost allocation accountant responsible for maintaining MAXCARS and continues to review the quarterly cost allocation process to reinforce solutions to potential areas of weaknesses. As noted in the

department's response to Recommendation #5, the implementation of new processes and procedures is iterative with extensive training required and full documentation at the end stage.

Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630

Recommendation No. 5

The DHSS assistant commissioner of Finance and Management Services (FMS) should design and implement internal controls over federal revenue collections.

The department concurs with this recommendation.

DHSS has taken significant steps to strengthen controls around the department's federal reporting and revenue collection activities. However there simply was not adequate time to achieve notable results within the period audited.

DHSS dedicated resources specifically to align, design and implement more efficient and effective revenue processes based on the recommendations of a consultant engaged to review cost allocation and revenue collection processes. The report was issued in February 2009 around the same time that the FY08 audit finding was reported. A qualified Accountant V was hired in late June 2009 to fill the long-term manager vacancy in the Revenue Unit. The Accountant V immediately began pursuing the design and implementation of processes and controls to ensure that federal revenue collections are being adequately supported and reviewed as noted in the audit recommendation.

Effective change management requires a process of incremental changes that allow employees to absorb and adopt new practices or tools to avoid setbacks in the longer term. DHSS is especially concerned with creating staff turnover and destabilizing the Revenue Unit. The department's efforts are focused on sustainable processes and controls to correct deficiencies. DHSS expects these actions to have department-wide impact resulting in an iterative process of improvements over a period of time.

The focus on streamlining revenue processes, ensuring adequate controls and staff training began in late FY09, continue today and are expected to be on-going well into FY11.

Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630

Recommendation No. 6

The DHSS assistant commissioner should ensure that expenditures are supported by sufficient documentation.

DHSS concurs with this recommendation.

Research it underway to confirm the existence of additional documentation related to the expenditures identified as unsupported and charged to various federal programs.

Further, DHSS has identified the need for training to ensure that financial transactions are properly filed and archived and that division staff are fully aware of their responsibility to maintain additional supporting documentation in accordance with records retention schedules and federal regulation.

Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630

Recommendation No. 7

The DHSS assistant commissioner should work with cash management section, Department of Revenue (DOR), to ensure all interest liabilities due to federal agency are repaid to federal treasury.

The department partially concurs with the recommendation.

DLA contends that DHSS is confused about federal regulations however has not identified a means by which repayment of the accrued interest liability can be reported and deposited into the federal treasury account.

DHSS worked with DOR to appropriately report and repay the final net interest liability in March 2008 in compliance with 31 CFR 205.28. Unfortunately, 31 CFR 205.28 does not address the reconciliation of total interest calculated with the limitation imposed on interest liability reported to the federal Finance and Management Services (FMS). A gap in the federal regulations exists therefore the appropriate treatment is unclear in this situation.

Until additional clarification is provided by federal FMS, the department must rely on the interpretation of the rule provided by the State CMIA coordinators in DOR. Federal FMS has indicated to DOR that their review of this situation will not occur until at least April 2010. Once

an approved process to make this repayment has been identified, DHSS will assure that all interest liabilities due to federal agency are repaid to the federal treasury.

Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630

Recommendation No. 8

The DHSS assistant commissioner should establish internal controls ensuring requests for federal reimbursement of expenditures are timely to avoid waste of state resources.

The department concurs with this recommendation.

As noted in the response to Recommendation #5, DHSS has taken significant steps to strengthen controls around the department's federal reporting and revenue collection activities. However, notable results were not achieved within the FY09 audit period. In November 2009, the Revenue Unit began processing weekly drawdown requests for federal reimbursement utilizing MAXCARS to allocate indirect costs. This is a significant improvement over past practices and results in more accurate draws. Timely communication between units is an important aspect of the draw down process and the Revenue Unit Manger will communicate to divisions and FMS units the importance of providing timely information that impact the department's federal draws.

DHSS supports the state's policy to conserve general funds and maximize interest earnings. Unfortunately, unanticipated changes on the federal side can affect the drawdown process. In the midst of submitting the PSC 272 report for the QE 3/31/09 USDHHS suddenly took the electronic system offline. Staff contacted USDHHS and faxed the report to USDHHS to avoid suspension of federal reimbursements. Further communication with USDHHS revealed that they were not able to override the system shutdown and the department was not able to draw federal funds until the system was reinstated. Such instances of electronic filing systems shutdowns will be documented in the future to account for any untimely draws resulting from similar issues as the federal government continues to upgrade systems and revise filing periods with little or no notice.

Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630

Recommendation No. 9

DHSS' deputy commissioner for Medicaid and Health Care Policy Division should ensure that personal services expenditures charged to Medicaid program comply with federal cost principles.

DHSS concurs with the recommendation. It has taken appropriate action to fully comply with federal cost principles related to employee time accountability for time charged to the Medicaid program. The specific measures that have been taken include: 1) having completed employee time certifications for the six month period ending December 31, 2009; 2) having appointed a payroll time clerk to ensure that timely notices are sent to supervisors to follow up with staff who need to complete the certifications; and 3) drafting a HCS policy to present to staff for employee time certification.

HCS Employee Time Certification Policy

All staff who work 100% of the time on Medicaid activities, federal grants, or other federal projects, must complete an employee time certification form every six months. This form must be completed by the employee and signed by the employee's immediate supervisor. In the event that an employee terminates employment with the division before the end of the six month certification, the employee will complete the certification as part of the employee exit process. This policy is consistent with OMB Circular A-87, Attachment B, section 8h. (3):

"Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee."

Employee time certification forms can be obtained from the employee's immediate supervisor, or from the payroll representative for the division.

The original signed employee time certification forms are maintained by administrative staff that process employee time sheets.

Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630

Recommendation No. 10

The Office of Children's Services (OCS) director should ensure that the expenditures for training adoptive parents are allocated in accordance with the federally approved PACAP.

DHSS concurs and corrected the reporting error in QE 12/31/2009. DHSS and OCS program staff reviewed the approved PACAP and concur that the incorrect statistic was applied resulting in over claiming training expenditures in the IV-E foster care program and under claiming training expenditures in the IV-E adoption and guardianship programs. In SFY2009 OCS had applied the title IV-E foster care IVE penetration rate, however, it should have applied the Title IV-E blended rate based on the IV-E eligible clients in foster care, adoption, and guardianship placements.

DHSS and OCS updated AKSAS structure and revised the quarterly statistics, along with MAXCARS for QE 12/31/09 to bring the current quarter claim into compliance with the approved PACAP. Furthermore, a prior quarter adjustment was submitted to correct the Title IV-E foster care and adoption assistance claims retroactive to QE 09/30/08. These were submitted as prior quarter adjustments on the ACF-IV-E-1 reports for the Title IV-E foster care and adoption assistance programs in QE 12/31/09. The adjustments resulted in a net decrease in federal portion of \$220,666 in the IV-E foster care program and a net increase in federal portion of \$345,159 in the IV-E adoption and guardianship assistance program.

The statistic associated with OCS-23 in the approved PACAP has been corrected resulting in resource family training expenditures being allocated across the applicable federal and state programs based on blended quarterly eligibility ratios from the foster care, adoption and guardianship assistance programs.

Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630

Recommendation No. 11

The FMS assistant commissioner should improve the exchange of information between divisions to ensure that all necessary adjustments affecting federal draws and changes in the cost allocation process are communicated to the Revenue Unit.

The department concurs with this recommendation.

DHSS and OCS updated the PACAP, AKSAS structure, and MAXCARS to automate and improve this process in QE 12/31/09. The new process includes the use of central service centers in MAXCARS, which alleviate the need of entity notes and the manual re-allocation process previously employed. The statistical basis for the reallocation has remained unchanged and is still based on ratios from the unit's timesheets; however, it is now clearly defined as OCS-28 in the PACAP under section VI.1.C.2.

The previous allocation process re-allocated the indirect costs pertaining to the eligibility unit based on payroll information for each reporting period. This process was based on an ACF finding from the QE 06/30/05 Title IV-E claim and was resolved through a manual adjustment process that initiated in QE 12/31/07. The adjustments were based on ratios from the unit's payroll at the recommendation of the ACF financial compliance reviewer and appeared in accordance with the existing PACAP sections VI.1.C.2. While the indirect costs are initially coded to a foster care IVE grantee in MAXCARS, an entity note documented the manual re-allocation process each quarter. A detailed spreadsheet with the program codes, ratios, dollars and source of indirect costs supported the re-allocation process each quarter. The federal claim workbook that accompanied the Title IV-E quarterly claim contained a line item reporting the re-allocation of costs to both IVE adoption assistance and Medicaid from IVE foster care. Since the re-allocation of Medicaid is derived after the CAP is closed, the Medicaid portion lagged one quarter for reporting and was submitted via a MAXCARS entity note adjustment.

The federal draws, which are impacted by this adjustment, occur as a separate process. OCS and Revenue Unit staff recognize this issue and are working to find an effective and efficient resolution. The Revenue Unit will adjust the Foster Care program's federal draws in the amount of the questioned costs.

Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630

Recommendation No. 12

The DHSS assistant commissioner should ensure that expenditures are allocated to federal programs in accordance with the federally approved PACAP.

FMS IT Expenditures - \$2,852.6

DHSS partially concurs with this portion of the recommendation.

The management letter states that;

“One hundred percent of the FMS IT expenditures incurred for the first quarter by direct support staff are allocated to the Temporary Assistance for Needy Families (TANF) program. The following three quarters’ expenditures are allocated using a methodology that charges four cost centers: TANF, Food Stamps, Medicaid and State Programs.”

This statement should be corrected to clarify that one hundred percent of the “IT DPA Services” collocation code (CC), were allocated to TANF in the first quarter of FY09. Similarly, the last three quarter costs to the “IT DPA Services” CC were allocated with a methodology that charges four cost centers.

The department concurs that the first quarter IT DPA Services costs were incorrectly allocated to TANF. This error was identified during the third quarter of FY09 and a note added to the Revenue Section Sharepoint adjustment tracking sheet stating the need for a decreasing adjustment for the first quarter expenditures of <\$167.4>. However, the adjustment was missed. A revised adjustment will now be entered in the QE 3/31/10 allocation plan.

The department partially concurs with the finding for the last three quarters. Charges to this CC consist of various items. Based on an analysis of SFY09 charges to this cost center, 68% of the costs were for EIS mainframe application support from IT Business Application developers and those costs were correctly allocated using the DPA-11 methodology. The remaining charges were for Non-EIS related charges to DPA that should have been allocated using DPA-10 which allocates across all programs within DPA. The calculated adjustment for the Non-EIS share of the costs results in an increased federal claim of \$28.9 for the last three quarters of FY09. The adjustment will be entered in the QE 3/31/10 CY PY CAP plan.

The first quarter adjustment amount changed slightly due to the two methodologies now used to calculate the adjustment. 68% of the charges should have been allocated using DPA-11 and 32% using DPA-10. When recalculated, the adjustment is now a decreasing federal adjustment of <\$162.2> rather than the <\$167.4> originally calculated during SFY09.

Public Affairs RSA – \$326.6

FMS Assistant Commissioner’s Office Admin. RSA – \$504.2

DHSS does not concur with this portion of the recommendation questioning the allocation of administrative costs paid via an RSA.

The authorized budget determines which costs are allocated based on the PACAP and which are direct charged to specific divisions. FMS has federal authorization to directly collect federal revenues for certain indirect expenditures allocated based on the PACAP. FMS also has I/A

authority for collecting costs identified as direct to specific divisions. For those costs funded with I/A revenues, FMS distributes the costs directly to the divisions using the current year Management Plan position count. Payments made by each division are then allocated to programs through the quarterly cost allocation plan based on approved PACAP methods.

The distribution of costs through an RSA using the Management Plan position count is historical. It might be reasonable to distribute those costs based on DW-15 FTEs or DW-27 Quarterly Hours Directly Charged by Division; however, the RSAs are an annual payment which means the costs would be distributed department wide based on statistics in the quarter the RSA is paid. Using the Management Plan position count is a more equitable distribution of these costs.

ETS - DOA Costs – \$1,753.4

DHSS does not concur with this portion of the recommendation. The Department of Administration (DOA), Enterprise Technology Services (ETS) bills for some of its services on a monthly basis and others on an annual basis predicated on interagency agreements. Therefore, we do not agree that the description of ETS costs in Chapter II of the PACAP is materially inaccurate, or that it has resulted in the allocation of ETS costs based on unapproved methodologies. DHSS allocates ETS costs on a quarterly basis using the allocation methods contained in Chapters IV through XII of the PACAP. The finding states, in part, that “*ETS does not provide support for the amounts charged to the cost centers.*” The rates and methodologies used by ETS to determine the amounts charged to each agency are applied in compliance with the approved SWCAP. Not all billed costs are broken down by division or specific costs center; however, DHSS applies the appropriate PACAP methodology to these costs.

Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630

Recommendation No. 13

The DHSS assistant commissioner should establish internal controls over access to MAXCARS.

DHSS partially concurs with this recommendation.

This recommendation addresses the use of incorrect DPA statistics in the QE 3/31/09 and attributes the error to inadequate review of data entered into MAXCARS.

During the QE 3/31/09 allocation process, DPA submitted statistics based on activity for the 12/31/08 quarter. This was the correct time period as the statistics used to allocate a quarter are

lagged one quarter. Per the review process developed by the department, the statistics were reviewed, entered into MAXCARS, reviewed for data entry errors and approved by the Revenue Review unit. A statistics report comparing the first quarter statistics to the second quarter was prepared and sent to the division to check for anomalies. The statistic sheet verifying the MAXCARS entries was printed, and initialed to signify review and approval. A copy was saved in the quarterly CAP binder.

It was discovered during SFY10, prior to the Leg Audit finding, that after the review and approval process was completed, a division user went into MAXCARS and changed the statistics to those intended for the QE 6/30/09 allocation. The QE 3/31/09 plan was allocated using the incorrect statistics.

To correct this, a copy was made of the QE 3/31/09 plan, the correct statistics entered and the plan reallocated. The original and revised plans were compared and the difference calculated. The net difference was an over collection of approximately \$59.0 federal. An adjustment to correct will be entered in the QE 3/31/10 CY PY plan.

The problem of wrong statistics being used was not the result of an inadequate review and approval process. The statistics were appropriately reviewed and approved and a print out of the MAXCARS entry was saved to verify the data entry. The problem was the result of inadequate security controls in the MAXCARS system. Again, the department has been aware of this issue and is working with the Maximus contractors to develop security safeguards. Beginning in late SFY 2010, the divisions will no longer have access to MAXCARS. They will enter their statistics in an excel spreadsheet that will be reviewed and, once approved, uploaded into MAXCARS. This will ensure that changes cannot be made once the statistics are approved and finalized.

Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630

Recommendation No. 14

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 partially concurs with this recommendation and Legislative Audit's current position.

DHSS concurs with the observation related to nonperformance of the previous fiscal agent. The new vendor has corrected the situation, fully staffed the unit and performance is again at full contract levels. With the demise of the First Health Services contract, and the full assumption of the contract by Affiliated Computer Services (ACS), there was a gap in contract compliance for the 25 utilization reviews for the quarter preceding the takeover and assumption by ACS. We will continue to monitor the compliance and ensure all milestones are met.

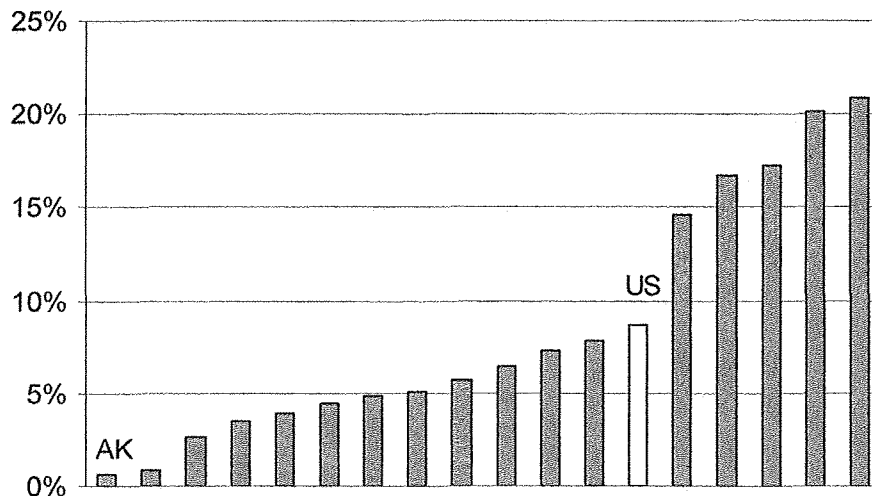
DHSS does not concur that “DHSS has made little progress in improving its utilization control program. The only part of the prior finding that has been addressed is the lack of policies and procedures.” The DHSS has also at least partially addressed the “Reorganization of DHSS’s program integrity function” and “Staff Vacancies and Conflicting Priorities”

The central Program Integrity section continues to be organized under Finance and Management Services within the department, and the manager of the FMS/PI section has been in place since November, 2008. The Audit Committee, which is comprised of the quality assurance managers from the Medicaid divisions, the Medicaid Director and others, meets monthly to help ensure coordination within the department. For SFY 2009 the central Program Integrity function identified \$1.9 million in overpayments and collected in excess of \$800,000 in recoveries, excluding global settlements.

The DHSS program integrity section along with the Medicaid divisions and ACS also meet with our Medicaid Fraud Control Unit on a regular basis in accordance with our Memorandum of Understanding. Referrals to the MFCU are tracked and reported quarterly.

Legislative Audits current position states in part “The lack of internal controls associated with program integrity and utilization increases the risk associated with allowable costs, allowable activities and eligibility”. CMS uses the Payment Error Rate Measurement (PERM) to estimate erroneous payments of major programs. The PERM results are a reflection of the controls exercised over program expenditures.

Figure 1. Alaska's Error Rate Relative to Other States and the National Error Rate



In November of 2009, CMS released the results of the PERM for FFY 2008. Figure 1 above shows Alaska's estimated error rate for the Medicaid program at .59%. This combined error rate includes provisions for medical records, claims processing and eligibility errors. Alaska had the lowest estimated error rate of all 17 states in the 2008 PERM cycle. Alaska's error rate is nearly 15 times better than the national error rate of 8.71%. Given the official PERM results, it appears DHSS utilization control and program integrity functions are operating effectively.

Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630

Recommendation No. 15

The DHSS finance officer and the state Medicaid director should develop and enforce policies and procedures to report provider overpayments in accordance with federal requirements.

The department partially concurs with this recommendation.

While we concur that DHSS procedures should ensure provider overpayments are reported in accordance with federal requirements, what constitutes an allowable decreasing adjustment is ambiguous.

The overpayments referred to in this finding and the disputed overpayments referred to in the referenced CMS FMR were all initially reported in accordance with Federal law. The issue concerns what constitutes an allowable decreasing adjustment.

42 CFR 433.320 Procedures for refunds to CMS states at (c) (1)

“Reclaiming overpayment amounts previously refunded to CMS. If the amount of an overpayment is adjusted downward after the agency has credited CMS with the Federal share, the agency may reclaim the amount of the downward adjustment on the form CMS-64. Under this provision;

- (1) Downward adjustment to an overpayment previously credited to CMS is allowed only if it is properly based on the approved State plan, Federal law and regulations governing Medicaid, and the appeals resolution process specified in State administrative policies and procedures”.

On January 28, 2010 DHSS has provided additional documentation supporting the disputed adjustments to CMS Region X auditors for their review.

Once a clear determination is made of what constitutes an allowable decreasing adjustment, procedures will be revised to ensure appropriate reporting of any future decreasing adjustment.

Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630

Recommendation No. 16

The Division of Health Care Services’ (DHCS) director should improve internal controls over the processing and payment of durable medical equipment (DME) claims.

DHSS partially concurs with this recommendation.

Adjusted Claims:

A DME provider typically requests an adjustment on a paid claim when miscellaneous Healthcare Common Procedure Coding System (HCPCS) codes are used multiple times on the same date of service to accurately report the services rendered. DHCS operates on a good faith system, the foundation of which is a provider will not submit claims or adjustments to paid claims that result in improper reimbursement. DHCS concurs that it is advisable to revise the current adjustment process so that a provider must submit a delivery receipt when requesting a positive adjustment that may result in additional payment to the provider.

Miscellaneous DME items:

The implementation of the Health Insurance Portability and Accountability Act (HIPAA) in 2003 required all providers to use a common code set. DME providers are restricted to using HCPCS codes. As long as there are insufficient codes to accurately and appropriately report services rendered by DME providers, miscellaneous codes will be used to report multiple items on the same dates of service. Each claim form submitted itemizes the items represented by the miscellaneous DME codes. Further complicating the issue is that some items may have the same reimbursement rate thereby creating the appearance of duplicate claims. We concur that using a single billing code to report services makes it difficult to report services and inhibits the ability to automate payment rates. In fact, each miscellaneous DME item reported must now be manually priced. The completion of the Omnibus Regulation Package on February 1, 2010 now makes it possible for DHCS to begin work on their priority of creating new DME regulations that will address some of these concerns.

Reimbursement Rates:

Current regulations limit reimbursement to rates in the DMEPOS Fee Schedule 2006 1st quarter fee schedule established by the federal Centers for Medicare and Medicaid Services (CMS). There is no provision in current regulations to update the Medicaid fee schedule annually as CMS updates theirs. The CMS fee schedule only maintains reimbursement rates for those items covered by Medicare and does not include miscellaneous codes, therefore alternative pricing methodologies are necessary to administer the Medicaid program.

One such alternative pricing methodology developed in accordance with 7 AAC 120.210 (b)(3). Providers may request prior authorization for reimbursement on an item that exceeds the maximum allowable rate as set forth in 7 AAC 145.420. In response to increased shipping rates, DCHS utilized a reimbursement methodology of cost plus 40% for some items, when requested by the provider. This appeared to be the most equitable way to ensure providers could continue to supply services to Alaska Medicaid recipients.

At this time DHCS is working with the Division of Senior & Disabilities Services (DSDS) and the Office of Rate Review (ORR) to address the need for tighter pricing controls. DHCS intends to address better pricing methodologies in forthcoming regulation changes.

Prescribing physicians:

While we concur that there are currently no checks to ensure that a prescribing physician is licensed, however entering the name of the requesting physician into the Medicaid information system would only enable verification of physicians enrolled with Alaska Medicaid. Not all prescribing physicians are enrolled with Medicaid and therefore licensing information is not obtainable through the Medicaid information system.

Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630

Recommendation No. 17

DHCS' director should improve and enforce policies, procedures, and processes over travel claims.

DHSS partially concurs with this recommendation.

1. No automated processes or manual reviews are in place to ensure a recipient's medical appointment(s) correspond with the reported dates of travel, and to verify the recipient(s) received medical services at their travel destination.

There are many instances where the travel does not result in a medical claim. Travel for certain follow-up or post-partum visits may not generate a claim as the initial medical service may have been paid at an all inclusive rate. Tribal facilities may not claim for certain services and private providers may choose not to submit a Medicare cross-over claim for low dollar amounts.

Absence of a medical claim does not necessarily mean that a medical service was not received.

2. Documentation of medical necessity for non-emergency travel needs improvement.

HCS is updating our instructions to the fiscal agent for capturing information on the prior authorization screen that supports medical necessity. The current MMIS has limited text space and type-overs may occur when documenting complex travel resulting in a loss of original information. When the new MMIS becomes available we will have ample space and expect to create a template that will guide the prior authorization representative in capturing all required fields.

At this point in time, the Centers for Medicare and Medicaid Services (CMS) will not fund upgrades to the current MMIS system.

3. Incorrect service dates

Travel throughout Alaska requires travelers maintain a certain flexibility to harmonize the actual travel with breaks in weather, volcano activity and changes in medical appointment or carrier availability. In all instances that we are aware of, the actual travel occurred within the dates approved on the prior authorization. Travel occurring within the approved service dates satisfies Medicaid criteria for payment.

Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630

Recommendation No. 18

The FMS assistant commissioner should take measures to resolve revenue shortfall issues.

The department concurs with this recommendation.

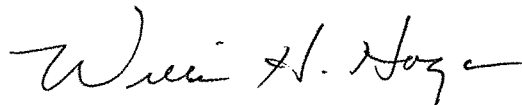
Revenue shortfalls occur, in part, due to timing differences between the posting of expenditures and revenues collected. DHSS is actively engaged in indentifying effective processes to resolve this timing difference. Management identified uncollectable federal revenue and incorporated fund source change requests in the FY11 operating budget currently before the legislature. Financial projection models were recently modified and are being tested to improve monitoring for potential revenue shortfalls and allow divisions to develop supplemental appropriations requests within OMB deadlines.

These actions are included in the on-going process improvements discussed in the department's response to Recommendation #5.

Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630

If you have any additional questions, please contact Alison Elgee at (907)465-1630 or by email alison.elgee@alaska.gov.

Sincerely,



William H. Hogan
Commissioner

Pat Davidson, Legislative Auditor
Division of Legislative Audit
March 16, 2010
Page 17

cc: Alison Elgee, Assistant Commissioner
Bill Streur, Deputy Commissioner
Patrick Hefley, Deputy Commissioner
Barbara Reid, Deputy Director – FMS
Kimberli Poppe-Smart, Director – DHCS
Tammy Sandoval, Director - OCS
Bob Wright, Audit Manager

(Intentionally left blank)

STATE OF ALASKA

Department of Labor and Workforce Development

OFFICE OF THE COMMISSIONER

March 19, 2010

Ms. Pat Davidson, Legislative Auditor
P.O. Box 113300
Juneau, AK 99811-3300

Re: SFY09 Statewide Single Audit Preliminary Report Response

Dear Ms. Davidson,

The Department of Labor and Workforce Development (DLWD) is in receipt of your letter dated February 25, 2010, regarding the preliminary audit report on the State of Alaska Single Audit, for Fiscal Year Ended June 30, 2009.

Outlined below are the DLWD actions and response to Recommendation Number 19, contained within the report.

Recommendation No. 19

The Department of Labor and Workforce Development's (DLWD) director of the Employment Security Division (ESD) should develop and implement procedures to ensure compliance with allowable costs requirements.

DLWD concurs with the recommendation and additional contributing factors as identified in the preliminary audit report. DLWD Administrative Services Division (ASD) fiscal staff will prepare the adjustment to move the questioned costs to an open and allowable funding stream, and will provide amended ETA 9130 and other associated reports as required. ASD will coordinate with the appropriate ESD staff as needed for the adjustment, in addition to coordinating improved monitoring processes as related to period of availability.

In coordination with the ASD finance officer, the director of ESD will develop and implement procedures to ensure compliance with allowable cost requirements of the UI program. These procedures are currently in the final review and approval process, and will be implemented upon completion.

It is the intent and objective of the DLWD to fully resolve this finding by the end of State fiscal year 2010.

If you have any questions regarding this response, please feel free to contact me at 465-2700.

Sincerely,



Clark Bishop
Commissioner

SEAN PARNELL, GOVERNOR

P.O. BOX 111149
JUNEAU, ALASKA 99811-1149

PHONE: (907) 465-2700
FAX: (907) 465-2784

RECEIVED

MAR 19 2010

LEGISLATIVE AUDIT

(Intentionally left blank)

STATE OF ALASKA

SEAN PARNELL, 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

March 19, 2010

Pat Davidson
Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

RECEIVED

MAR 19 2010

LEGISLATIVE AUDIT

Ms. Davidson:

The Department of Fish and Game (ADF&G) has received your preliminary audit report and recommendation #20, and offers the following response.

We acknowledge that at the time of the audit there was a significant backlog in inventory processing and data entry of items to the property systems as described in your audit report. However, in our opinion, ADF&G's existing property policies and procedures follow the guidance contained in the *State Property Control Handbook*, and we do not concur that ADF&G is out of compliance with state and federal property management requirements.

Most of the items included in the audit test sample were part of the inventory processing backlog and had not been tagged on a timely basis. Upon request from your staff, we were able to locate copies of all documentation pertaining to the test items; the equipment was simply pending processing, but none of the items were lost or out of our control. To put the test sample size in perspective, ADF&G purchases about 600 to 700 new items annually that must be entered into the various property database systems, and we maintain property records for over 13,000 items throughout the department. The sample size was small, and although the audit test results were not favorable, we do not agree that the department has a significant control deficiency that can be generalized to our overall property management system.

Since receiving notice of your audit finding, and in the effort to improve internal efficiencies and processing of inventory, ADF&G has performed a complete review of our property inventory system, policies, and procedures. We immediately shifted personnel and resources to process the backlog items and all new items are now tagged and entered in the system, although we are still gathering and reviewing documentation for other inventory items. We have implemented new processes to strengthen our property management system and to ensure that items are processed into inventory in a timely manner. To that end, ADF&G has made the following changes:

- All property documents are now being date stamped upon receipt and logged by the property officer. The newly developed spreadsheet log has fields with built-in timeframes that alert staff when follow up with property custodians is needed to obtain

missing information for data entry to the inventory systems. This log is actively monitored by supervisory staff to ensure timeframes are met.

- Processing timeframes and work standards have been implemented to prioritize work flow and help supervisory staff to actively manage inventory processes and prevent future backlogs from occurring.
- We have updated the department's Standard Operating Procedure (SOP) on property management. The revised version is posted on our administrative intranet website and has been distributed to regional administrative managers and property custodians throughout the department.
- We have included new language in our property SOP specifically addressing the procedures for licensing trailers for highway usage, and included steps to ensure that property custodians submit receiving documentation for roadable vehicles to the property officer on a timely basis. Additionally, the SOP includes a statewide directive that prohibits the use of any vehicle or trailer on a public road or waterway without proper licensing.
- We have revised internal documents to streamline the capture of all pertinent data that is required to add property to the inventory databases. For example, we developed and are now using a new property receiving form to assist with the inventory of items purchased by those outside the procurement section. This form will more easily capture information and facilitate communication between the field offices and the headquarters property officer.
- We have established a separate e-mail address for inventory where all inventory issues can be sent by field staff and custodians. The e-mail address is accessible by the headquarters procurement section and requests will be acted upon in a timely manner.

We feel that these internal process and procedural changes have already strengthened and streamlined our internal controls over property. Furthermore, these changes will also assist us to monitor our inventory system and processes more closely, and will provide more timely data to management so that resources can be allocated if backlogs or other issues arise.

Thank you for the opportunity to respond to the audit finding. While we do not agree that ADF&G is out of compliance with federal equipment management requirements, we do concur with the recommendation that the department strengthen policies and procedures to ensure that equipment purchases are processed timely and inventory management is improved. We feel that the changes we have implemented or are in the process of implementing have fully corrected the problems noted in your audit report, and will prevent similar problems from occurring in the future.

Sincerely,



Denby S. Lloyd
Commissioner



State of Alaska Department of Public Safety

Sean Parnell, Governor
Joseph A. Masters, Commissioner

March 18, 2010

Pat Davidson
Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

RECEIVED
MAR 18 2010
LEGISLATIVE AUDIT

Dear Ms. Davidson,

Thank you for allowing me to respond to the finding and recommendation contained in the preliminary audit report for the FY09 Statewide Single Audit. The department's response to the recommendation follows:

Recommendation No. 21

The DPS Finance Officer should take measures to resolve revenue shortfall issues.

DPS partially agrees with this recommendation.

This under collection was a result of an interdepartmental reimbursable services agreement (RSA) between the Department of Public Safety (DPS) and the Department of Natural Resources (DNR), where DNR's costs were to be reimbursed by the Federal Emergency Management Agency (FEMA). DPS provided personal services, travel, and supplies as agreed to in the RSA. However, DPS did not learn until December of 2009 that FEMA decided to only reimburse overtime personal service expenditures rather than all personal service expenditures as stated in the RSA.

Unfortunately the DPS appropriation terminated on August 31, 2009, and we were unable to record the expenditures to the general funds reserved for this issue because FEMA's notice did not occur until after the 2009 chart of account year closure. The Office of Management and Budget has forwarded to the legislature an appropriation to ratify the activity that was not reimbursed by FEMA.

I should note, however, that this is a technical exercise aimed at "cleaning up the books" and did not result in any over expenditure of funds.

If you have any questions, please contact Dan Spencer at 465-5488.

Sincerely,



Joseph A. Masters
Commissioner

Office of the Commissioner
5700 E. Tudor Road – Anchorage, AK 99507 – Voice (907) 269-5086 – Fax (907) 269-4543
Juneau Office – Voice (907) 465-4322 – Fax (907) 465-4362

(Intentionally left blank)

STATE OF ALASKA

DEPARTMENT OF CORRECTIONS OFFICE OF THE COMMISSIONER

SEAN PARNELL,
GOVERNOR

550 West 7th Avenue, Suite 601
Anchorage, AK 99501
PHONE: (907) 269-7397
FAX: (907) 269-7390

RECEIVED

MAR 16 2010

LEGISLATIVE AUDIT

March 17, 2010

Ms. 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 25, 2010, preliminary audit report on:
State of Alaska, Single Audit, for the fiscal year ended June 30, 2009

Recommendation No. 22

The Department of Corrections' (DOC) director of Division of Administrative Services (DAS) should improve and document policies and procedures for processing financial transactions.

In response to the deficiencies and errors identified:

- Thirty nine transactions (\$313,969) were not approved or were approved by unauthorized individuals.

Staff has replaced and updated all signature authorities which are available and easily accessible within the Finance and Accounting Unit. All invoices are reviewed by the Finance and Accounting Unit for appropriate approval by approved individuals.

- Eighteen transactions (\$53,992) were not adequately supported.

Follow-up training regarding adequate documentation to support operating expenditures has occurred with ongoing training sessions scheduled. Detailed internal procedures for necessary supporting documentation needed for processing and certifying transactions are being written by the Finance Officer, Finance and Accounting Unit staff, and the Internal Auditor with final approval by the Director of Administrative Services. Full implementation of the final DOC Policies and Procedures (P&Ps) is to occur by June 30, 2010. A copy will be made available to your office.

- Eleven transactions (\$14,661) were coded to an incorrect appropriation.

Transactions reviewed and found to be in error have been corrected to the proper appropriation.

- One transaction (\$1,741) recorded expenditures to the wrong chart of account year.

This transaction was reviewed and corrected to the correct chart of account year.

- One transaction (\$28,871) was misplaced and supporting documentation was unavailable.

This transaction was located and provided to your office on November 12, 2009.

- Two transactions (\$4,767) were recorded to prior year "blanket" encumbrances.

The prior year encumbrances were not established for this purpose and were incorrectly charged. These transactions should have been charged to the proper available prior year lapsed amounts and not to the encumbrances that were established. Future year-end encumbrances will only be established with backup documentation to support the prior year obligation.

- One transaction (\$1,132) was for relocation-related expenditures with the stipulation that employment termination within two years required reimbursement. The employee was terminated after six months of employment. No efforts were made to collect the reimbursement, and no documentation existed to waive the requirement.

The DOC provided to your office the circumstances surrounding this situation. However, the employee was not terminated, but instead, resigned due to circumstances beyond his control. The DOC chose to waive the relocation-related expenditures since the employee was assisting the DOC in a time of serious need. In the future, the DOC will document any waivers of reimbursement and file them accordingly.

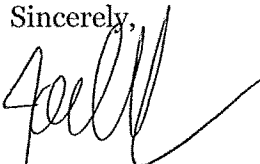
- Two instances of inadequate segregation of duties within significant processes.

A review of RD Codes was completed and action taken to ensure employees assigned two RD Codes cannot self-certify.

The Director of Administrative Services has assigned the task of developing internal policies and procedures that will provide clear and consistent processes for all financial transactions and for all major areas of operations to the DOC Internal Auditor and Finance Officer. The Internal Auditor will lead a Quality Assurance Unit under the Division of Administrative Services. This position will perform the full range of internal audit functions including analysis and recommendations of agency operations and internal, management, fiscal and accounting controls. The Finance Officer will lead the Finance and Accounting Unit. This position is responsible for the creation of desk manuals, policies and procedures for the Finance and Accounting Unit, and adherence to the Alaska Administrative Manual (AAM) and Accounting Procedures Manual (APM). The result will be documented internal policies and procedures (desk manuals) for appropriate and consistent processing of financial transactions administered by the DOC.

Through internal review, we do not believe the DOC has mismanaged state funds nor provided inaccurate financial and management reporting, and we are confident we have not committed fraud. Through implementation of internal policies, procedures, and controls, we believe the fiscal integrity of the DOC will be strengthened.

Thank you again for the opportunity to respond to your letter. Should you need additional information or have questions, please do not hesitate to contact our office. We look forward to assisting your office in any way possible.

Sincerely,

Joseph D. Schmidt
Commissioner

(Intentionally left blank)

STATE OF ALASKA

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES OFFICE OF THE COMMISSIONER

SEAN PARNELL, GOVERNOR

3132 CHANNEL DRIVE
PO Box 112500
JUNEAU, ALASKA 99811-2500
FAX: (907) 586-8365
PHONE: (907) 465-3900

RECEIVED

MAR 12 2010

LEGISLATIVE AUDIT

March 11, 2010

Ms. Pat Davidson, Legislative Auditor
Division of Legislative Audit
PO Box 11330
Juneau, AK 99811-3300

Dear Ms. Davidson:

Thank you for your letter dated February 25, 2010, relating to the preliminary Statewide Single Audit. The preliminary audit includes the following recommendation, and our response follows:

Recommendation #23

The Department of Transportation and Public Facilities (DOTPF) finance officer should implement internal controls to prevent premature lapsing of DOTPF capital appropriations' termination years.

The department agrees with this recommendation. The Operating Programs Unit Accountant will review all appropriations (ARs) rolling up to AR 66999-15, the upper level AR for DOT&PF capital interdepartmental RSA's, to ensure that those ARs are extended, if necessary. This review will occur weekly beginning in April 2010 and extend through the reappropriation period. Emails to Project Managers will be sent out to determine if they anticipate an extension. In addition, expenditure and revenue actuals will be monitored to ensure they are in balance prior to termination.

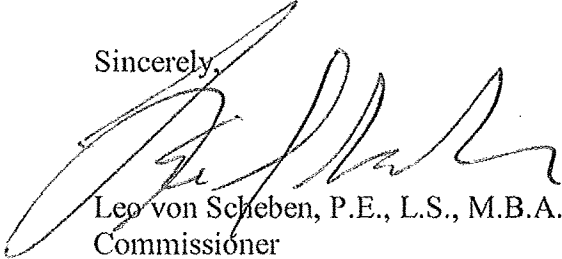
We have also modified our AR establishment procedures. Beginning with COA 2010 we will establish the termination year on AR structures to completion date plus one. In conjunction with the receipt of an amendment extending the completion date of an RSA, the DOT&PF Fiscal Office RSA coordinator will extend the appropriation term year.

DOT&PF has worked with the DOA's Division of Finance and OMB to establish new structures in FY10 for lapsed appropriation amounts in order to complete the services requested. We continue to work with regional office staff to liquidate open items and move the authorization to the FY10 structures. In the end, DOT&PF does not expect to experience a revenue shortfall related to these ARs.

Please note that DOT&PF successfully terminated 515 capital ARs and 254 operating ARs at the end of FY2009. The seven ARs found in the audit review make up 1.3% of capital ARs and 0.91% of total terminated ARs for the department.

If you have any questions, please feel free to contact Laura Baker, Director, Division of Administrative Services, at 465-3911.

Sincerely,



Leo von Scheben, P.E., L.S., M.B.A.
Commissioner

cc: Laura Baker, Director, Division of Administrative Services, DOT&PF

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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

March 23, 2010

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.

We have reviewed the responses submitted by various agencies to the recommendations made in this report. Generally, the agencies concur with the recommendations. There are, however, responses to four of these recommendations which we believe warrant further comments.

Recommendation No. 8

The Department of Health and Social Services' (DHSS) assistant commissioner should establish internal controls ensuring requests for federal reimbursement of expenditures are timely to avoid waste of state resources.

We reviewed DHSS' response and offer the following clarification.

The United States Department of Health and Human Services, Division of Payment Management (DPM) suspended DHSS' Medicaid payment requests on May 18, 2009. DPM did not take the electronic system offline until June 29, 2009. DHSS had well over a month to submit the PSC 272 report after the suspension of federal payment requests. We agree that "unanticipated changes on the federal side can affect the drawdown process," but these changes account for only a small portion of the time DHSS was not drawing federal Medicaid funds.

We reaffirm our recommendation.

Recommendation No. 12

The DHSS assistant commissioner should ensure that expenditures are allocated to federal programs in accordance with the federally approved PACAP.

We have reviewed DHSS' response and nothing contained in the response provides sufficient information to persuade us to revise the recommendation. We reaffirm that all costs allocated to federal programs must be done in accordance with an approved cost allocation plan.

Recommendation No. 14

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 offer the following clarification.

The current Medicaid fiscal agent, Affiliated Computer Services (ACS) took over from First Health Services in November 2008. Neither First Health nor ACS met its contractual obligations regarding utilization reviews in FY 09.

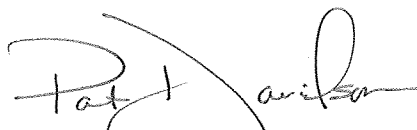
We reaffirm our recommendation.

Recommendation No. 17

DHCS' director should improve and enforce policies, procedures, and processes over travel claims.

We have reviewed DHSS' response, and nothing in the response persuades us to revise this recommendation.

In summary, we reaffirm the findings and recommendations presented in this report.



Pat Davidson, CPA
Legislative Auditor