

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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SUMMARY OF: State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2015

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 \$3.1 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 *United States Office of Management and Budget Circular A-133*.

The report contains an opinion on the basic financial statements of the State of Alaska for FY 15, 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.

The State of Alaska did not comply with the Activities Allowed or Unallowed, and the Procurement, Suspension and Debarment requirements applicable to the Distribution of Receipts to State and Local Governments program (DRSLG; CFDA 15.227) administered by the Department of Commerce, Community, and Economic Development. Failure to comply with these requirements resulted in material noncompliance for the DRSLG program. The State has substantially complied with the applicable laws and regulations in the administration of its other major federal financial assistance programs. The report does contain recommendations regarding material weaknesses and significant deficiencies in the State's internal control over financial reporting and internal control over compliance.

FINDINGS AND RECOMMENDATIONS

This report contains 44 recommendations, of which 12 are unresolved issues from last year. Of the 44 recommendations included in this report, one is made to Alaska Housing Finance Corporation and one to the University of Alaska whose audits were performed by other auditors. Also included in this year's recommendations are eight recommendations made to the Department of Health and Social Services whose major federal programs were audited 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 federal program related prior audit recommendations not resolved as of June 30, 2015.

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October 9, 2018

Honorable Members of the
Alaska State Legislature

The Honorable Bill Walker
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, 2015 (Reissued). 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 Office of Management and Budget Circular A-133 issued by the United States Office of Management and Budget.

The report includes an opinion on the basic financial statements of the State of Alaska for FY 15, recommendations on financial and compliance matters, required auditor's reports on internal controls and compliance, and the Schedule of Expenditures of Federal Awards.

This report is a reissue of the State of Alaska Statewide Single Audit for the fiscal year ended June 30, 2015, previously released on April 14, 2016. The reissuance is necessary due to the reissuance of the State of Alaska's FY 15 Comprehensive Annual Financial Report to address the discovery of a material misstatement related to pensions. The error is limited to the government-wide statements and has no impact on major federal program compliance, the Schedule of Findings and Questioned Costs, or the Schedule of Expenditures of Federal Awards.

Additionally, the reissuance is necessary due to the March 1, 2018, reissuance of a component auditor Report on Compliance and Report on Internal Control over Compliance for the Department of Health and Social Services Major Federal Programs. The reissued report revised each of the other auditor's eight recommendations to the Department of Health and Social Services.

The findings and recommendations included in this report are organized by department and include prior financial and compliance findings not fully corrected by the departments. Our FY 14 single audit contained 43 recommendations; this report presents a total of 44 recommendations, 12 of which were presented, at least in part, last year. Included in this year's recommendations are one recommendation made to the Alaska Housing Finance Corporation and one recommendation made to the University of Alaska whose audits were performed by other auditors. Also included in this year's recommendations are eight recommendations to the Department of Health and Social Services whose major federal programs were audited 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 financial accounting and reporting for the State of Alaska. Its continued efforts toward resolving statewide accounting and reporting concerns are commendable.

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.



Kris Curtis, CPA, CISA
Legislative Auditor

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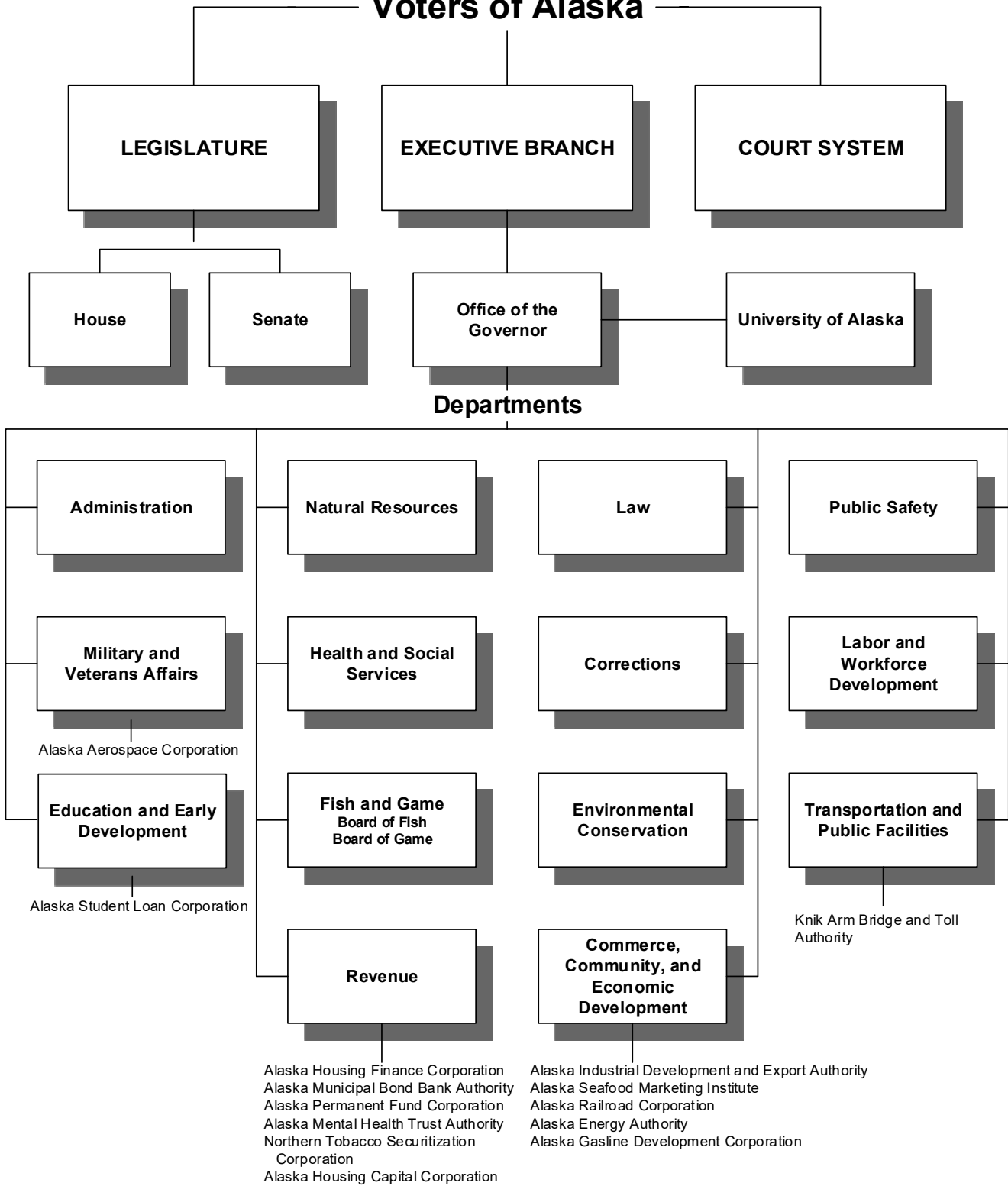
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SECTION I – AUDITOR’S REPORT AND FINANCIAL STATEMENTS

ALASKA STATE LEGISLATURE

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Independent Auditor's Report

Members of the Legislative Budget
and Audit Committee:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information of the State of Alaska, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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, International Airports Fund, University of Alaska, Alaska Housing Finance Corporation, Alaska Industrial Development and Export Authority, Alaska Railroad Corporation, Alaska Energy Authority, Alaska Municipal Bond Bank Authority, Alaska Housing Capital Corporation, Alaska Clean Water Fund, Alaska Drinking Water Fund, Pension and Other Employee Benefit Trust Funds, and Invested Assets Under the Investment Authority of the Commissioner of the Department of Revenue. As shown on the following page, those financial statements reflect the assets and revenues of the indicated opinion units.

Opinion Unit	Percent of Assets	Percent of Revenues
Governmental Activities	88%	41%
Business-Type Activities	72%	48%
Aggregate Discretely Presented Component Units	89%	94%
Major Funds:		
General Fund	86%	5%
Alaska Permanent Fund	100%	100%
Alaska International Airports	100%	100%
Aggregate Remaining Fund Information	92%	90%

Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those accounts, funds, retirement plans, and component units, are based solely on the reports of the 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 from material misstatement. Certain entities of the State of Alaska were not audited in accordance with *Government Auditing Standards*. These entities include: the Alaska Municipal Bond Bank Authority (a discretely presented component unit), the Alaska Housing Capital Corporation (a blended component unit), the Pension and Other Employee Benefit Trust Funds (fiduciary funds), and Invested Assets Under the Investment Authority of the Commissioner of the Department of Revenue (certain cash and investment accounts).

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 6 to the financial statements, the State of Alaska and its components adopted the provisions of *Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. Adoption of this statement resulted in the State of Alaska and the components recognizing their proportionate share of the pension plans' net pension liability, as well as recognizing most changes in the net pension liability within pension expense. Additionally, as discussed in Note 3, the adoption of this statement resulted in the restatement of net position as of June 30, 2014, for several entities presented. Our opinions are not modified with respect to this matter.

Also, as discussed in Note 14, the financial statements referred to above have been restated to correct a material misstatement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Alaska's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by *United States Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2016, except for Note 14 which is dated February 2, 2017, on our consideration of the State 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Alaska's internal control over financial reporting and compliance.



Kris Curtis, CPA, CISA
Legislative Auditor

Juneau, Alaska

January 27, 2016, except for Note 14 which is dated February 2, 2017, and except for our report on the Schedule of Expenditures of Federal Awards which is dated March 15, 2016.

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, 2015. 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 and deferred outflows of resources of the State exceeded its liabilities and deferred inflows of resources at the close of FY 15 by \$73.5 billion (net position). Of this amount, \$7.5 billion is invested in capital assets, \$47.4 billion is restricted for various purposes, and unrestricted net position is \$18.6 billion. Unrestricted net position may be used to meet the State's ongoing obligations to citizens and creditors.
- As a result of implementing GASB Statement 68, *Accounting and Financial Reporting for Pensions*, the State recorded \$752 thousand net pension asset, \$2,855 million deferred outflows of resources, \$6,057 million net pension liability, and \$704 million deferred inflows of resources for the primary government. This was the primary reason for the \$6.3 billion adjustment to the beginning unrestricted net position in fiscal year 2015. Before restatement, the primary government's total net position decreased by \$8.6 billion from the prior year. After restating beginning balances for GASB Statement 68, the primary government's total net position decreased by \$2.3 billion.

Fund level

- As of the close of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$69.4 billion, with \$22.7 billion unrestricted (includes committed, assigned, and unassigned), \$46.5 billion nonspendable, and \$247 million restricted to specific purposes such as development, debt, and education. The nonspendable fund balance includes \$45.6 billion of the Alaska Permanent Fund principal with the remaining related to nonspendable assets such as inventory, advances and prepaid items, and the principal of other nonmajor permanent funds.
- At the end of the current fiscal year, unrestricted fund balance for the General Fund was a surplus of \$15.5 billion. This is a decrease of \$6.7 billion from FY 14. The decrease is mainly attributable to \$3.0 billion payment to the PERS and TRS retirement plans, a \$943 thousand decrease in interest and investment income, and a \$2.5 billion decrease in taxes collected by the State.

Long-term debt

- As a result of this year's activity, after taking into account the effects of beginning balance of the net pension liability now recorded, the State's total long-term debt decreased by \$685 million (7.48 percent). The decrease in debt is primarily due to a decrease in the net pension liability after restating beginning balances, a decrease in general obligation bonds, as well as a decrease in outstanding revenue bonds. Additional information regarding long-term debt can be found in Note 6.

Overview of the Financial Statements

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

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

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

The statement of net position presents information on all of the State's assets, liabilities and deferred outflows and inflows of resources. Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

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

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

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

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

Governmental funds – Most of the State's basic services are reported in the governmental funds. Governmental funds include the General Fund, special revenue funds, capital projects funds, debt service funds, and permanent funds.

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

As mentioned earlier, the State has only two major governmental funds, the Alaska Permanent Fund and the General Fund. Together these two funds represent 97.5 percent of total government-wide cash and investments and 93.3 percent of total government-wide net position (excluding component units). The governmental funds financial statements present detail on each of these funds, with summarized information on all other governmental funds. In addition, detail for each of the nonmajor governmental funds is available in combining statements elsewhere in this report.

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

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

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

The proprietary fund financial statements are statement numbers 1.21 through 1.23. The International Airports Fund is a major enterprise fund of the State of Alaska. The International Airports Fund is 5.5 percent of total government-wide liabilities (excluding component units). The proprietary funds financial statements present detail on this fund with summarized information on all other proprietary funds. In addition, detail for each of the nonmajor proprietary funds is provided in the combining statements elsewhere in this report.

Fiduciary funds – The State acts as a trustee or fiduciary for its employee pension plans. In addition, it is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State's fiduciary activities are reported in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. 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 (RSI)

In addition to the basic financial statements and accompanying notes, this report includes additional required supplementary information. Included in the RSI is 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). Also included are schedules displaying the sources of changes in the net pension liability, components of the net pension liability and related ratios, and the net pension liability as a percentage of covered-employee payroll.

Other Supplementary Information

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

Government-wide Financial Analysis

As noted earlier, net position should serve over time as a useful indicator of a government's financial position. State assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$73.5 billion at the close of FY 2015 (see table below). By far the largest portion of the State's net position (71.8 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 (\$45.6 billion) may not be spent.

The remainder of the State's net position (28.2 percent) represents net investment in capital assets (\$7.5 billion), resources that are subject to external restrictions of how they may be used (\$1.8 billion), and the remaining unrestricted net position of \$11.4 billion, which excludes \$7.2 billion that is in the Alaska Permanent Fund.

Net Position
(Stated in millions)

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	FY 15	FY 14	FY 15	FY 14	FY 15	FY 14
Current and Other Noncurrent Assets	\$ 72,688	\$ 78,597	\$ 1,381	\$ 1,313	\$ 74,069	\$ 79,910
Capital Assets	7,397	6,951	1,254	1,312	8,651	8,263
Total Assets	80,085	85,548	2,635	2,625	82,720	88,173
Deferred Outflows of Resources	2,853	6	18	-	2,871	6
Long-term Liabilities	7,903	2,151	570	521	8,473	2,672
Other Liabilities	2,855	3,385	20	19	2,875	3,404
Total Liabilities	10,758	5,536	590	540	11,348	6,076
Deferred Inflows of Resources	695	-	8	-	703	-
Net Position:						
Net Investment in Capital Assets	6,683	6,205	817	868	7,500	7,073
Restricted	46,443	45,797	940	866	47,383	46,663
Unrestricted	18,359	28,016	298	351	18,657	28,367
Total Net Position	\$ 71,485	\$ 80,018	\$ 2,055	\$ 2,085	\$ 73,540	\$ 82,103

The FY 14 amounts presented here have not been restated for the implementation of GASB Statement 68 for pensions or other adjustments. See Note 3

The net position of governmental activities decreased \$8,533 million, of which, \$6,205 million is related to GASB Statement 68 implementation. The business-type activities decreased \$30 million which is made up of an increase of \$38 million as a result of current year operations and a decrease of \$68 million after implementing GASB Statement 68.

The remaining decrease in governmental activities is primarily due to a \$5.4 billion decrease in interest and investment income, and a \$2.5 billion decrease in taxes collected by the State. The decrease in business-type activities is primarily due to the Knik Arm Bridge Toll and Authority's assets and operations turning over to the primary government as well as a decrease in overall revenues.

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the State's net position changed during FY 15.

Changes in Net Position

	(Stated in millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 15	FY 14	FY 15	FY 14	FY 15	FY 14
Revenues						
Program Revenues						
Charges for Services	\$ 2,100	\$ 2,928	\$ 333	\$ 372	\$ 2,433	\$ 3,300
Operating Grants	1,918	1,810	-	26	1,918	1,836
Capital Grants	769	681	69	80	838	761
General Revenues						
Taxes	513	2,974	-	-	513	2,974
Interest and Investment Income/(Loss)	2,833	8,236	(10)	(14)	2,823	8,222
Payments In from Component Units	14	23	-	-	14	23
Other Revenues	34	60	1	5	35	65
Total Revenues	8,181	16,712	393	469	8,574	17,181
Expenses						
General Government	587	554	-	-	587	554
Alaska Permanent Fund Dividend	1,203	571	-	-	1,203	571
Education and University	2,810	2,676	-	-	2,810	2,676
Health and Human Services	2,771	2,587	-	-	2,771	2,587
Law and Justice	259	270	-	-	259	270
Public Protection	791	805	-	-	791	805
Natural Resources	475	383	-	-	475	383
Development	410	1,123	61	5	471	1,128
Transportation	1,278	1,404	-	-	1,278	1,404
Intergovernmental	134	262	-	-	134	262
Debt Service	66	65	-	-	66	65
Loans	-	-	11	10	11	10
Unemployment Compensation	-	-	143	196	143	196
Airports	-	-	150	158	150	158
Total Expenses	10,784	10,700	365	369	11,149	11,069
Excess (Deficiency) of Revenues						
Over Expenditures	(2,603)	6,012	28	100	(2,575)	6,112
Transfers	(11)	(1)	11	1	-	-
Change in Net Position	(2,614)	6,011	39	101	(2,575)	6,112
Net Position - Beginning of Year (restated)	73,813	74,018	2,016	1,984	75,829	76,002
Prior Period Adjustment	286	(11)	-	-	286	(11)
Net Position - End of Year	\$ 71,485	\$ 80,018	\$ 2,055	\$ 2,085	\$ 73,540	\$ 82,103

For FY 15, the amount of net position – beginning of year being restated for governmental activities is \$6,205 million and \$68 million for business-type activities in relation to the implementation of GASB Statement 68. The FY 14 amounts presented here have not been restated for the implementation of GASB Statement 68 for pensions or other adjustments. Additional information regarding the restatement of net position can be found in Note 3 in the notes to the basic financial statements.

Financial Analysis of the State's Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$69.4 billion, a decrease of \$5.2 billion in comparison with the prior year. This decrease is primarily due to an increase in expenditures for an additional payment made to the PERS and TRS retirement plans, a decrease in interest and investment income as well as a decrease in taxes collected by the State.

The General Fund unassigned and committed fund balances, which are available for spending at the government's discretion, had balances of \$10.5 billion, and \$5.0 billion, respectively. The Alaska Permanent Fund (earnings reserve account) had an assigned fund balance of \$7.2 billion, and the remaining nonmajor governmental funds had committed fund balances of \$74.2 million. The remainder of fund balance is restricted or nonspendable to indicate that it is not available for new spending such as the principal of the Alaska Permanent Fund (\$45.6 billion), and other items that are nonspendable, such as inventory, advances and prepaid items, and principal (\$844 million), and amounts restricted for a variety of other purposes (\$247 million).

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, unrestricted fund balance (includes committed, assigned, and unassigned) of the General Fund was \$15.5 billion, while total fund balance reached \$15.8 billion. As a measure of the General Fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total fund expenditures. Unrestricted fund balance represents 118 percent of total General Fund expenditures, while total fund balance represents 121 percent of that same amount.

The fund balance of the State's General Fund decreased by \$6.7 billion during the current fiscal year. For FY 15, the most significant source of revenue was federal revenues (51.8 percent) followed by rents and royalties (22.8 percent). Even with the decline in petroleum related revenues, Rents and Royalties and Taxes continue to be a significant source of income.

General Fund revenues for FY 15 were \$4.9 billion, a decrease of \$3.9 billion compared to revenues of \$8.8 billion for FY 14. Revenues by source for FY 15 are compared to FY 14 in the following schedule (in millions):

<u>Revenue Source</u>	<u>FY 15</u>	<u>Percent</u>	<u>FY 14</u>	<u>Percent</u>
Taxes	\$ 491.7	10.1%	\$ 2,954.3	33.5%
Rents and Royalties	1,106.1	22.8%	1,764.5	20.0%
Interest and Investment Income/(Loss)	336.9	6.9%	1,279.6	14.5%
Federal	2,512.7	51.8%	2,410.5	27.4%
Miscellaneous	406.0	8.4%	402.1	4.6%
Total Revenue	<u>\$ 4,853.4</u>	<u>100.0%</u>	<u>\$ 8,811.0</u>	<u>100.0%</u>

The primary component of this revenue decrease is petroleum related income as well as interest and investment income compared to the previous year. In FY 15, amounts paid out for tax credits (\$628 million) were more than what was collected for petroleum related severance taxes resulting in a significant reduction in tax revenue. The General Fund received \$943 million less in interest and investment income revenue during FY 15.

Alaska Permanent Fund

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

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

The fund is made up of two parts.

- **Nonspendable Fund Balances:** The nonspendable fund balances, or principal, include all historical contributions and appropriations, which are the main body of the fund. At June 30, 2015, this amounted to \$39.2 billion. The sources of contributions and appropriations of the fund, since inception, were as follows: \$15.9 billion in dedicated mineral revenues; \$16.2 billion of fund realized earnings transferred to principal for inflation proofing; \$6.9 billion in additional deposits approved by special legislative appropriation, and \$153 million in settlement earnings (*State v. Amerada Hess, et al.*).

A portion of accumulated unrealized appreciation on invested assets is also part of the nonspendable fund balances. The unrealized amounts allocated to contributions and appropriations are nonspendable, unless and until they become realized, at which point they will be transferred to the assigned fund balance. The portion of the unrealized appreciation at the end of the fiscal year allocated to principal amounted to \$6.5 billion.

- **Assigned Fund Balances:** The assigned fund balances, which are available for legislative appropriation per AS 37.13.145, consist of the realized earnings of the fund and a portion of accumulated unrealized appreciation. From inception through June 30, 2015, realized earnings (both gains and losses) have amounted to \$50.6 billion. Of this amount \$23.1 billion has been paid out for dividends, \$16.2 billion has been transferred to principal for inflation proofing, \$4.3 billion has been added to principal by special appropriation, \$536 million has been paid out to the General Fund, and \$6.5 billion remains in the fund at June 30, 2015 in the realized earnings account. The portion of the unrealized appreciation at the end of the fiscal year allocated to the assigned fund balance amounted to \$1.0 billion.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was a \$1.7 billion increase in appropriations (or 8 percent) and can be briefly summarized as follows:

- \$1,203.8 million increase allocated to education
- \$206.9 million increase allocated to transportation
- \$128.8 million increase allocated to public protection
- The balance is allocated across several expenditure functions

Of this overall increase in appropriated expenditures, \$269.5 million was funded out of an increase in interagency receipts, which represent purchases between departments. The remaining increase was funded with money transferred from the Statutory Budget Reserve Fund (SBR) of \$2,503 million. Please see Note 2 for additional information on the SBR.

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

The difference between the final amended budget and actual expenditures was a \$5.8 billion decrease (or 27 percent) primarily due to a \$4,378.9 million decrease in transportation expenditures.

Capital Assets and Debt Administration

Capital assets. The State's net investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounts to \$7.5 billion. The table below displays total capital assets, net of accumulated depreciation. Depreciation charges for FY 15 totaled \$450 million for governmental activities and \$65 million for business-type activities.

Capital Assets
(net of depreciation, in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 15	FY 14	FY 15	FY 14	FY 15	FY 14
	Land	\$ 968	\$ 936	\$ 31	\$ 31	\$ 999
Buildings	1,343	1,331	735	739	2,078	2,070
Equipment	442	461	30	33	472	494
Infrastructure	2,831	2,675	397	413	3,228	3,088
Construction in Progress	1,812	1,548	60	96	1,872	1,644
Total Capital Assets	\$ 7,396	\$ 6,951	\$ 1,253	\$ 1,312	\$ 8,649	\$ 8,263

In FY 15, increases were primarily in infrastructure and construction in progress with an increase of \$140 million and \$228 million respectively. 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 \$1,536 million. Of this amount, \$657 million was general obligation bonds, and \$879 million of revenue bonds payable comprised of \$349 million issued by the Northern Tobacco Securitization Corporation (NTSC), \$33 million of sport fishing revenue bonds, and \$497 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 \$497 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 15	FY 14 Restated	FY 15	FY 14 Restated	FY 15	FY 14 Restated
	Revenue Bonds Payable	\$ 382	\$ 391	\$ 497	\$ 514	\$ 879
General Obligation Debt	657	692	-	-	657	692
Capital Leases Payable	318	333	-	-	318	333
Unearned Revenues	45	49	1	1	46	50
Certificates of Participation	35	3	-	-	35	3
Compensated Absences	176	178	5	5	181	183
Claims and Judgments	156	142	-	-	156	142
Pollution Remediation	143	78	1	1	144	79
Other Noncurrent Liabilities	1	1	-	-	1	1
Net Pension Liability	5,990	6,696	66	74	6,056	6,770
Total	\$ 7,903	\$ 8,563	\$ 570	\$ 595	\$ 8,473	\$ 9,158

The State's total long-term debt decreased by \$685 million (7.48 percent) during FY 15. The decrease in debt is primarily due to a decrease in the net pension liability after restating beginning balances, a decrease in general obligation bonds, as well as a decrease in outstanding revenue bonds.

While implementing GASB Statement 68, the State of Alaska reported net pension liability in relation to a special funding situation in the amount of \$3,542 million. The State of Alaska, Department of Law issued a legal opinion that the State of Alaska is not legally responsible for this portion of the net pension liability. Regardless, the financial statements must be reported under generally accepted accounting principles.

Additional information regarding the restated balances for FY 14 and of the State's long-term debt can be found in Notes 3 and 6 respectively, in the notes to the basic financial statements.

Significant Facts

While the General Fund revenue decreased by \$4.0 billion over all, petroleum related revenue decreased by \$3.2 billion between FY 14 and FY15. The decrease is primarily related to the fall in oil prices, fall in production, and payments of tax credits.

The Public Employee's Retirement System's (PERS) investment income decreased \$1.9 billion to \$479.6 million during fiscal year 2015. The Teacher's Retirement System's (TRS) net investment income decreased \$761.4 million to \$235.9 million during fiscal year 2015. To help with the net pension liability, in FY 15, the legislature appropriated \$1.0 billion to the PERS retirement fund and \$2.0 billion to the TRS fund from the Constitutional Budget Reserve Fund.

Another significant factor affecting interest and investment revenues was a decrease of \$4.5 billion between FY 14 and FY 15 for the Alaska Permanent Fund (APF). In FY 14 the APF experienced investment income gain of \$7.0 billion, compared to a gain of \$2.5 billion in FY 15. The APF experienced a total fund return of 4.91 percent for FY 15. FY 2015's results are slightly above mid-point of the range of returns since 1985, which have ranged from -17.96 percent to 25.58 percent. Please see Note 1 for further information regarding this blended component unit and how to obtain the separately issued financial statements.

Economic Factors and Next Year's Budgets and Rates

- The State's average unemployment rate for FY 15 was 6.6 percent, which is lower than the adjusted average unemployment rate for FY 14 of 6.9 percent. Alaska's five year average (2011 to 2015) was 7.1 percent. The United States unemployment rate for FY 15 was 5.2 percent.
- Total General Fund revenue for FY 15 was \$4.9 billion. Two sources of revenue accounted for 78.8 percent of total state revenue; federal and nonpetroleum revenues. Federal accounted for 51.8 percent and nonpetroleum related revenues accounted for 27.0 percent of general fund revenue. The State's budget is primarily structured around petroleum and federal revenue. Federal funds are generally restricted for use for federal programs and therefore cannot be used to balance the State budget. Petroleum revenues continue to decline as a result in decreased production and a decrease in oil prices.
- FY 15 crude oil and natural gas liquids production in the State of Alaska for the North Slope and Cook Inlet areas averaged 515 thousand barrels per day. This is 32 thousand barrels per day less than in the prior year. While the Cook Inlet saw an increase in production, this was not enough to offset the overall production decrease and the decrease in oil prices.
- The State of Alaska FY 15 budgeted expenditures include certain items that are unique to Alaska, such as the Alaska Permanent Fund Dividend and State-operated Pioneer Homes. The Alaska Permanent Fund Dividend (\$1,884/resident) was paid to each qualifying Alaskan for a total of \$1,203 million.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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STATE OF ALASKA
Statement of Net Position
Government-wide
June 30, 2015
(Stated in Thousands)

STATEMENT 1.01

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and Investments	\$ 70,147,313	\$ 819,488	\$ 70,966,801	\$ 2,554,560
Accounts Receivable - Net	628,463	36,463	664,926	54,516
Interest and Dividends Receivable	134,966	16,278	151,244	38,618
Internal Balances	39,717	(39,717)	-	-
Due from Primary Government	-	-	-	53,661
Due from Component Units	20,917	-	20,917	3,472
Due from Other Governments	505,670	3,005	508,675	49,083
Loans, Notes, and Bonds Receivable	17,018	435,022	452,040	4,068,089
Inventories	22,423	-	22,423	16,669
Repossessed Property	-	1,479	1,479	175
Net Investment in Direct Financing Leases	-	-	-	217,423
Investments in Projects, Partnerships, or Corporations	-	2,787	2,787	39,411
Restricted Assets	28,633	105,148	133,781	2,371,065
Securities Lending Collateral	896,616	-	896,616	7,842
Net Pension Asset	752	-	752	-
Other Assets	245,561	1,219	246,780	56,536
Capital Assets:				
Equipment, Net of Depreciation	442,042	30,391	472,433	256,539
Buildings, Net of Depreciation	1,343,059	735,096	2,078,155	1,270,151
Infrastructure, Net of Depreciation	2,831,439	396,837	3,228,276	1,022,451
Museum Collections	-	-	-	7,169
Land / Right-of-Way	968,099	31,202	999,301	113,763
Construction in Progress	1,812,265	59,947	1,872,212	463,175
Total Assets	<u>80,084,953</u>	<u>2,634,645</u>	<u>82,719,598</u>	<u>12,664,368</u>
DEFERRED OUTFLOWS OF RESOURCES				
Change in Fair Value-Interest Rate Swaps	-	-	-	147,682
Deferred Charge on Bond Refundings	16,468	-	16,468	22,684
Deferred Outflows Related to Pensions	2,836,402	18,286	2,854,688	22,331
Total Deferred Outflows of Resources	<u>2,852,870</u>	<u>18,286</u>	<u>2,871,156</u>	<u>192,697</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	1,766,200	9,216	1,775,416	153,446
Obligations Under Securities Lending	896,616	-	896,616	7,842
Due to Primary Government	-	-	-	86,028
Due to Component Units	17,217	-	17,217	17,779
Due to Other Governments	28	4,111	4,139	1,126
Interest Payable	14,088	5,844	19,932	29,373
Derivative Instruments	-	-	-	150,199
Bond Anticipation Note Payable	160,677	-	160,677	-
Other Current Liabilities	1	582	583	39,575
Long-term Liabilities:				
Portion Due or Payable Within One Year:				
Claims, Judgments, Compensated Absences, and Pollution Remediation	233,262	4,029	237,291	17,522
Unearned Revenue	31,139	865	32,004	71,218
Notes, Bonds, and Leases Payable	85,392	16,725	102,117	193,373
Other Noncurrent Liabilities	347	-	347	475
Portion Due or Payable After One Year:				
Claims, Judgments, Compensated Absences, and Pollution Remediation	241,348	1,747	243,095	4,900
Unearned Revenue	13,855	-	13,855	62,480
Notes, Bonds, and Leases Payable	1,306,718	480,430	1,787,148	3,635,562
Net Pension Liabilities	5,990,183	66,449	6,056,632	236,020
Other Noncurrent Liabilities	514	-	514	19,352
Total Liabilities	<u>10,757,585</u>	<u>589,998</u>	<u>11,347,583</u>	<u>4,726,270</u>
DEFERRED INFLOWS OF RESOURCES				
Grant Revenue	-	-	-	597,616
Deferred Inflows Related to Pensions	695,507	8,067	703,574	28,535
Total Deferred Inflows of Resources	<u>695,507</u>	<u>8,067</u>	<u>703,574</u>	<u>626,151</u>
NET POSITION				
Net Investment in Capital Assets	6,683,296	817,436	7,500,732	2,157,934
Restricted for:				
Permanent Funds				
Nonexpendable	46,210,518	-	46,210,518	440,846
Expendable	15,843	-	15,843	145,906
Education	75,892	-	75,892	669,717
Development	78,003	-	78,003	216,273
Unemployment Compensation	-	429,285	429,285	-
Health and Human Services	16,680	465,877	482,557	-
Debt Service	40,689	22,092	62,781	621,225
Other Purposes	5,347	22,159	27,506	1,271,456
Unrestricted	18,358,463	298,017	18,656,480	1,981,287
Total Net Position	<u>\$ 71,484,731</u>	<u>\$ 2,054,866</u>	<u>\$ 73,539,597</u>	<u>\$ 7,504,644</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, 2015
(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	\$ 586,724	\$ 12,316	\$ 37,459	\$ 531
Alaska Permanent Fund Dividend	1,203,234	-	-	-
Education	2,285,272	3,705	219,424	121
University	524,677	40	1,754	-
Health and Human Services	2,770,978	50,513	1,335,641	31,311
Law and Justice	259,017	17,140	22,988	427
Public Protection	791,136	174,986	78,899	6,698
Natural Resources	475,146	1,768,465	79,310	21,178
Development	409,528	3,224	63,091	2,751
Transportation	1,278,527	69,890	56,619	705,811
Intergovernmental Revenue Sharing	134,239	-	22,501	-
Debt Service	65,808	-	-	25
Total Governmental Activities	<u>10,784,286</u>	<u>2,100,279</u>	<u>1,917,686</u>	<u>768,853</u>
Business-type Activities:				
Loans	10,518	11,062	521	18,424
Unemployment Compensation	142,702	185,476	-	39
Airports	150,341	134,361	-	50,354
Development	61,220	1,602	-	159
Total Business-type Activities	<u>364,781</u>	<u>332,501</u>	<u>521</u>	<u>68,976</u>
Total Primary Government	<u>\$ 11,149,067</u>	<u>\$ 2,432,780</u>	<u>\$ 1,918,207</u>	<u>\$ 837,829</u>
Component Units:				
University of Alaska	\$ 970,350	\$ 188,743	\$ 212,150	\$ 125,415
Alaska Housing Finance Corporation	285,419	135,688	50,276	97,177
Alaska Industrial Development and Export Authority	39,048	47,081	1,042	13,694
Nonmajor Component Units	519,606	239,372	88,939	98,382
Total Component Units	<u>\$ 1,814,423</u>	<u>\$ 610,884</u>	<u>\$ 352,407</u>	<u>\$ 334,668</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

Contributions

Total General Revenues, Transfers, and Contributions

Change in Net Position

Net Position - Beginning of Year (restated)

Prior Period Adjustment

Net Position - End of Year

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (536,418)	\$	\$ (536,418)	\$
(1,203,234)		(1,203,234)	
(2,062,022)		(2,062,022)	
(522,883)		(522,883)	
(1,353,513)		(1,353,513)	
(218,462)		(218,462)	
(530,553)		(530,553)	
1,393,807		1,393,807	
(340,462)		(340,462)	
(446,207)		(446,207)	
(111,738)		(111,738)	
(65,783)		(65,783)	
<u>(5,997,468)</u>		<u>(5,997,468)</u>	
	19,489	19,489	
	42,813	42,813	
	34,374	34,374	
	(59,459)	(59,459)	
	<u>37,217</u>	<u>37,217</u>	
<u>(5,997,468)</u>	<u>37,217</u>	<u>(5,960,251)</u>	
			(444,042)
			(2,278)
			22,769
			<u>(92,913)</u>
			<u>(516,464)</u>
(106,738)	-	(106,738)	9,475
250,283	-	250,283	-
239,379	-	239,379	-
127,821	-	127,821	-
2,592	-	2,592	-
2,832,768	(10,155)	2,822,613	55,183
29,175	-	29,175	-
14,106	-	14,106	481
-	-	-	535,671
4,641	890	5,531	4,331
(10,544)	10,544	-	-
-	-	-	6,213
<u>3,383,483</u>	<u>1,279</u>	<u>3,384,762</u>	<u>611,354</u>
(2,613,985)	38,496	(2,575,489)	94,890
73,813,194	2,016,370	75,829,564	7,409,754
285,522	-	285,522	-
<u>\$ 71,484,731</u>	<u>\$ 2,054,866</u>	<u>\$ 73,539,597</u>	<u>\$ 7,504,644</u>

STATE OF ALASKA
Balance Sheet
Governmental Funds
June 30, 2015
(Stated in Thousands)

STATEMENT 1.11

	General Fund	Alaska Permanent Fund	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 14,814,962	\$ 54,380,683	\$ 855,683	\$ 70,051,328
Accounts Receivable - Net	143,736	460,908	2,502	607,146
Interest and Dividends Receivable	1,593	133,333	40	134,966
Due from Other Funds	1,478,198	28,576	47,605	1,554,379
Due from Component Units	20,154	-	763	20,917
Due from Other Governments	492,309	-	5,520	497,829
Loans, Notes, and Bonds Receivable	16,951	-	67	17,018
Inventories	18,500	-	-	18,500
Securities Lending Collateral	-	896,616	-	896,616
Other Assets	185,586	-	52,631	238,217
Total Assets	<u>\$ 17,171,989</u>	<u>\$ 55,900,116</u>	<u>\$ 964,811</u>	<u>\$ 74,036,916</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 892,041	\$ 805,855	\$ 16,305	\$ 1,714,201
Obligations Under Securities Lending	-	896,616	-	896,616
Due to Other Funds	123,915	1,397,146	14,803	1,535,864
Due to Component Units	17,217	-	-	17,217
Due to Other Governments	28	-	-	28
Unearned Revenue	44,861	-	133	44,994
Interest Payable	-	-	2,099	2,099
Bond Anticipation Note Payable	-	-	160,677	160,677
Other Liabilities	347	-	515	862
Total Liabilities	<u>1,078,409</u>	<u>3,099,617</u>	<u>194,532</u>	<u>4,372,558</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	261,677	-	427	262,104
Total Deferred Inflows of Resources	<u>261,677</u>	<u>-</u>	<u>427</u>	<u>262,104</u>
FUND BALANCES				
Nonspendable:				
Inventory	18,509	-	-	18,509
Principal	-	45,638,093	572,425	46,210,518
Advances and Prepaid Items	200,681	-	52,596	253,277
Restricted for:				
Debt Service	10	-	43,090	43,100
Education	14,594	-	61,298	75,892
Health and Human Services	29,261	-	16,042	45,303
Development	35,247	-	42,546	77,793
Other Purposes	4,857	-	171	5,028
Committed to:				
Debt Service	1,375	-	-	1,375
Education	1,064,459	-	15,843	1,080,302
Health and Human Services	216,774	-	-	216,774
Public Protection	186,718	-	-	186,718
Permanent Fund	1,391,430	-	-	1,391,430
Development	1,981,222	-	58,375	2,039,597
Other Purposes	153,766	-	-	153,766
Assigned to:				
Permanent Fund	-	7,162,406	-	7,162,406
Unassigned:	10,533,000	-	(92,534)	10,440,466
Total Fund Balances	<u>15,831,903</u>	<u>52,800,499</u>	<u>769,852</u>	<u>69,402,254</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 17,171,989</u>	<u>\$ 55,900,116</u>	<u>\$ 964,811</u>	<u>\$ 74,036,916</u>

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

STATE OF ALASKA
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2015
(Stated in Thousands)

STATEMENT 1.12

Total Fund Balances - Governmental Funds \$ 69,402,254

Amounts reported for governmental activities in the Statement of Net Position 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	253,816	
Buildings, net of depreciation	1,235,648	
Infrastructure, net of depreciation	2,831,439	
Land / right-of-way	968,099	
Construction in progress	1,790,124	
	<u>7,079,126</u>	7,079,126

Some of the state's assets are not current available resources and are not reported in the funds.

Claims and judgments, net of federal reimbursement	7,841	
Net pension asset (Note 7)	752	
Other post employment benefits asset (Note 7)	760	
Unamortized bond issuance cost	2	
	<u>9,355</u>	9,355

Deferred outflows of resources that are not reported in the funds.

Losses on bond refunding	16,468	
Related to pensions	2,823,688	
	<u>2,840,156</u>	2,840,156

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 Position (See Statement 1.21).

390,611

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

262,104

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	(155,766)	
Compensated absences	(172,639)	
Pollution remediation	(142,632)	
Capital lease obligations	(308,262)	
Net pension liability	(5,943,982)	
	<u>(6,723,281)</u>	(6,723,281)

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	(1,073,706)	
Accrued interest payable	(11,990)	
	<u>(1,085,696)</u>	(1,085,696)

Deferred inflows of resources related to pensions that are not reported in the funds. (689,898)

Net Position of Governmental Activities \$ 71,484,731

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

STATE OF ALASKA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015
(Stated in Thousands)

STATEMENT 1.13

	General Fund	Alaska Permanent Fund	Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 491,736	\$ -	\$ 21,601	\$ 513,337
Licenses and Permits	130,090	-	32,999	163,089
Charges for Services	199,316	-	660	199,976
Fines and Forfeitures	15,269	-	295	15,564
Rents and Royalties	1,106,060	597,088	11,221	1,714,369
Premiums and Contributions	20,638	-	6,803	27,441
Interest and Investment Income (Loss)	336,928	2,494,453	16,535	2,847,916
Federal Grants in Aid	2,512,735	-	31,517	2,544,252
Payments In from Component Units	14,106	-	-	14,106
Other Revenues	26,478	-	23,709	50,187
Total Revenues	<u>4,853,356</u>	<u>3,091,541</u>	<u>145,340</u>	<u>8,090,237</u>
EXPENDITURES				
Current:				
General Government	1,290,102	102,116	3,368	1,395,586
Alaska Permanent Fund Dividend	1,203,234	-	-	1,203,234
Education	3,729,601	-	40,643	3,770,244
University	650,616	-	2,927	653,543
Health and Human Services	2,799,516	-	4,428	2,803,944
Law and Justice	271,577	2,578	-	274,155
Public Protection	793,568	-	852	794,420
Natural Resources	349,710	5,797	72,481	427,988
Development	385,764	-	36,093	421,857
Transportation	1,464,579	-	83,648	1,548,227
Intergovernmental Revenue Sharing	134,686	-	-	134,686
Debt Service:				
Principal	36,161	-	48,965	85,126
Interest and Other Charges	18,446	-	48,709	67,155
Bond Issuance Costs	426	-	-	426
Total Expenditures	<u>13,127,986</u>	<u>110,491</u>	<u>342,114</u>	<u>13,580,591</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(8,274,630)</u>	<u>2,981,050</u>	<u>(196,774)</u>	<u>(5,490,354)</u>
OTHER FINANCING SOURCES (USES)				
Bonds Issued	30,895	-	-	30,895
Refunding Bonds Issued	-	-	94,425	94,425
Bonds Issued Premium	4,532	-	22,186	26,718
Payment to Refunded Bonds Escrow Agent	-	-	(116,296)	(116,296)
Capital Leases	5,148	-	-	5,148
Transfers In from Other Funds	1,400,791	2,881	129,097	1,532,769
Transfers (Out to) Other Funds	(160,068)	(1,397,145)	(9,208)	(1,566,421)
Total Other Financing Sources and Uses	<u>1,281,298</u>	<u>(1,394,264)</u>	<u>120,204</u>	<u>7,238</u>
Net Change in Fund Balances	<u>(6,993,332)</u>	<u>1,586,786</u>	<u>(76,570)</u>	<u>(5,483,116)</u>
Fund Balances - Beginning of Year	22,541,616	51,213,713	844,519	74,599,848
Prior Period Adjustment	283,619	-	1,903	285,522
Fund Balances - End of Year	<u>\$ 15,831,903</u>	<u>\$ 52,800,499</u>	<u>\$ 769,852</u>	<u>\$ 69,402,254</u>

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

STATE OF ALASKA
Reconciliation of the Change in Fund Balances to the Statement of Activities
Governmental Funds
For the Fiscal Year Ended June 30, 2015
(Stated in Thousands)

STATEMENT 1.14

Net Change in Fund Balances - Total Governmental Funds \$ (5,483,116)

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

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

Capital outlay	854,624	
Depreciation expense	(416,792)	
	437,832	437,832

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 Position (Statement 1.22).

Net current year revenue		30,288
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund.

85,428

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

Bond proceeds	(35,427)	
Refunding bond proceeds	(116,611)	
Accrued interest	493	
Repayment of bond principal	60,358	
Payment to refunded bond escrow agent	116,296	
Amortization of bond cost	(95)	
	25,014	25,014

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 Position, the lease obligation is reported as a liability.

(5,148)

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

Claims and judgments	(9,224)	
Compensated absences	2,087	
Pollution remediation	(64,432)	
Capital lease payments	26,303	
Pension	2,341,610	
Other post employment benefits	(627)	
	2,295,717	2,295,717

Change in Net Position of Governmental Activities **\$ (2,613,985)**

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

STATE OF ALASKA
Statement of Net Position
Proprietary Funds
June 30, 2015
(Stated in Thousands)

STATEMENT 1.21

	Business-type Activities			Governmental
	Enterprise Funds			Activities
	International Airports	Nonmajor Enterprise Funds	Enterprise Funds Total	Internal Service Funds
ASSETS				
Current Assets:				
Cash and Investments	\$ 97,876	\$ 721,612	\$ 819,488	\$ 124,618
Accounts Receivable - Net	11,571	24,892	36,463	1,017
Interest and Dividends Receivable	-	6,628	6,628	-
Due from Other Funds	3,758	262	4,020	12,695
Due from Other Governments	2,680	325	3,005	-
Loans, Notes, and Bonds Receivable	-	30,644	30,644	-
Inventories	-	-	-	3,923
Restricted Assets	1,154	-	1,154	-
Other Current Assets	-	-	-	6,582
Total Current Assets	117,039	784,363	901,402	148,835
Noncurrent Assets:				
Interest and Dividends Receivable	-	9,650	9,650	-
Loans, Notes, and Bonds Receivable	-	404,378	404,378	-
Repossessed Property	-	1,479	1,479	-
Investment in Projects, Partnerships, or Corporations	-	2,787	2,787	-
Restricted Assets	103,994	-	103,994	-
Other Noncurrent Assets	-	1,219	1,219	-
Capital Assets:				
Equipment, Net of Depreciation	30,391	-	30,391	188,226
Buildings, Net of Depreciation	735,096	-	735,096	107,411
Infrastructure, Net of Depreciation	396,837	-	396,837	-
Land / Right-of-Way	31,202	-	31,202	-
Construction in Progress	59,947	-	59,947	22,141
Total Noncurrent Assets	1,357,467	419,513	1,776,980	317,778
Total Assets	1,474,506	1,203,876	2,678,382	466,613
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows Related to Pensions	18,115	171	18,286	12,714
Total Deferred Outflows of Resources	18,115	171	18,286	12,714
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	3,213	6,003	9,216	20,980
Due to Other Funds	42,183	1,554	43,737	2,212
Due to Other Governments	-	4,111	4,111	-
Interest Payable	5,844	-	5,844	-
Claims, Judgments, Compensated Absences, and Pollution Remediation	4,009	20	4,029	2,885
Unearned Revenue	865	-	865	-
Notes, Bonds, and Leases Payable	16,725	-	16,725	2,070
Other Current Liabilities	-	582	582	-
Total Current Liabilities	72,839	12,270	85,109	28,147
Noncurrent Liabilities:				
Claims, Judgments, Compensated Absences, and Pollution Remediation	1,508	239	1,747	688
Notes, Bonds, and Leases Payable	480,430	-	480,430	8,071
Net Pension Liabilities	65,827	622	66,449	46,201
Total Noncurrent Liabilities	547,765	861	548,626	54,960
Total Liabilities	620,604	13,131	633,735	83,107
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows Related to Pensions	7,991	76	8,067	5,609
Total Deferred Inflows of Resources	7,991	76	8,067	5,609
NET POSITION				
Net Investment in Capital Assets	817,436	-	817,436	307,637
Restricted for:				
Unemployment Compensation	-	429,285	429,285	-
Health and Human Services	-	465,877	465,877	-
Debt Service	22,092	-	22,092	-
Other Purposes	21,938	221	22,159	-
Unrestricted	2,560	295,457	298,017	82,974
Total Net Position	\$ 864,026	\$ 1,190,840	\$ 2,054,866	\$ 390,611

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

STATE OF ALASKA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2015
(Stated in Thousands)

STATEMENT 1.22

	Business-type Activities			Governmental
	Enterprise Funds			Activities
	International Airports	Nonmajor Enterprise Funds	Enterprise Funds Total	Internal Service Funds
OPERATING REVENUES				
Premiums and Contributions	\$ -	\$ 185,168	\$ 185,168	\$ 123,247
Charges for Goods and Services	133,477	1,619	135,096	113,350
Interest and Investment Income	-	9,734	9,734	-
Allowance for Uncollectible Interest	-	193	193	-
Fines and Forfeitures	-	345	345	-
Other Operating Revenues	884	-	884	1,638
Total Operating Revenues	<u>134,361</u>	<u>197,059</u>	<u>331,420</u>	<u>238,235</u>
OPERATING EXPENSES				
Benefits	-	142,702	142,702	121,448
Operating	83,011	5,471	88,482	96,452
Depreciation	65,423	20	65,443	33,048
Provision for Loan Losses and Forgiveness	-	1,925	1,925	-
Total Operating Expenses	<u>148,434</u>	<u>150,118</u>	<u>298,552</u>	<u>250,948</u>
Operating Income (Loss)	<u>(14,073)</u>	<u>46,941</u>	<u>32,868</u>	<u>(12,713)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Income	864	10,451	11,315	170
Interest and Investment Expense	(21,465)	(5)	(21,470)	(67)
Gain (Loss) on Disposal of Capital Assets	182	(59,960)	(59,778)	(1,028)
Other Nonoperating Revenues (Expenses)	(1,199)	(2,601)	(3,800)	122
Total Nonoperating Revenues (Expenses)	<u>(21,618)</u>	<u>(52,115)</u>	<u>(73,733)</u>	<u>(803)</u>
Income Before Capital Contributions and Transfers	(35,691)	(5,174)	(40,865)	(13,516)
Capital Contributions	50,354	18,463	68,817	20,696
Transfers In from Other Funds	14,057	133	14,190	23,108
Transfers (Out to) Other Funds	-	(3,646)	(3,646)	-
Change in Net Position	<u>28,720</u>	<u>9,776</u>	<u>38,496</u>	<u>30,288</u>
Total Net Position - Beginning of Year (restated)	835,306	1,181,064	2,016,370	360,323
Total Net Position - End of Year	<u>\$ 864,026</u>	<u>\$ 1,190,840</u>	<u>\$ 2,054,866</u>	<u>\$ 390,611</u>

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

STATE OF ALASKA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2015
(Stated in Thousands)

STATEMENT 1.23

	Business-type Activities			Governmental
	Enterprise Funds			Activities
	International Airports	Nonmajor Enterprise Funds	Enterprise Funds Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Other Governments	\$ -	\$ 586	\$ 586	\$ 141
Receipts from Customers	137,613	9	137,622	306
Receipts for Interfund Services Provided	-	6	6	108,153
Receipt of Principal from Loan Recipients	-	50,345	50,345	-
Receipt of Interest and Fees from Loan Recipients	-	11,720	11,720	-
Receipts from Insured	-	185,704	185,704	123,246
Payments to Employees	(46,182)	(743)	(46,925)	(38,927)
Payments to Suppliers	(47,812)	(358)	(48,170)	(64,338)
Payments to Loan Recipients	-	(75,225)	(75,225)	-
Claims Paid	-	(141,108)	(141,108)	(122,004)
Payments for Interfund Services Used	(2,525)	(5,028)	(7,553)	(3,836)
Other Receipts	-	304	304	1,618
Other Payments	(1,361)	(90)	(1,451)	(946)
Net Cash Provided (Used) by Operating Activities	<u>39,733</u>	<u>26,122</u>	<u>65,855</u>	<u>3,413</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Subsidies and Transfers (Out to) Other Funds	-	(6,409)	(6,409)	-
Operating Subsidies and Transfers In from Other Funds	14,057	294	14,351	23,108
Federal Grants	162	-	162	-
Proceeds from Issuance of Short-term Debt	-	3,278	3,278	-
Payments on Short-term Debt	-	(3,278)	(3,278)	-
Interest and Fees Paid on Borrowing	-	(4)	(4)	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>14,219</u>	<u>(6,119)</u>	<u>8,100</u>	<u>23,108</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Contributions	-	39	39	-
Proceeds from Sale of Capital Assets	-	-	-	2,063
Acquisition and Construction of Capital Assets	(66,217)	-	(66,217)	(23,238)
Proceeds from Capital Debt	-	-	-	7,471
Principal Paid on Capital Debt	(15,860)	-	(15,860)	(630)
Interest and Fees Paid on Capital Debt	(22,704)	-	(22,704)	-
Capital Lease Payments (and Interest)	-	-	-	(66)
Federal Grants	51,035	18,424	69,459	-
Other Receipts (Payments)	12,300	-	12,300	121
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(41,446)</u>	<u>18,463</u>	<u>(22,983)</u>	<u>(14,279)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sales/Maturities of Investments	234,218	11	234,229	-
Purchase of Investments	(233,354)	-	(233,354)	-
Interest and Dividends on Investments	-	10,440	10,440	170
Change in Restricted Cash and Investments	(10,002)	-	(10,002)	-
Net Cash Provided (Used) by Investing Activities	<u>(9,138)</u>	<u>10,451</u>	<u>1,313</u>	<u>170</u>
Net Increase (Decrease) in Cash	3,368	48,917	52,285	12,412
Cash and Cash Equivalents - Beginning of Year	56,039	672,695	728,734	112,206
Cash and Cash Equivalents - End of Year	<u>\$ 59,407</u>	<u>\$ 721,612</u>	<u>\$ 781,019</u>	<u>\$ 124,618</u>

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, 2015
(Stated in Thousands)

STATEMENT 1.23

	Business-type Activities			Governmental
	Enterprise Funds			Activities
	International Airports	Nonmajor Enterprise Funds	Enterprise Funds Total	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (14,073)	\$ 46,941	\$ 32,868	\$ (12,713)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	65,423	-	65,423	33,048
Provision for Loan Losses and Forgiveness	-	5	5	-
Other Reconciling Items	(3,886)	-	(3,886)	-
Net Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:				
Accounts Receivable - Net	3,753	1,786	5,539	(632)
Due from Other Funds	-	4	4	(6,322)
Due from Other Governments	-	99	99	-
Loans, Notes, and Bonds Receivable - Net	-	(21,588)	(21,588)	-
Repossessed Property	-	(940)	(940)	-
Interest and Dividends Receivable - Net	-	34	34	-
Inventories	-	-	-	(121)
Other Assets	-	30	30	(538)
Deferred Outflows of Resources	(12,760)	(122)	(12,882)	(8,890)
Due to Other Funds	-	(638)	(638)	948
Due to Other Governments	-	(1,078)	(1,078)	-
Accounts Payable and Accrued Liabilities	1,178	1,199	2,377	(1,756)
Net Pension Liability	(7,370)	(70)	(7,440)	(5,172)
Other Liabilities	(523)	384	(139)	(48)
Deferred Inflows of Resources	7,991	76	8,067	5,609
Net Cash Provided (Used) by Operating Activities	<u>\$ 39,733</u>	<u>\$ 26,122</u>	<u>\$ 65,855</u>	<u>\$ 3,413</u>
Reconciliation of Cash to the Statement of Net Position:				
Total Cash and Investments per the Statement of Net Position	\$ 97,876	\$ 721,612	\$ 819,488	\$ 124,618
Less: Investments not Meeting the Definition of Cash or Cash Equivalents	(38,469)	-	(38,469)	-
Cash, End of Year	<u>\$ 59,407</u>	<u>\$ 721,612</u>	<u>\$ 781,019</u>	<u>\$ 124,618</u>
Noncash Investing, Capital, and Financing Activities:				
Contributed Capital Assets	20	-	20	20,696
Transfers (Out to) Other Funds (Accrual)	-	(1)	(1)	-
Capital Assets Transferred to Primary Government	-	(59,960)	(59,960)	-

STATE OF ALASKA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015
(Stated in Thousands)

STATEMENT 1.31

	Pension and Other Employee Benefit Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 549,313	\$ 343,042
Investments:		223,194
Fixed Income	3,098,149	
Domestic Equities	6,600,619	
International Equities	5,995,306	
Alternative Equity Strategies	889,260	
Private Equity Pool	1,839,285	
Absolute Return Pool	1,359,536	
Real Assets	4,118,056	
Collective Investment Funds	1,827,073	
Pooled Investment Funds	2,684,350	
Synthetic Investment Contracts	537,184	
Investment Loss Trust Fund Assets	1,940	-
Accounts Receivable - Net	685	4
Contributions Receivable	43,654	-
Interest and Dividends Receivable	4	-
Due from Other Funds	27,100	3,925
Other Assets	4,102	-
Total Assets	<u>29,575,616</u>	<u>570,165</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	20,618	5,036
Forfeiture Payable to Employer	30,137	-
Claims Payable	93,244	-
Trust Deposits Payable	-	563,109
Due to Other Funds	18,286	2,020
Total Liabilities	<u>162,285</u>	<u>570,165</u>
NET POSITION		
Held in Trust for:		
Pension Benefits	14,034,857	-
Postemployment Benefits	10,310,996	-
Individuals, Organizations, and Other Governments	5,067,478	-
Total Net Position	<u>\$ 29,413,331</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 Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2015
(Stated in Thousands)

STATEMENT 1.32

	<u>Pension and Other Employee Benefit Trust Funds</u>
ADDITIONS	
Premiums and Contributions:	
Employer	\$ 670,265
Member	443,738
Other	3,005,243
Total Premiums and Contributions	<u>4,119,246</u>
Investment Income:	
Net Appreciation (Depreciation) in Fair Value of Investments	486,538
Interest	94,965
Dividends	330,685
Total Investment Income	<u>912,188</u>
Less Investment Expense	62,913
Net Investment Income	<u>849,275</u>
Other	63,003
Total Additions	<u>5,031,524</u>
DEDUCTIONS	
Benefits Paid	1,876,091
Refunds of Premiums and Contributions	43,391
Administrative Expenses	42,484
Total Deductions	<u>1,961,966</u>
Net Increase (Decrease) in Net Position Held in Trust for:	
Pension Benefits	2,355,266
Postemployment Benefits	483,836
Individuals, Organizations, and Other Governments	230,456
Net Position - Beginning of the Year	<u>26,343,773</u>
Net Position - End of the Year	<u>\$ 29,413,331</u>

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

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STATE OF ALASKA
Statement of Net Position
Component Units
June 30, 2015
(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	\$ 236,682	\$ 625,232	\$ 631,335	\$ 1,061,311	\$ 2,554,560
Accounts Receivable - Net	28,018	-	-	26,498	54,516
Interest and Dividends Receivable	724	11,606	4,243	22,045	38,618
Due from Primary Government	8,488	20,776	173	24,224	53,661
Due from Component Units	37	483	2,952	-	3,472
Due from Other Governments	31,487	-	25	17,571	49,083
Loans, Notes, and Bonds Receivable	17,117	2,662,893	388,075	1,000,004	4,068,089
Inventories	5,535	-	-	11,134	16,669
Reposessed Property	-	-	175	-	175
Net Investment in Direct Financing Leases	-	39,732	177,691	-	217,423
Investments in Projects, Partnerships, or Corporations	-	-	39,411	-	39,411
Restricted Assets	476,399	241,360	140,609	1,512,697	2,371,065
Securities Lending Collateral	-	-	-	7,842	7,842
Other Assets	4,770	26,723	3,457	21,586	56,536
Capital Assets:					
Equipment, Net of Depreciation	65,422	699	-	190,418	256,539
Buildings, Net of Depreciation	1,096,185	95,515	51,824	26,627	1,270,151
Infrastructure, Net of Depreciation	115,573	-	27,121	879,757	1,022,451
Museum Collections	7,169	-	-	-	7,169
Land / Right-of-Way	39,535	19,687	3,165	51,376	113,763
Construction in Progress	220,781	156	23,293	218,945	463,175
Total Assets	<u>2,353,922</u>	<u>3,744,862</u>	<u>1,493,549</u>	<u>5,072,035</u>	<u>12,664,368</u>
DEFERRED OUTFLOWS OF RESOURCES					
Change in Fair Value-Interest Rate Swaps	-	147,682	-	-	147,682
Deferred Charge on Bond Refundings	1,255	21,073	265	91	22,684
Deferred Outflows Related to Pensions	16,762	2,685	988	1,896	22,331
Total Deferred Outflows of Resources	<u>18,017</u>	<u>171,440</u>	<u>1,253</u>	<u>1,987</u>	<u>192,697</u>
LIABILITIES					
Accounts Payable and Accrued Liabilities	59,334	15,492	921	77,699	153,446
Obligations Under Securities Lending	-	-	-	7,842	7,842
Due to Primary Government	-	173	47,085	38,770	86,028
Due to Component Units	14,898	-	-	2,881	17,779
Due to Other Governments	-	-	-	1,126	1,126
Interest Payable	-	9,397	2,664	17,312	29,373
Derivative Instruments	-	150,199	-	-	150,199
Other Current Liabilities	17,902	16,899	731	4,043	39,575
Long-term Liabilities:					
Portion Due or Payable Within One Year:					
Claims, Judgments, Compensated Absences, and Pollution Remediation	13,037	2,630	-	1,855	17,522
Unearned Revenue	66,860	-	-	4,358	71,218
Notes, Bonds, and Leases Payable	10,528	40,985	11,285	130,575	193,373
Other Noncurrent Liabilities	-	-	-	475	475
Portion Due or Payable After One Year:					
Claims, Judgments, Compensated Absences, and Pollution Remediation	-	2,001	-	2,899	4,900
Unearned Revenue	54,119	-	-	8,361	62,480
Notes, Bonds, and Leases Payable	159,445	2,160,542	123,370	1,192,205	3,635,562
Net Pension Liabilities	188,877	28,368	8,595	10,180	236,020
Other Noncurrent Liabilities	6,810	858	8,620	3,064	19,352
Total Liabilities	<u>591,810</u>	<u>2,427,544</u>	<u>203,271</u>	<u>1,503,645</u>	<u>4,726,270</u>
DEFERRED INFLOWS OF RESOURCES					
Grant Revenue	-	-	-	597,616	597,616
Deferred Inflows Related to Pensions	23,046	3,277	993	1,219	28,535
Total Deferred Inflows of Resources	<u>23,046</u>	<u>3,277</u>	<u>993</u>	<u>598,835</u>	<u>626,151</u>
NET POSITION					
Net Investment in Capital Assets	1,359,385	116,057	105,403	577,089	2,157,934
Restricted for:					
Permanent Funds					
Nonexpendable	-	-	-	440,846	440,846
Expendable	-	-	-	145,906	145,906
Education	387,599	-	-	282,118	669,717
Development	-	-	-	216,273	216,273
Debt Service	7,103	554,823	-	59,299	621,225
Other Purposes	-	146,412	1,037	1,124,007	1,271,456
Unrestricted	2,996	668,189	1,184,098	126,004	1,981,287
Total Net Position	<u>\$ 1,757,083</u>	<u>\$ 1,485,481</u>	<u>\$ 1,290,538</u>	<u>\$ 2,971,542</u>	<u>\$ 7,504,644</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, 2015
(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	\$ 970,350	\$ 188,743	\$ 212,150	\$ 125,415
Alaska Housing Finance Corporation	285,419	135,688	50,276	97,177
Alaska Industrial Development and Export Authority	39,048	47,081	1,042	13,694
Nonmajor Component Units	519,606	239,372	88,939	98,382
Total Component Units	\$ 1,814,423	\$ 610,884	\$ 352,407	\$ 334,668

General Revenues:

Taxes	
Severance Taxes	
Interest and Investment Income (Loss)	
Payments In from Component Units	
Payments In from Primary Government	
Other Revenues	
Contributions	
Total General Revenues and Contributions	.
Change in Net Position	.
Net Position - Beginning of Year (restated)	.
Net Position - 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, 2015
(Stated in Thousands)

STATEMENT 1.42

Net (Expense) Revenue and Changes in Net Position				
University of Alaska	Alaska Housing Finance Corporation	Alaska Industrial Development and Export Authority	Nonmajor Component Units	Total Component Units
\$ (444,042)	\$	\$	\$	\$ (444,042)
	(2,278)			(2,278)
		22,769		22,769
			(92,913)	(92,913)
<u>(444,042)</u>	<u>(2,278)</u>	<u>22,769</u>	<u>(92,913)</u>	<u>(516,464)</u>
-	-	-	9,475	9,475
5,738	6,026	5,577	37,842	55,183
481	-	-	-	481
528,277	-	10	7,384	535,671
2,582	932	-	817	4,331
-	-	-	6,213	6,213
<u>537,078</u>	<u>6,958</u>	<u>5,587</u>	<u>61,731</u>	<u>611,354</u>
93,036	4,680	28,356	(31,182)	94,890
1,664,047	1,480,801	1,262,182	3,002,724	7,409,754
<u>\$ 1,757,083</u>	<u>\$ 1,485,481</u>	<u>\$ 1,290,538</u>	<u>\$ 2,971,542</u>	<u>\$ 7,504,644</u>

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**STATE OF ALASKA
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For the Fiscal Year Ended June 30, 2015**

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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. Fiduciary component units are reported in the fiduciary section of the fund financial statements and are not included in the government-wide financial statements. 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; 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, Alaska Statute (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 77 percent of the total cash and investments and 73 percent of total government-wide net position 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 was 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. Chapter 51, SLA 2014 transferred KABTA's authority to construct a Knik Arm Bridge, including the associated rights and financial items, to the Department of Transportation and Public Facilities effective July 1, 2014. 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, 820 East 15th Avenue, 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 position 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.

DISCRETELY PRESENTED COMPONENT UNITS

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

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

However, Chapters 18 and 19, Session Laws of Alaska (SLA) 1993, which became effective August 11, 1993, eliminated the ability of AEA to construct, own, and acquire energy projects, and the programs operated by AEA were transferred to the Department of Community and Regional Affairs. The corporate structure of AEA was retained but the board of directors of the Alaska Industrial Development and Export Authority (AIDEA) is now the board of directors of AEA. 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 Gasline Development Corporation** (AGDC) is a public corporation and governmental instrumentality within the Department of Commerce, Community, and Economic Development, but having a legal existence independent and separate from, the State (AS 31.25.010). Currently, the commissioners of the departments of Commerce, Community and Economic Development; and Labor and Workforce Development, and five independent public members appointed by the Governor and confirmed by the Legislature comprise the AGDC board of directors. The Legislature appropriates the budget for AGDC for the purpose of planning, constructing, and financing in-state natural gas pipeline projects. The corporation has the power to borrow money and issue bonds on its own behalf. AGDC financial statements may be obtained from the Alaska Gasline Development Corporation, 3201 C Street, Suite, 200, 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 Railroad Corporation** (ARRC) is a public corporation and instrumentality of the State within the Department of Commerce, Community and Economic Development (AS 42.40.010). ARRC has a legal existence independent of and separate from the State. The powers of ARRC are vested in the board of directors. All members of the board of directors of ARRC are appointed by and serve at the pleasure of the Governor. ARRC was created by the State Legislature to own and operate the railroad and manage its rail, industrial, port, and other properties. The ARRC commenced operations on January 6, 1985. ARRC financial statements may be obtained from the Alaska Railroad Corporation, P.O. Box 107500, Anchorage, AK 99510-7500.

The **Alaska Student Loan Corporation** (ASLC) is a public corporation and government instrumentality within the Department of Education and Early Development but having a legal existence independent of and separate from the State

(AS 14.42.100). ASLC is governed by a board of directors appointed by the Governor. The Legislature approves ASLC's budget. The purpose of ASLC is to improve higher educational opportunities for residents of the State. ASLC financial statements may be obtained from the Alaska Commission on Postsecondary Education, P.O. Box 110505, Juneau, AK 99811-0505.

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

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

FIDUCIARY COMPONENT UNITS

The **Public Employees' Retirement System** (PERS) was established by 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 and consists of nine trustees: the Commissioners of the Department of Administration and Revenue; two members of the general public; one member who is employed as a finance officer for a political subdivision participating in either the PERS or Teachers' Retirement System (TRS); two members of PERS; and two members of TRS. All members of the ARMB are appointed by and serve at the pleasure of the Governor.

The **Teachers' Retirement System** 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 **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 **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 **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. The ARMB is the fiduciary of SBS.

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. The ARMB is the fiduciary of DCP.

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 or from their website at <http://doa.alaska.gov/dr/b/>.

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 current 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 Position 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 Position presents the reporting entity's nonfiduciary assets and deferred outflows of resources, less liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

- **Net Investment in Capital Assets** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other borrowing that are attributed to the acquisition, construction, or improvement of those assets.
- **Restricted Net Position** results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** consists of net position that does not meet the definition of the two preceding categories. The unrestricted net position often is designated to indicate management does not consider them available for general operations (see note 1.F.). The unrestricted net position often has constraints on resources that are imposed by management, but can be modified or removed.

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resource measurement 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). When an asset is recorded in governmental fund financial statements but the revenue is not available, the government reports a deferred inflow of resources until such time as the revenue becomes available. 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.

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

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

D. FINANCIAL STATEMENT PRESENTATION

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

GOVERNMENTAL FUND TYPES

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

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

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

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

PROPRIETARY FUND TYPES

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

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

owned buildings, self-insurance health care for State employees, vehicle and equipment maintenance and supplies, and computing and telecommunication services.

FIDUCIARY FUND TYPES

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

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

E. FISCAL YEAR ENDS

All funds and discretely presented component units of the State are reported using fiscal years which end on June 30, except the Alaska Railroad Corporation whose fiscal year ends on December 31.

F. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION / FUND BALANCE

CASH AND INVESTMENTS, CASH AND CASH EQUIVALENTS

The amounts shown on the statements of net position 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, international, and emerging markets equity securities are valued each business day using prices obtained from a pricing service or prices quoted by one or more independent brokers.

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

Private equity investments are valued quarterly by the general partners and investment sponsors. Underlying assets comprise venture capital, buyout, restructuring and special situation investments through limited partnership agreements. Each manager independently determines the limited partnerships to invest in.

Absolute return investments are valued monthly by the general partners. Underlying assets comprise hedge fund investments through limited partnership agreements. Each manager independently determines the limited partnerships to invest in.

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

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

Infrastructure investments are valued at least quarterly by investment managers. Underlying assets are valued by independent valuation specialists.

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

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

The Statement of Cash Flows for the enterprise funds shows changes in cash and cash equivalents. For the purpose of the Statement of Cash Flows, all highly liquid debt instruments with original maturities of three months or less are considered cash and cash equivalents. In addition, because the State's General Fund and Other Non-segregated Investment (GeFONSI) pool, the Short-term Fixed Income Pool, Short-term Treasury Fixed Income Pool, and the Short-term Liquidity Pool operate as demand deposit accounts, amounts invested in the pools are classified as cash and cash equivalents. At June 30, 2015, the assets of the GeFONSI pool were comprised of shares in the Short-term Fixed Income Pool, the Short-term Liquidity Pool and 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 does 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 University of Alaska is 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 Position 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, library reserve, 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. This

liability is recognized and reported in the government-wide and proprietary fund financial statements. As of June 30, 2015, the State's estimated liability for compensated absences, as reported in the government-wide Statement of Net Position, is \$176.2 million. There is no liability in the accompanying financial statements for unpaid accumulated sick leave. Accumulated sick leave may be used only for actual illness. When an employee separates from 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.

DEFERRED OUTFLOW/INFLOW OF RESOURCES

A deferred outflow of resources represents a consumption of net position applicable to a future reporting period and therefore is not recognized as a current year expense. A deferred inflow of resources is an acquisition of net position applicable to a future reporting period and therefore is not recognized as current year revenue.

NET POSITION / FUND BALANCE

Fund assets and deferred outflow less liabilities and deferred inflows is "net position" on the government-wide, proprietary, and fiduciary fund statements, and is "fund balance" on the governmental fund statements.

FUND BALANCE COMPONENTS

The fund balance amounts for governmental funds are reported as nonspendable, restricted, committed, assigned, or unassigned.

- Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.
- Restricted fund balance has constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.
- Committed fund balance can be used only for specific purposes pursuant to constraints imposed by a formal action of the Alaska Legislature, the State's highest level of decision-making authority. This formal action is the passage of law by the legislature, creating, modifying, or rescinding an appropriation.
- Assigned fund balance includes amounts that are constrained by the State's intent to be used for a specific purpose, but are neither restricted nor committed. The Alaska Legislature is the body authorized to assign amounts to a specific purpose. Alaska Statute 37.13.020 authorizes the Legislature to assign the funds in the Earnings Reserve Account, a component of the Alaska Permanent Fund.
- Unassigned fund balance is the residual amount of the General Fund not included in the four categories described above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

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

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

the three subfunds of the General Fund and a Capital Project fund as unassigned. The spendable portion of the Alaska Permanent Fund is classified as assigned.

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

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

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

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

The following shows the composition of the fund balance of the governmental funds for the fiscal year ended June 30, 2015 (in thousands):

	General	Permanent	Special Revenue	Debt Service	Capital Projects
Nonspendable:					
Inventory	\$ 18,509	\$ -	\$ -	\$ -	\$ -
Principal	-	46,210,518	-	-	-
Advances and Prepaid Items	200,681	-	52,596	-	-
Total Nonspendable	<u>219,190</u>	<u>46,210,518</u>	<u>52,596</u>	<u>-</u>	<u>-</u>
Restricted:					
Debt Service	10	-	-	43,090	-
Education	14,594	-	10,343	-	50,955
Health & Human Services	29,261	-	16,042	-	-
Development	35,247	-	35,612	-	6,934
Other Purposes	4,857	-	171	-	-
Total Restricted	<u>83,969</u>	<u>-</u>	<u>62,168</u>	<u>43,090</u>	<u>57,889</u>
Committed					
Debt Service	1,375	-	-	-	-
Education					
School Foundation Support	127,182	-	-	-	-
Pupil Transportation	8,453	-	-	-	-
Education Services	782,539	-	-	-	-
Construction & Maintenance	146,285	-	-	-	-
Public School Program Support	-	15,843	-	-	-
Health & Human Services	216,774	-	-	-	-
Public Protection	186,718	-	-	-	-
Permanent Fund					
Dividend Payments	1,391,430	-	-	-	-
Development					
Natural Resources	217,935	-	-	-	-
Transportation	752,864	-	-	-	-
Other	1,010,423	-	58,375	-	-
Other Purposes	153,766	-	-	-	-
Total Committed	<u>4,995,744</u>	<u>15,843</u>	<u>58,375</u>	<u>-</u>	<u>-</u>
Assigned					
Permanent Fund					
Assigned for Future Appropriations					
Realized Earnings	-	6,146,515	-	-	-
Unrealized Appreciation on Invested Assets	-	1,015,891	-	-	-
Total Assigned	<u>-</u>	<u>7,162,406</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned	10,533,000	-	-	-	(92,534)
Total Fund Balance	<u>\$ 15,831,903</u>	<u>\$53,388,767</u>	<u>\$ 173,139</u>	<u>\$43,090</u>	<u>\$ (34,645)</u>

Total fund balance for the Capital Project Funds has a deficit unassigned fund balance due to Bond Anticipation Notes in the 2012 Transportation Projects Fund. The State expects to issue a fixed rate bond issue of up to \$150 million in early 2016 to refinance the Bond Anticipation Notes issued to date (2013, rolled into 2014, and subsequently rolled into 2015), to be followed by another Bond Anticipation Note to fund additional project costs.

Net Position Restricted by Enabling Legislation

The government-wide statement of net position reports \$47.4 billion of restricted net position for the primary government, of which \$ 26.8 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 within restricted, committed or assigned fund balance based upon the resources that eventually will fund those grants or contracts, and do not constitute expenditures or liabilities. See Note 12 for additional information on encumbrances within the governmental funds. Unencumbered balances of annual appropriations lapse at the end of the fiscal year.

Expenditures of funds are made only upon properly approved requests for payment. The total of expenditures and encumbrances (obligations) may not exceed the appropriations to which they pertain. Generally, transfers between appropriations are not authorized. Language within SLA 2014, Chapter 16, Section 1 (HB266) does authorize the transfer between appropriations for department-wide, agency-wide, and branch-wide unallocated reductions; as well as authority to transfer up to \$50.0 million between appropriations in the Department of Health and Social Services. 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 15, supplemental appropriations within the operating and capital budgets were enacted. The total supplemental reduction to appropriations for the FY 15 operating budget was \$3.9 million, of which \$16.2 million was reduced from the General Fund, \$10.3 million was appropriated from other funds, and \$2.0 million was appropriated from federal funds. In addition, the total supplemental appropriations for the FY 15 capital budget was \$18.6 million, of which \$16.4 million was appropriated from the General Fund, \$1.5 million was appropriated from other funds, and \$0.7 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 15, the Office of Management and Budget estimated the limit to be approximately \$10.1 billion. The FY 15 budget passed by the legislature after vetoes was \$5.0 billion (unrestricted General Fund revenues only), or \$5.1 billion less than the constitutional spending limit.

CONSTITUTIONAL BUDGET RESERVE FUND

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

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

The constitution further provides that all money appropriated from the fund must be repaid to the fund. Section 17(d) states "If an appropriation is made from the budget reserve fund, until the amount appropriated is repaid, the amount of money in the General Fund available for appropriation at the end of each succeeding fiscal year shall be deposited in the budget reserve fund. The legislature shall implement this subsection by law." All borrowing from the CBRF was completely repaid in FY 10 and no borrowing activity from the CBRF occurred during FY 11, FY 12, FY 13, or FY 14.

SLA 2014, Chapter 18, section 48 (a) appropriated the sum of \$1 billion to the defined benefit plan account in the Public Employees Retirement and (b) appropriated \$2 billion to the defined benefit plan account in the Teachers' Retirement System from the CBRF as additional state contributions for the fiscal year ending June 30, 2015, which results in a liability of the General Fund.

STATUTORY BUDGET RESERVE FUND

The Statutory Budget Reserve Fund (SBRF) was created through Alaska Statute 37.05.540. Once the full debt of CBRF was repaid in FY 10, the legislature began to make appropriated transfers from the General Fund into the SBRF in addition to directing any year-end available fund balance of the General Fund to be transferred to the SBRF. As the balance of this fund continued to increase so did the political and public interest; therefore, the presentation of SBRF was added to the Combining Balance Sheet for the General Fund for Statements 3.01 and 3.02.

A legislative transfer from the General Fund to SBRF totaling \$250 million was made at the beginning of FY 13 in accordance with SLA 2012, Chapter 15, Section 32(b). Section 32(c) states that if the unrestricted amount available for appropriation in the fiscal year ending June 30, 2013, is insufficient to cover General Fund appropriations, the amount necessary to balance revenue and General Fund appropriations or to prevent a cash deficiency in the General Fund is appropriated from the SBRF to the General Fund. For FY 13, this resulted in a year-end transfer from the SBRF to the General Fund for \$776 million, for a net impact to the SBRF of \$526 million.

SLA 2013, Chapter 14, Section 34, outlines the appropriation to the General Fund giving authority to take from the SBRF if the unrestricted state revenue available for appropriation in the fiscal year ending June 30, 2014, is insufficient to cover General Fund appropriations made for the fiscal year ending June 30, 2014, the amount necessary to balance revenue and General Fund appropriations or to prevent a cash deficiency in the General Fund. For FY 14, this resulted in a year-end transfer from the SBRF to the General Fund for \$1,920 million.

SLA 2014, Chapter 16, Section 34, states that if the unrestricted state revenue available for appropriation in the fiscal year ending June 30, 2015, is insufficient to cover General Fund appropriations made for the fiscal year ending June 30, 2015, the amount necessary to balance revenue and general fund appropriations or to prevent a cash deficiency in the General Fund is appropriated from the budget reserve fund (AS 37.05.540(a)) to the General Fund. For FY 15, this resulted in a year-end transfer from the SBRF to the General Fund for \$2,503 million.

NOTE 3 – PRIOR PERIOD ADJUSTMENTS AND RESTATED BEGINNING NET POSITION

PRIOR PERIOD ADJUSTMENTS

Large Scale Enhanced Oil Recovery Credits

Large scale enhanced oil recovery (LSEOR) credits previously reported as unearned revenue totaling \$283,619 thousand in the General Fund and \$1,903 in the Public School Trust Fund, a permanent fund, were written off in FY 2015. The liability was created based on a “LSEOR Accounting Procedures” document dated March 13, 1997. It increased in materiality over the years, peaking at \$380,696 thousand in FY 2014. In FY 2014, the question was raised whether LSEOR credits constitute a liability. That question was recently addressed in a legal opinion and as a result, the liability has been removed from the balance sheet and statement of net position this year. This change is made to comply with accounting standards, and does not affect the right of producers to receive their existing LSEOR credits on oil pumped from the Kuparuk River Unit in the future.

RESTATED BEGINNING NET POSITION

Governmental Accounting Standards Board Statement No. 68

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contribution Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68. Statement 68 amends GASB Statement No. 27, Accounting for Pensions by State and Local Government Employers as well as the requirements of GASB Statement No. 50, Pension Disclosures. The scope of the change relates to pension plans that are administered through a trust or similar arrangement meeting certain criteria. Both GASB Statement No. 27 and 50 are still applicable to those pensions not covered within the scope of Statement No. 68.

The State of Alaska and its component units adopted the provisions of Statement 68 during FY 15. The effects of adopting Statement 68 are reported as a restated beginning net position due to a change in accounting principle. The following funds and component units had an effect on the beginning net position due to this change as follows (in thousands):

	Net Position Beginning Balance	GASB 68 Adjustment	Net Position Restated
Government-Wide			
Governmental Activities	\$ 80,018,350	\$ (6,205,156)	\$ 73,813,194
Governmental Funds	-	(6,157,607)	-
Internal Service Funds			
Alaska Public Building Fund	128,753	(1,193)	127,560
Information Services Fund	71,644	(22,820)	48,824
Highway Equipment Working Capital Fund	190,843	(23,536)	167,307
Business Type Activities	2,084,855	(68,485)	2,016,370
International Airports Fund	903,148	(67,842)	835,306
Agricultural Revolving Loan Fund	22,555	(643)	21,912
Component Units	7,656,792	(247,038)	7,409,754
Alaska Aerospace Development Corporation	77,518	(3,428)	74,090
Alaska Gasline Development Corporation	370,511	60	370,571
Alaska Housing Finance Corporation	1,509,908	(29,107)	1,480,801
Alaska Industrial Development and Export Authority	1,270,762	(8,580)	1,262,182
Alaska Mental Health Trust Authority	585,633	(4,269)	581,364
Alaska Seafood Marketing Institute	17,879	(1,713)	16,166
University of Alaska	1,864,048	(200,001)	1,664,047

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, 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 Pools are managed externally. Treasury manages the Short-term Fixed Income Pool, Short-term Liquidity Fixed Income Pool, Non-interest Bearing Deposits, Intermediate-term Fixed Income Pool, and the Broad Market Fixed Income Pool, in addition to acting as oversight manager for all externally managed investments.

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

Deposits and investments at June 30, 2015, are as follows:

Investment Type	Fair Value (in thousands)						Total
	Short-term Fixed Income Pool	Short-term Liquidity Fixed Income Pool	Intermediate-term Fixed Income Pool	Broad Market Fixed Income Pool	Tobacco Revenue Fixed Income	Other	
Deposits	\$ 6,041	\$ -	\$ 30	\$ -	\$ -	\$ 42,652	\$ 48,723
Certificate of Deposit	15,008	-	11,999	-	-	-	27,007
Corporate Bonds	242,783	-	406,057	599,307	-	-	1,248,147
Money Market	-	-	-	-	16,534	-	16,534
Mortgage-backed	204,789	-	163,892	950,945	-	-	1,319,626
Municipal Bonds	7,455	-	-	14,860	-	-	22,315
Other Asset-backed	5,950,293	-	248,081	68,733	-	-	6,267,107
Repurchase Agreement	949,800	-	-	-	-	-	949,800
U.S. Government Agency	-	-	3,325	64,767	-	-	68,092
U.S. Treasury Bills, Notes, Bonds and TIPS	1,835,130	586,524	4,126,285	1,364,903	-	-	7,912,842
Yankee Corporate	108,013	-	105,192	95,938	-	-	309,143
Yankee Government	-	-	19,716	45,986	-	-	65,702
Domestic Equity Pool	-	-	-	-	-	1,047,923	1,047,923
International Equity Pools	-	-	-	-	-	534,227	534,227
Total Invested Assets	9,319,312	586,524	5,084,577	3,205,439	16,534	1,624,802	19,837,188
Pool related net assets (liabilities)	(398,627)	-	41,672	(11,848)	-	718	(368,085)
Net Invested Assets before earnings distribution to participants	8,920,685	586,524	5,126,249	3,193,591	16,534	1,625,520	19,469,103
Earnings payable to participants	(1,984)	-	-	-	-	-	(1,984)
Other pool ownership	(298,338)	78	193,113	105,147	-	-	-
Ownership under other fiduciary responsibility:							
Alaska Retirement Management Board	(646,326)	-	-	-	-	-	(646,326)
Exxon Valdez Oil Spill Trustee Council	-	-	-	(65,777)	-	(157,416)	(223,193)
Alaska Mental Health Trust Authority	(3,916)	-	-	(11,264)	-	(23,461)	(38,641)
Total Invested Assets	\$ 7,970,121	\$ 586,602	\$ 5,319,362	\$ 3,221,697	\$ 16,534	\$ 1,444,643	\$ 18,558,959

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 14 months to maturity or 14 months expected average life upon purchase. Floating rate securities are limited to three years to maturity or three years expected average life upon purchase. These constraints apply to trade date, except for securities bought at new issue, for which settlement dates applies. At June 30, 2015, the expected average life of individual fixed rate securities ranged from 10 days to 3.3 years and the expected average life of floating rate securities ranged from 10 days to 14.5 years.

Short-term Liquidity Fixed Income Pool

Treasury's investment policy limits individual fixed rate securities to six months to maturity. These constraints apply to trade date, except for securities bought at new issues, for which settlement date applies. At June 30, 2015, the expected average life for fixed rate securities ranged from 65 to 170 days.

Short-term Treasury Pool

Treasury's investment policy limits individual fixed rate securities to six months to maturity. These constraints apply to the trade date, except for securities bought at new issues, for which settlement date applies. At June 30, 2015, this pool held no securities or cash.

Intermediate and Broad Market Fixed Income Pools

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

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

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

Intermediate-term Fixed Income Pool - \pm 20% of the Barclays 1-3 Year Government Bond Index. The effective duration for the Barclays 1-3 Year Government Bond Index at June 30, 2015 was 1.80 years.

Broad Market Fixed Income Pool - \pm 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, 2015 was 5.48 years.

At June 30, 2015, the effective duration by investment type was as follows:

	Effective Duration (in years)	
	Intermediate-term Fixed Income Pool	Broad Market Fixed Income Pool
Certificate of Deposit	0.14	-
Corporate Bonds	1.63	8.53
Mortgage-backed	1.03	3.91
Municipal Bonds	-	14.68
Other Asset-backed	0.61	0.95
U.S. Government Agency	3.96	8.96
U.S. Treasury Bills, Notes, Bonds and TIPS	1.96	5.02
Yankee Corporate	0.94	6.04
Yankee Government	1.08	7.61
Portfolio Effective Duration	1.81	5.45

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. Commercial paper must be rated at least P-1 by Moody's and A-1 by Standard and Poor's. Asset-backed and non-agency mortgage securities must be rated A3 or equivalent. The A3 rating is defined as the median rating of the following three rating agencies: Standard & Poor's Corporation, Moody's and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA.

Short-term Liquidity Pool investments are limited to U.S. Treasury obligations or other U.S. Government securities issued in full faith or guaranteed by agencies and instrumentalities of the U.S. Government, obligations of foreign governments,

sovereign states, supranational entities, and their instrumentalities denominated in U.S. dollars, and the State's internally-managed Short-Term Fixed Income Pool.

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

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

The bond indentures governing the investment of tobacco revenue related bond proceeds limit the investment in commercial paper to only those securities rated A-1 or equivalent. At June 30, 2015, the Tobacco Revenue Fixed Income Securities consisted of commercial paper rated A-1.

At June 30, 2015, the State's internally managed Pools consisted of investments with credit quality ratings issued by nationally recognized statistical rating organizations as follows (using Standard and Poor's Corporation rating scale):

Investment Type	Rating	Short-term Fixed Income Pool	Short-term Liquidity Fixed Income Pool	Intermediate- term Fixed Income Pool	Broad Market Fixed
Certificate of Deposit	Not Rated	0.17%	-	0.23%	-
Corporate Bonds	AAA	-	-	0.15%	0.30%
Corporate Bonds	AA	1.42%	-	1.26%	2.61%
Corporate Bonds	A	1.30%	-	4.67%	9.00%
Corporate Bonds	BBB	-	-	1.54%	6.14%
Corporate Bonds	BB	-	-	-	0.06%
Corporate Bonds	Not Rated	-	-	0.01%	0.06%
Deposits	Not Rated	0.07%	-	-	-
Mortgage-backed	AAA	1.18%	-	0.81%	1.33%
Mortgage-backed	AA	0.88%	-	0.70%	0.43%
Mortgage-backed	A	0.19%	-	0.54%	0.33%
Mortgage-backed	BBB	-	-	-	0.06%
Mortgage-backed	BB	-	-	0.01%	-
Mortgage-backed	Not Rated	0.05%	-	1.02%	26.68%
Municipal Bonds	AA	0.08%	-	-	0.17%
Municipal Bonds	A	-	-	-	0.28%
Other Asset-backed	AAA	47.26%	-	3.06%	1.35%
Other Asset-backed	AA	1.27%	-	-	-
Other Asset-backed	A-1	1.54%	-	-	-
Other Asset-backed	Not Rated	16.63%	-	1.60%	0.73%
Repurchase Agreement	AAA	7.85%	-	-	-
Repurchase Agreement	Not Rated	2.80%	-	-	-
U.S. Government Agency	AA	-	-	0.06%	1.96%
U.S. Treasury Bills, Notes, Bonds and TIPS	AA	20.57%	99.99%	77.57%	41.37%
Yankee Corporate	AAA	-	-	0.03%	0.20%
Yankee Corporate	AA	0.62%	-	0.86%	0.72%
Yankee Corporate	A	0.59%	-	0.87%	1.32%
Yankee Corporate	BBB	-	-	0.22%	0.67%
Yankee Government	AAA	-	-	-	0.15%
Yankee Government	AA	-	-	0.10%	0.02%
Yankee Government	A	-	-	0.13%	0.05%
Yankee Government	BBB	-	-	0.08%	0.66%
Yankee Government	Not Rated	-	-	0.07%	0.52%
Other Pool Ownership	Not Rated	-	0.01%	3.63%	3.19%
No Credit Risk		(4.47%)	-	0.78%	(0.36%)
		<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Custodial Credit Risk – Deposits

Treasury's investment policy requires the State's depository banks to collateralize State deposits to the extent they exceed insurance coverage provided by the Federal Deposit Insurance Corporation (the FDIC provides \$250 thousand of coverage). In accordance with Treasury policy, they are required to retain collateral equal to 110 percent of uninsured deposits.

The bond indentures governing the investment of tobacco revenue related bond proceeds do not establish a policy with regard to custodial credit risk. At June 30, 2015 the State had the following uncollateralized and uninsured deposits:

	Amount (in thousands)
International Equity Pool	<u>\$ 14</u>

Concentration of Credit Risk

Treasury’s policy with regard to concentration of credit risk is to prohibit the purchase of more than five percent of a pool’s holdings in corporate bonds backed by any one company or affiliated group. At June 30, 2015, no pool had exposure to any one issuer greater than 5 percent of total invested assets.

Foreign Currency Risk

The Commissioner of Revenue formally adopts asset allocation policies for the Fund at the beginning of the each fiscal year which places policy limitations on the amount of international securities the Fund is allowed to hold. The following policy was in place during FY 15 and invested assets included the following holdings at June 30, 2015 for the fund’s investment in the International Equity Pool:

	<u>Policy</u>	<u>Actual</u>
Higher Education Fund	24% ± 7%	23.64%
Illinois Creek Mine Reclamation Fund	5% ± 3%	4.89%
Power Cost Equalization Endowment Fund	23% ± 5%	22.71%
Public School Trust Fund, Principal	17% ± 5%	16.71%
Retiree Health Insurance Fund, Long Term Care	13% ± 4%	12.75%

At June 30, 2015, the funds invested in the International Equity Pool had exposure to foreign currency risk as follows (in thousands):

<u>Currency</u>	<u>Deposits</u>	<u>Equity</u>
Australian Dollar	\$ -	\$ 5,382
Canadian Dollar	14	3,349
Danish Krone	-	1,715
Euro Currency	-	38,589
Japanese Yen	-	33,287
Norwegian Krone	-	2,253
Pound Sterling	-	41,523
Swedish Krona	-	5,962
Swiss Franc	-	9,481
Total	<u>\$ 14</u>	<u>\$ 141,541</u>
Other Fiduciary Responsibility	(5)	(51,699)
Total Commissioner Responsibility	<u>\$ 9</u>	<u>\$ 89,842</u>

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

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

the International Equity Pool's investment include the following income from derivative investments at June 30, 2015 (in thousands):

	Changes in Fair Value		Fair Value		
	Classification	Amount	Classification	Amount	Notional
FX Forwards	Investment Revenue	\$(81,636)	Long-term Instruments	\$ -	\$ -

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. The counterparties to the foreign currency forward contracts consist of a diversified group of financial institutions. Credit risk exposure exists to the extent of nonperformance 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, 2015, the International Equity Pool had no outstanding contracts.

Pursuant to Alaska Statute 37.10.089(d), the Commissioner of Revenue entered into a Standby Bond Purchase Agreement (SBPA), which supports a liquidity facility provided by State Street Bank on Alaska Student Loan Corporation (ASLC) Education Loan Revenue Refunding Bonds-Senior Series 2012. In the event that the bonds have been tendered and cannot be remarketed, the Commissioner has agreed to purchase Bank Bonds held by the Bank upon satisfaction of the conditions set forth in the SBPA. The annual facility fee is 15 basis points payable by the ASLC quarterly through the termination date of September 30, 2016. Bonds outstanding at June 30, 2015 were \$42,092 thousand.

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

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

PENSION FUNDS

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

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

Actual investing is performed by investment officers in Treasury or by contracted external investment managers. The ARMB has developed investment guidelines, policies and procedures for Treasury staff and external investment managers to adhere to when managing investments. Treasury manages the U.S. Treasury Fixed Income Pool, Dow Jones Dividend 100 Index Fund in the Alternative Equity Strategies Pool, Real Estate Investment Trust Pool, Treasury Inflation Protected Securities (TIPS) Pool, and cash holdings of certain external managers in addition to acting as oversight manager for all externally managed investments. All other investments are managed by external management companies.

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

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

Deposits and investments at June 30, 2015 are as follows:

	Fair Value (in thousands)
Absolute Return	\$ 1,359,537
Bank Loans	1,888
Certificate of Deposit	3,937
Commercial Paper	2,400
Convertible Bonds	177,239
Corporate Bonds	572,585
Deposits	112,900
Energy	102,337
Equity	13,933,205
Farmland	773,975
Foreign Government Bonds	376,175
Futures	148
Infrastructure	289,067
Mortgage-backed	80,551
Municipal Bonds	207,193
Mutual Funds	122,315
Options	29,367
Other Asset-backed	554,647
Private Equity	1,831,684
Real Estate	1,324,446
Repurchase Agreement	68,831
Rights	1,082
Short-term Investment Fund	81,336
Timber	385,815
U.S. Government Agency	2,776
U.S. Treasury Bills, Notes, Bonds and TIPS	1,514,794
Warrants	34
Yankee Corporate	100,274
Yankee Government	11,194
Participant Directed	832,455
Net Other Assets/(Liabilities)	(31,805)
Total Invested Assets	<u>\$ 24,822,382</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 14 months to maturity or 14 months expected average life upon purchase. Floating rate securities are limited to three years to maturity or three years expected average life upon purchase. At June 30, 2015, the expected average life of individual fixed rate securities ranged from 10 days to 3.3 years and the expected average life of floating rate securities ranged from 10 days to 14.5 years.

Other Pooled Fixed Income Investments

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.

At June 30, 2015, the effective duration of the ARMB's fixed income pools, by investment type, was as follows:

	Effective Duration (in years)
Bank Loans	(0.05)
Certificate of Deposit	0.14
Convertible Bonds	0.07
Corporate Bonds	4.32
Foreign Government Bonds	6.26
Mortgage-backed	1.75
Municipal Bonds	11.15
Other Asset-backed	0.69
U.S. Government Agency	7.89
U.S. Treasury Bills, Notes, Bonds, and TIPS	4.65
Yankee Corporate	4.13
Yankee Government	6.18
 Portfolio Effective Duration	 4.97

Defined Contribution Pooled Investment and Collective Investment Funds

The ARMB contracts with an external investment manager who is given the authority to invest funds in a wholly-owned pooled environment to accommodate thirteen participant directed funds.

Under normal conditions, the Trust will invest in cash equivalent instruments with maturities of less than one year. Additionally, under normal conditions, for government debt, corporate debt, and mortgage-backed securities, duration is limited to ± 0.2 years of the blended benchmark of 70 percent Barclays U.S. Intermediate Aggregate Bond Index, 15 percent Barclays U.S. Floating Rate Note Index, 10 percent Barclays TIPS Index, and five percent Barclays Long U.S. Treasury Bond Index. Further deviations are acceptable if they do not contribute significantly to the overall risk of the portfolio. In no event at time of purchase shall effective duration exceed ± 0.4 years relative to the index.

At June 30, 2015, the duration of the government corporate debt, and mortgage-backed securities was 4.00 years and the duration of the Barclays Bond Index was 3.98 years.

The ARMB does not have a policy to limit interest rate risk for its collective investment funds.

Credit Risk

At June 30, 2015, ARMB’s invested assets consisted of fixed income securities with credit quality ratings issued by nationally recognized statistical rating organizations as follows (using Standard & Poor’s Corporation rating scale):

Rating	(in thousands)	
	U.S. Dollar	Foreign
AAA	\$ 463,841	\$ -
AA	177,063	-
A	142,155	51,762
BBB	75,769	47,813
BB	315,370	-
B	239,065	-
CCC	38,185	-
U.S. Government Agency (AA)	2,776	-
U.S. Treasury Bills, Notes, Bonds and TIPS (AA)	1,514,795	-
Not Rated	393,977	281,102

Custodial Credit Risk – Deposits

The ARMB does not have a policy in relation to custodial credit risk for deposits. At June 30, 2015, the ARMB’s invested assets had the following uncollateralized and uninsured foreign currency deposits of \$50,028 thousand.

Concentration of Credit Risk

At June 30, 2015, the ARMB’s invested assets did not have exposure to any one issuer greater than five percent of total invested assets.

Foreign Currency Risk

Through its asset allocation policy, the ARMB limits total investments in foreign currencies to the following:

Pension System	Fixed - Income	Global Equity Ex- U.S.	Private Equity Pool
Public Employees' Retirement System	20%	29%	14%
Teachers' Retirement System	20%	29%	14%
Judicial Retirement System	20%	29%	14%
Alaska National Guard and Naval Militia System	58%	24%	-

At June 30, 2015, the ARMB had exposure to foreign currency risk with the following deposits and investments (in thousands):

Currency	Deposits	Foreign Government		Equity	Rights and Warrants	Private Equity Limited Partnerships
		Bonds				
Australian Dollar	\$ 23	\$ 5,338		\$ 136,987	\$ 29	\$ 1,202
Brazilian Real	125	27,623		17,888	-	-
Canadian Dollar	196	-		142,608	-	-
Columbian Peso	31	8,286		-	-	-
Danish Krone	1,155	-		113,664	-	-
Euro Currency	33,483	87,576		1,112,446	984	112,645
Hong Kong Dollar	675	-		193,040	-	-
Indian Rupee	-	-		3,144	-	-
Indonesian Rupiah	258	11,562		17,441	-	-
Japanese Yen	6,827	92,132		917,982	-	-
Malaysian Ringgit	161	14,267		4,944	-	-
Mexican Peso	1,103	31,651		2,616	-	-
New Israeli Sheqel	26	-		7,265	-	-
New Russian Ruble	-	7,435		5,711	-	-
New Taiwan Dollar	6	-		5,155	-	-
New Zealand Dollar	270	-		11,941	-	-
Norwegian Krone	147	-		29,322	-	-
Peruvian Nouveau Sol	64	5,504		-	-	-
Philippine Peso	-	-		1,992	-	-
Polish Zloty	-	19,016		74	-	-
Pound Sterling	3,493	32,564		910,614	-	33,972
Singapore Dollar	93	-		51,216	101	-
South African Rand	214	9,274		13,559	-	-
South Korean Won	13	-		65,320	-	-
Swedish Krona	1	13,105		108,535	-	-
Swiss Franc	1,591	-		304,407	-	-
Thailand Baht	-	-		758	-	-
Turkish Lira	65	10,842		10,320	-	-
Yuan Renminbi	8	-		5,777	-	-
	<u>\$ 50,028</u>	<u>\$ 376,175</u>		<u>\$ 4,194,726</u>	<u>\$ 1,114</u>	<u>\$ 147,819</u>

Foreign Exchange, Derivative, and Counterparty Credit Risk

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

On June 30, 2015, the ARMB had the following derivative instruments outstanding (in thousands):

Type	Change in Fair Value		Fair Value		
	Classification	Amount	Classification	Amount	Notional
Equity Options Written	Investment Income (Loss)	\$ (1,997)	Options	\$ -	\$ -
FX Forwards	Investment Income (Loss)	3,655	Long Term Instruments	251	2,770
Index Futures Long	Investment Income (Loss)	5,995	Futures	-	35
Index Options Bought	Investment Income (Loss)	(2,266)	Options	30,889	108
Index Options Written	Investment Income (Loss)	2,792	Options	(1,521)	(139)
Rights	Investment Income (Loss)	(46)	Equities	1,082	4,104
Warrants	Investment Income (Loss)	(73)	Equities	34	8

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, 2015, the ARMB had the following foreign currency risk related to forward contracts (in thousands):

Currency Name	Options	Net Receivables	Net Payables	Total Exposure
Australian Dollar	\$ 29	\$ -	\$ -	\$ 29
Euro Currency	984	-	-	984
New Zealand Dollar	-	-	251	251
Singapore Dollar	101	-	-	101
	<u>\$ 1,114</u>	<u>\$ -</u>	<u>\$ 251</u>	<u>\$ 1,365</u>

At June 30, 2015 the ARMB had the following counterparty credit and counterparty concentration risk associated with its investment derivative positions:

Counterparty Name	Net Exposure (in thousands)	S&P Rating	Fitch Rating	Moody's Rating
State Street Bank London	\$ 251	A+	AA-	A2
Maximum Amount of Loss in Case of Default by all Counterparties	251			
Effect of Collateral Reducing Maximum Exposure	-			
Liabilities Subject to Netting Arrangements Reducing Maximum Exposure	-			
Resulting Net Exposure	<u>\$ 251</u>			

DEFERRED COMPENSATION PLAN

The State's Internal Revenue Code Section 457 Deferred Compensation Plan holds investments in several collective investment funds, an Interest Income Fund and wholly-owned Pooled Investment Funds. At June 30, 2015, Deferred Compensation Plan investments totaled \$813.6 million.

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

Interest Rate Risk

Collective Investment and Money Market Funds

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

The ARMB does not have a policy to limit interest rate risk for the collective investment funds or the institutional treasury money market fund. These investments with their related weighted average maturities at June 30, 2015, are as follows:

	Fair Value (in thousands)	Weighted Average Maturity
Government/Credit Bond Index Fund	\$ 30,290	8.24 years
Intermediate Bond Fund	14,607	3.92 years
Institutional Treasury Money Market Fund	11,911	27 days
Long U.S. Treasury Bond Index Fund	4,034	24.86 years
U.S. TIPS Index Fund	7,361	8.54 years
World Government Bond Ex-U.S. Index Fund	3,739	9.55 years
MassMutual Bond Fund	62	5.14 years

Interest Income Fund

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

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

For constant duration synthetic investment contracts, duration cannot exceed the longer of six years or the duration of the Barclays Capital Intermediate Aggregate Index plus one-half year. The aggregate duration of the constant duration synthetic investment contracts was 3.82 years at June 30, 2015. The duration of the Barclays Capital Intermediate Aggregate Index was 4.07 years at June 30, 2015.

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.

Pooled Investment Funds

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

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

For government and corporate debt securities, duration is limited to ± 0.2 years of the blended benchmark of 70 percent Barclays U.S. Intermediate Aggregate Bond Index, 15 percent Barclays U.S. Floating Rate Note Index, 10 percent Barclay's TIPS Index, and five percent Barclays Long U.S. Treasury Bond Index. At June 30, 2015, the blended Barclays Bond Index duration was 3.98 years, and the duration of the Aggregate Bond Trust was 3.93 years.

The weighted average maturity of the money market portfolio was 35.92 days at June 30, 2015.

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

Credit Risk

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

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

Synthetic Investment contract issuers must have an investment grade rating;

Supranational Agency and Foreign Government entity investments must have a minimum rating of A- or equivalent;

Corporate debt securities must have a minimum rating of BBB- or equivalent;

Asset-backed securities must have a minimum rating of AAA or equivalent;

The ratings assigned to issuers of money market instruments must have the highest rating of any nationally recognized statistical rating organization. This limitation does not apply to the investment funds maintained by the custodian.

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

All government and corporate fixed income securities must be rated BBB- or better at time of purchase;

Government National Mortgage Association, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation mortgage-backed securities may be purchased even if they are not rated by all or any of these rating agencies as long as they are rated investment grade by T. Rowe Price's internal credit evaluation;

Commercial paper and other short-term debt obligations must be rated A1 or equivalent.

At June 30, 2015, Deferred Compensation Plan's investments consisted of securities with credit quality ratings issued by a nationally recognized statistical rating organization as follows (using the Standard & Poor's rating scale):

Investment type	Rating	Fair Market Value (in thousands)		
		Underlying Synthetic Investment Contracts	Other	Total
Investments with credit exposure:				
Money Market Fund	Not Rated	\$ 9,149	\$ 33	\$ 9,182
Short-term Investment Fund	Not Rated	1,407	-	1,407
U.S. Government Agency	AA	7,850	-	7,850
Mortgage-backed	AAA	1,810	-	1,810
Mortgage-backed	A	1,237	-	1,237
Mortgage-backed	Not Rated	52,479	-	52,479
Other Asset-backed	AAA	5,066	-	5,066
Other Asset-backed	AA	3,402	-	3,402
Corporate Bonds	AAA	172	-	172
Corporate Bonds	AA	4,869	-	4,869
Corporate Bonds	A	17,072	-	17,072
Corporate Bonds	BBB	14,851	-	14,851
Corporate Bonds	Not Rated	473	-	473
Yankees Corporate	AA	2,096	-	2,096
Yankees Corporate	A	7,160	-	7,160
Yankees Corporate	BBB	1,998	-	1,998
Yankees Government	AAA	2,254	-	2,254
Yankees Government	AA	1,174	-	1,174
Yankees Government	A	1,187	-	1,187
Deposits and Investments with no credit exposure:				
Deposits	Not Rated	(858)	-	(858)
U.S. Treasury Notes	AA	34,545	-	34,545
U.S. Treasury Notes	Not Rated	16,037	-	16,037
Collective Investment Funds	Not Rated	-	384,616	384,616
Wholly Owned Pooled	Not Rated	-	127,850	127,850
Wholly Owned Domestic Equity	Not Rated	-	113,433	113,433
MassMutual Stock Fund	Not Rated	-	2,192	2,192
MassMutual Bond Fund	Not Rated	-	62	62
Total Invested Assets		<u>\$ 185,430</u>	<u>\$ 628,186</u>	<u>\$ 813,616</u>

Custodial Credit Risk

The ARMB does not have a policy for custodial credit risk. At June 30, 2015, the Deferred Compensation Plan's deposits were uncollateralized and uninsured.

Concentration of Credit Risk

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

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

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

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

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

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

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

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

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

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

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

At June 30, 2015, 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, a Stable Value Fund and wholly-owned Pooled Investment Funds. At June 30, 2015, SBS investments totaled \$3.403 billion.

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

Interest Rate Risk

Collective Investment and Money Market Funds

The ARMB contracts with external investment managers who maintain collective investment funds. Managers selected to manage investments for SBS are subject to the provisions of the collective investment funds the ARMB has selected. In addition, SBS maintains a balance in a commingled money market portfolio. The ARMB does not have a policy to limit interest rate risk for these investments.

	Fair Value (in thousands)	Weighted Average Maturity
Government/Credit Bond Index Fund	\$ 53,686	8.24 years
Institutional Treasury Money Market Fund	38,715	27 days
Intermediate Bond Fund	12,274	3.92 years
Long U.S. Treasury Bond Index Fund	12,181	24.86 years
U.S. TIPS Index Fund	15,533	8.54 years
World Government Bond Ex-U.S. Index Fund	10,528	9.55 years

Short-term Fixed Income Pool

The Investment Loss Trust Fund and the SBS’s cash and cash equivalents are invested in the State’s internally managed Short-term Fixed Income Pool. As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury’s investment policy limits individual fixed rate securities to 14 months in maturity or 14 months expected average life upon purchase. Floating rate securities are limited to three years to maturity or three years expected average life upon purchase. Treasury utilizes the actual maturity date for commercial paper and 12 month prepay speeds for other securities. At June 30, 2015, the expected average life of individual fixed rate securities ranged from 10 days to 3.3 years and the expected average life of floating rate securities ranged from 10 days to 14.5 years.

Stable Value Fund

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

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

For constant duration synthetic investment contracts, duration cannot exceed the longer of six years or the duration of the Barclays Capital Intermediate Aggregate Index plus one-half year. The aggregate duration of the constant duration synthetic investment contracts was 3.84 years at June 30, 2015. The duration of the Barclays Capital Intermediate Aggregate Index was 4.07 years at June 30, 2015;

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

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

Pooled Investment Funds

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

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

For government and corporate debt securities, duration is limited to ± 0.2 years of the blended benchmark of 70 percent Barclays U.S. Intermediate Aggregate Bond Index, 15 percent Barclays U.S. Floating Rate Note Index, 10 percent Barclays TIPS Index, and 5 percent Barclays Long U.S. Treasury Bond Index. At June 30, 2015, the blended Barclays Bond Index duration was 3.98 years, and the duration of the Aggregate Bond Trust was 3.93 years.

The weighted average maturity of the money market portfolio was 35.92 days at June, 30, 2015.

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

Credit Risk

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

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

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

Synthetic investment contract issuers must have an investment grade rating;

Supranational Agency and Foreign Government entity investments must have a minimum rating of A- or equivalent;

Corporate debt securities must have a minimum rating of BBB- or equivalent;

Asset-backed securities must have a minimum rating of AAA or equivalent;

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 Price's internal credit evaluation;

Commercial paper and other short-term debt obligations must be rated A1 or equivalent.

At June 30, 2015, 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 Market Value (in thousands)			
		Underlying	Synthetic	Investment	Other
		Investment	Investment		
		Contracts	Loss Trust		Total
Investments with Credit Exposure:					
Money Market Fund	Not Rated	\$ 31,091	\$ -	\$ 1,101	\$ 32,192
Short-term Investment Fund	Not Rated	3,343	-	-	3,343
Commercial Paper	AAA	-	240	-	240
Commercial Paper	Not Rated	-	93	-	93
U.S. Government Agency	AA	11,220	-	-	11,220
U.S. Government Agency	Not Rated	-	469	-	469
Mortgage-backed	AAA	3,433	33	-	3,466
Mortgage-backed	AA	-	5	-	5
Mortgage-backed	A	1,483	5	-	1,488
Mortgage-backed	Not Rated	95,476	1	-	95,477
Other Asset-backed	AAA	10,045	1,451	-	11,496
Other Asset-backed	AA	-	76	-	76
Other Asset-backed	A	-	48	-	48
Other Asset-backed	Not Rated	5,112	509	-	5,621
Corporate Bonds	AAA	292	-	-	292
Corporate Bonds	AA	7,614	32	-	7,646
Corporate Bonds	A	30,961	40	-	31,001
Corporate Bonds	BBB	24,309	-	-	24,309
Corporate Bonds	Not Rated	1,161	-	-	1,161
Yankees Corporate	AA	4,613	19	-	4,632
Yankees Corporate	A	13,566	18	-	13,584
Yankees Corporate	BBB	3,601	-	-	3,601
Yankees Corporate	Not Rated	201	-	-	201
Yankees Government	AAA	3,612	-	-	3,612
Yankees Government	AA	1,996	-	-	1,996
Yankees Government	A	1,922	-	-	1,922
Deposits and Investments with No Credit Exposure:					
Deposits	Not Rated	(2,327)	-	-	(2,327)
U.S. Treasury Bills	Not Rated	-	69	-	69
U.S. Treasury Notes	AA	66,925	-	-	66,925
U.S. Treasury Notes	Not Rated	32,105	93	-	32,198
Participant-directed Funds:					
Collective Investment Funds	Not Rated	-	-	671,236	671,236
Pooled Investment Funds	Not Rated	-	-	2,122,935	2,122,935
Wholly Owned Domestic	Not Rated	-	-	175,073	175,073
Wholly Owned International	Not Rated	-	-	81,572	81,572
ILTF Assets Not Reported with SBS	Not Rated	-	(1,123)	-	(1,123)
Total Invested Assets		351,754	2,078	3,051,917	3,405,749
Pool Related Net (Liabilities)		-	(138)	-	(138)
Total		\$ 351,754	\$ 1,940	\$ 3,051,917	\$ 3,405,611

Custodial Credit Risk

The ARMB does not have a policy for custodial credit risk. At June 30, 2015, 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, unless explicitly backed by the U.S. Government.

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

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

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

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

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

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

The ARMB’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 June 30, 2015, 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 maintain their accounts outside of the State treasury. However, the overwhelming majority of the activity is within the Alaska Permanent Fund Corporation (APFC). Information on deposits and investments maintained by the other component units are available within their separately issued audit reports.

ALASKA PERMANENT FUND CORPORATION

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

Investments and Related Policies

Carrying value of investments

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

State investment regulations

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

Investment policy – Asset allocation

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

At June 30, 2015, the APFC’s strategic asset allocation targets were as follows:

<u>Risk Class</u>	<u>Asset Class</u>	<u>Risk Class Target</u>	<u>Asset Class Target</u>
Cash and Interest Rates		6%	
	Cash		1.2%
	U.S. Government Bonds and International Developed Government Bonds (currency hedged)		4.8%
Company Exposure		55%	
	Global Credit		11%
	Public/Private Credit		2%
	Global Equity		36%
	Private Equity		6%
Real Assets		19%	
	Real Estate		12%
	Infrastructure		4%
	U.S. Treasury Inflation Protection Securities		3%
Special Opportunities		20%	
	Absolute Return Mandate		6%
	Real Return Mandate		7%
	Emerging Markets Multi-Asset		2%
	Fixed Income Aggregate		2%
	Debt Opportunities		1%
	True Special Opportunities		2%

Capital that is not invested in the special opportunities risk class resides in the company exposure risk class. To allow for market fluctuations and to minimize transaction costs, the Trustees have adopted ranges that permit percentage deviations from the strategic asset allocation targets in accordance with specified reporting requirements and other procedures. Generally, for each risk and asset class, the APFC’s chief investment officer has discretionary authority to permit target deviations within one specified range (referred to as the “green zone” in the investment policy), the APFC’s executive director can approve target deviations for up to 90 days within a broader range (the “yellow zone”), and the Board can approve operating for longer than 30 days within a third range (the “red zone”). For example, the target dollar allocation for the cash and interest rate risk class is six percent, with the green zone range set at five to 7.5 percent, the yellow zone range set at 7.5 to nine percent, and red zone ranges set at allocations of less than five percent or greater than nine percent. In a similar manner, the APFC investment policy also requires the APFC to monitor relative risk (the expected investment portfolio’s risk and return relative to the risk benchmark using standard industry risk measures), active budget risk (risk due to active management decisions made by managers), and limits on private investments and future commitments.

Interest Rate Risk

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

At June 30, 2015, the Fund held fixed income investments with floating, variable, and step interest rates, valued at \$151,024 thousand. These fixed income investments were both domestic and non-domestic, and had current annual interest rates ranging from zero to 15 percent.

Credit Risk

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

Custodial Credit Risk

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

Concentration of Credit Risk

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

Foreign Currency Risk

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

Forward Exchange Contracts

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

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

Futures

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

Cash and Temporary Investments

The amounts shown on the balance sheets as cash and temporary investments include cash on deposit at the custodian bank, cash swept to overnight investment funds, cash held at futures brokers, petty cash, U.S. Treasury bills, and the net fair value of foreign exchange forward contracts. The APFC's asset allocation includes 1.2 percent to cash. APFC's investment policy specifies that funds dedicated to this portion of the asset allocation will be invested in money market funds or fixed income securities with weighted-average maturities of no greater than 24 months.

Cash and temporary investments, which include the market values of foreign currency (FX) and FX forward exchange contracts, are summarized as follows at June 30, 2015 (in thousands):

Cash	\$ 101,785
Pooled Funds	1,786,778
U.S. Treasury Bills	<u>966</u>
Total Cash and Temporary Investments	<u>\$ 1,889,529</u>

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

Marketable Debt Securities

Marketable debt securities at June 30, 2015, are summarized as follows (in thousands), categorized by debt instrument type and by country of registration:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains/(Losses)</u>
Treasury and Government Notes/Bonds	\$ 3,729,987	\$ 3,717,730	\$ (12,257)
Mortgage-backed Securities	815,922	821,264	5,342
Corporate Bonds	3,956,455	3,896,390	(60,065)
Commercial Mortgage/Asset-backed Securities	389,415	387,735	(1,680)
Non-U.S. Treasury and Government Bonds	1,285,547	1,196,747	(88,800)
Non-U.S. Corporate Bonds	<u>1,099,154</u>	<u>1,096,562</u>	<u>(2,592)</u>
Total Marketable Debt Securities	<u>\$11,276,480</u>	<u>\$11,116,428</u>	<u>\$ (160,052)</u>

Marketable Debt Credit Ratings

To manage credit risk for marketable debt securities, the APFC monitors fair values of all securities daily and routinely reviews its investment holdings' credit ratings. For accounts with an investment grade mandate (approximately 92 percent of bond mandates at June 30, 2015), issues falling below the minimum standards are required to be sold within seven months of the downgrade date. Minimum standards are a Standard & Poor's Corporation rating BBB or better, or Moody's Investors Service, Inc. rating of Baa or better, or a comparable rating by another Nationally Recognized Statistical Rating Organizations (NRSRO) or by a recognized rating service in the jurisdiction of the issuer. Managers with high yield mandates (approximately 8 percent of bond mandates at June 30, 2015) are allowed to hold positions in assets with below investment grade ratings (high yield bonds) based on the terms of their contracts. For purposes of this note, if credit ratings differ among the NRSROs used, the rating with the highest degree of risk (the lowest rating) is reported.

At June 30, 2015, 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	\$ 446,140	\$ 187,400	\$ 633,540	5.70%
AA	253,948	479,123	733,071	6.60%
A	1,550,446	618,494	2,168,940	19.51%
BBB	1,579,382	735,446	2,314,828	20.82%
BB	26,396	74,780	101,176	0.91%
B	47,789	109,200	156,989	1.41%
CCC	31,430	7,622	39,052	0.35%
CC	510	6,664	7,174	0.06%
C	-	-	-	0.00%
D	1,475	-	1,475	0.01%
Total Fair Value of Rated Debt Securities	3,937,516	2,218,729	6,156,245	55.37%
Commingled Bond Funds	365,464	-	365,464	3.29%
Not Rated	23,218	74,580	97,798	0.88%
U.S. Government Explicitly Backed by the U.S. Government (AA)	3,896,981	-	3,896,981	35.06%
U.S. Government Implicitly Backed by the U.S. Government (AA)	599,940	-	599,940	5.40%
Total Fair Value Debt Securities	\$ 8,823,119	\$ 2,293,309	\$ 11,116,428	100.00%

Marketable Debt Duration

To manage its interest rate risk on marketable debt securities, the APFC monitors fair values daily and routinely reviews portfolio effective duration in comparison to established benchmarks. At June 30, 2015, the effective duration by investment type, based on fair value, is as follows:

	Percent of bond holdings	Duration
Domestic Bonds		
Treasuries and Government Notes/Bonds	42.14%	2.25
Mortgage-backed Securities	9.31%	0.50
Corporate Bonds	44.16%	2.72
Commercial Mortgage and Asset-backed Securities	4.39%	0.22
Total Domestic Bonds	100.00%	5.69
Non-domestic Bonds		
Non-U.S. Treasury and Government Bonds	52.18%	3.38
Non-U.S. Corporate Bonds	47.82%	2.50
Total Non-domestic Bonds	100.00%	5.88

Preferred and Common Stock

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

Preferred and common stocks and commingled stock funds at June 30, 2015 are summarized as follows (in thousands based on currency of trade), and include the net fair value of equity index futures of -\$1.6 million:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains/(Losses)</u>
Direct Investments			
Domestic Stock	\$ 6,130,187	\$ 8,204,937	\$ 2,074,750
Non-domestic Stock	11,211,255	12,266,269	1,055,014
Commingled Funds	<u>465,459</u>	<u>424,784</u>	<u>(40,675)</u>
Total Preferred and Common Stock	<u>\$ 17,806,901</u>	<u>\$20,895,990</u>	<u>\$ 3,089,089</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, 2015, the Fund's cash holdings, foreign currency forward contracts, non-domestic public and private equity, and debt securities had exposure to foreign currency risk as follows (shown in U.S. dollar equivalent at fair value and based on the currency in which the securities are held and traded) (in thousands):

Foreign Currency	Cash and Equivalents	Foreign Exchange Forward Contracts	Public and Private Equity	Debt	Total Foreign Currency Exposure
Australian Dollar	\$ 2,500	\$ 67,694	\$ 447,412	\$ 15,460	\$ 533,066
Brazilian Real	1,595	(11,039)	203,760	27,368	221,684
British Pound Sterling	22,739	(167,397)	2,020,013	42,619	1,917,974
Canadian Dollar	10,062	(22,911)	628,878	13,258	629,287
Chilean Peso	131	(1,881)	16,461	3,900	18,611
Chinese Yuan Renminbi	3,273	-	-	-	3,273
Colombian Peso	543	(4,272)	3,916	20,363	20,550
Czech Koruna	93	-	2,876	-	2,969
Danish Krone	730	(5,713)	123,694	1,747	120,458
Egyptian Pound	37	-	1,859	-	1,896
Euro Currency	10,059	(177,754)	2,665,231	211,978	2,709,514
Ghanaian Cedi	414	-	-	7,511	7,925
Hong Kong Dollar	23,197	(7,656)	1,050,182	-	1,065,723
Hungarian Forint	712	(85)	3,002	6,404	10,033
Indian Rupee	2,313	(967)	331,457	60,253	393,056
Indonesian Rupiah	970	(2,218)	87,856	39,794	126,402
Israeli Shekel	(779)	4,244	55,892	-	59,357
Japanese Yen	(9,768)	32,959	1,897,183	152,845	2,073,219
Malaysian Ringgit	741	(7,944)	112,839	22,688	128,324
Mexican Peso	2,037	(29,690)	116,922	82,807	172,076
New Zealand Dollar	98	(24,437)	14,652	8,127	(1,560)
Nigerian Naira	170	-	-	3,940	4,110
Norwegian Krone	541	(34,591)	67,970	11,479	45,399
Peruvian Nuevo Sol	3	-	-	5,863	5,866
Philippine Peso	393	(357)	26,163	2,168	28,367
Polish Zloty	446	(3,424)	20,725	5,182	22,929
Qatari Riyal	5	-	37,072	-	37,077
Russian Ruble	69	-	-	2,334	2,403
Singapore Dollar	1,150	(2,853)	80,918	8,041	87,256
South African Rand	2,626	(12,354)	238,042	30,465	258,779
South Korean Won	1,750	(19,628)	406,192	9,590	397,904
Swedish Krona	189	11,158	219,046	3,241	233,634
Swiss Franc	(5,494)	(69,388)	581,247	-	506,365
Taiwan Dollar	6,694	(2,813)	441,584	-	445,465
Thai Baht	345	194	84,495	-	85,034
Turkish Lira	1,072	(133)	79,864	40,860	121,663
UAE Dirham	-	-	31,878	-	31,878
Uruguayan Peso	-	-	-	1,453	1,453
Total foreign currency exposure	\$ 81,656	\$ (493,256)	\$12,099,281	\$ 841,738	\$12,529,419

Cash amounts in the schedule above include receivables, payables, certificates of deposit, and cash balances in each related currency. If payables exceed receivables and cash balances in a currency, then the total cash balance for that currency will appear as a negative value. The remaining Fund assets are invested in U.S. cash, equities, and debt, as well as in direct real

estate properties, real return mandates, absolute return and similar funds, and infrastructure, all of which are denominated in U.S. dollars, and are not included in the schedule above.

Real Estate

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

The APFC periodically reviews real estate investments for other than temporary impairment. During FY 15 it was determined that a real estate property was impaired and would not recover its carrying costs over the remaining estimated holding period of the asset. In order to reflect the impairment in the statutory net income and fund balance classification, \$1.8 million of unrealized losses were realized through a write-down of cost to fair value. The impairment has no impact on the carrying value of investments or on the net increase/(decrease) in the fair value of investments.

Real estate investments at June 30, 2015 are summarized as follows (in thousands):

	Cost	Fair Value	Unrealized Holding Gains (Losses)
Real Estate Investment Trusts	\$ 939,638	\$ 1,126,381	\$ 186,743
American Homes 4 Rent II	118,766	118,766	-
Directly Owned Real Estate:			
Retail	676,775	1,539,478	862,703
Office	1,279,564	1,739,944	460,380
Hotel	50,358	50,358	-
Development	49,415	49,411	(4)
Industrial	231,022	289,834	58,812
Multifamily	1,098,829	1,566,719	467,890
Total Real Estate	<u>\$ 4,444,367</u>	<u>\$ 6,480,891</u>	<u>\$ 2,036,524</u>

Alternative Investments

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

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

Absolute return strategies are investments in specialized funds that seek to deliver returns that are largely uncorrelated with traditional market driven asset classes. The Fund is invested in three existing limited partnerships, in which the Fund is the only limited partner ("fund-of-one"). In late FY 15, two direct investments were added, in which the Fund is one of many limited partners. External investment management services are provided by institutional investment managers who have acknowledged their status as fiduciaries to the Fund. Because of the off-exchange and private nature of many absolute return strategies, investments may have no ascertainable market prices and the estimated fair values could differ significantly from values that would be obtained in a market transaction for the assets. Each manager provides the Fund with fair value estimates of partnership interests and undergoes an annual independent audit.

The Fund holds private equity through investments in limited liability companies and limited partnerships that typically invest in unlisted, illiquid common and preferred stock and, to a lesser degree, subordinated and senior debt of companies that are in most instances privately held. The APFC has hired external advisors to select private equity holdings diversified by geography and strategy. Private equity is funded slowly over time as opportunities are identified by the external advisors

and the underlying fund managers. The underlying private equity funds provide the Fund with fair value estimates of the investments utilizing the most current information available. In addition, the external advisors review the fair value estimates, and the underlying private equity funds undergo annual independent audits. Private equity investments by their nature generally have no readily ascertainable market prices, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets. During FY 15 it was determined that three private equity funds were impaired and would not recover their carrying cost over the remaining estimated holding period of the assets. In order to reflect the impairment in the statutory net income and fund balance classifications, \$29 million of unrealized losses were realized through a write-down of cost to fair value. These impairments have no impact on the carrying value of investments or on the net increase in the fair value of private equity investments.

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

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

Alternative investments at June 30, 2015 are summarized as follows (in thousands):

	Cost	Fair Value	Unrealized Holding Gains
Real Return	\$ 1,750,363	\$ 2,190,503	\$ 440,140
Absolute Return	2,918,369	3,140,575	222,206
Private Equity	3,579,669	5,239,202	1,659,533
Infrastructure	1,427,313	1,494,454	67,141
Distressed and Mezzanine Debt	1,149,480	1,352,603	203,123
Total Alternative Investments	<u>\$10,825,194</u>	<u>\$13,417,337</u>	<u>\$ 2,592,143</u>

As of June 30, 2015, the APFC, on behalf of the Fund, had outstanding future funding commitments of: \$4.6 billion for private equity; \$781 million for infrastructure; and \$183 million for distressed and mezzanine debt investments combined. Many alternative investments have liquidity constraints and may not be available for cash withdrawal until a specified period of time has elapsed.

Emerging Markets Total Opportunities

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

Emerging market mandates at June 30, 2015 are summarized as follows (in thousands):

	Cost	Fair Value	Unrealized Holding Losses
Emerging Markets Total Opportunities	\$ 648,928	\$580,508	\$ (68,420)

Securities Lending

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

Cash collateral received for loaned securities is reported on the Fund’s balance sheets and invested by the Bank on behalf of the Fund. As of June 30, 2015, such investments were in overnight repurchase agreements that had a weighted-average-maturity of one day. The average term of the loans was also one day. At June 30, 2015 the value of securities on loan is as follows (in thousands):

Fair Value of Securities on Loan, Secured by Cash Collateral	\$ 837,250
Cash Collateral	896,616
Fair Value of Securities on Loan, Secured by Non-cash Collateral	5,782,162
Non-cash Collateral	6,341,870

The Fund receives 80 percent of earnings derived from securities lending transactions, and the Bank retains 20 percent. During the year ended June 30, 2015, the Fund incurred no losses from securities lending transactions. The Fund received income of \$16,440 thousand from securities lending for the year ended June 30, 2015, which is recorded in real estate and other income on the statements of revenues, expenditures and changes in fund balances.

Investment Income by Source

Investment income during the year ended June 30, 2015, is summarized as follows (in thousands):

Interest	
Marketable Debt Securities	\$ 345,490
Short-term Domestic and Other	11,633
Total Interest	<u>\$ 357,123</u>
Dividends	<u>\$ 550,297</u>
Real Estate and Other Income	
Directly Owned Real Estate Net Rental Income	\$ 163,031
Real Estate Investment Trust Dividends	23,109
Real Return Interest and Dividends	10,396
Absolute Return Management Expenses, Net of Dividend and Interest Income	(12,240)
Distressed and Mezzanine Debt Interest Income, Net of Fees	17,091
Infrastructure Interest and Dividend Income, Net of Fees	20,410
Private Equity Dividend Income, Net of Management Expenses	(843)
Class Action Litigation Income	2,901
Loaned Securities, Commission Recapture and Other Income	16,817
Total Real Estate and Other Income	<u>\$ 240,672</u>

Foreign Exchange Contracts, Futures and Off-Balance Sheet Risk

Certain APFC external investment managers enter into foreign currency forward exchange contracts (FX forward contracts) to buy and sell specified amounts of foreign currencies for the Fund at specified rates and future dates for the purpose of managing or optimizing foreign currency exposure. The maturity periods for outstanding contracts at June 30, 2015 ranged between one and 112 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, 2015 is limited to the difference between contractual rates and forward market rates determined at the end of the fiscal year.

Activity and balances related to FX forward contracts for FY 15 are summarized as follows (in thousands):

Balances at June 30, 2015	
Face Value of FX Forward Contracts	\$2,345,395
Net Unrealized Holding Losses on FX Forward Contracts	(2,333)
Fair Value of FX Forward Contracts	<u>\$2,343,062</u>
Activity for Fiscal Year Ending June 30, 2015	
Change in Unrealized Holding Losses	\$ (138)
Realized Gains	104,127
Net Increase in Fair Value of FX Forward Contracts	<u>\$ 103,989</u>

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

Activity and balances related to equity index futures for FY 15 are summarized as follows (in thousands):

Balances at June 30, 2015	
Face Value of Equity Index Futures	\$ 141,247
Net Unrealized Holding Losses on Futures	<u>(1,586)</u>
Fair Value of Equity Index Futures	<u>\$ 139,661</u>
Activity for Fiscal Year Ending June 30, 2015	
Change in Unrealized Holding Losses	\$ (2,020)
Realized Gains	<u>20,164</u>
Net Increase in Fair Value of Equity Index Futures	<u>\$ 18,144</u>

Activity and balances related to U.S. Treasury index futures for FY 15 are summarized as follows (in thousands):

Balances at June 30, 2015	
Face Value of U.S. Treasury Index Futures	\$ (236,582)
Net Unrealized Holding Gains on Futures	<u>157</u>
Fair Value of U.S. Treasury Index Futures	<u>\$ (236,425)</u>
Activity for Fiscal Year Ending June 30, 2015	
Change in Unrealized Holding Losses	\$ (113)
Realized Gains	<u>537</u>
Net Increase in Fair Value of U.S. Treasury Futures	<u>\$ 424</u>

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

NOTE 5 – CAPITAL ASSETS

PRIMARY GOVERNMENT

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

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

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

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

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

Capital asset activities for the fiscal year ended June 30, 2015, are as follows (in millions):

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Intangible - Easements and Right-of-Way	\$ 596	\$ 24	\$ -	\$ 620
Land	340	8	-	348
Construction in progress	1,548	868	(604)	1,812
Total capital assets not being depreciated	<u>2,484</u>	<u>900</u>	<u>(604)</u>	<u>2,780</u>
Capital assets being depreciated:				
Buildings	1,984	76	(14)	2,046
Intangible - Software	80	6	-	86
Equipment	966	30	(16)	980
Infrastructure	7,383	497	(5)	7,875
Total capital assets being depreciated	<u>10,413</u>	<u>609</u>	<u>(35)</u>	<u>10,987</u>
Less accumulated depreciation for:				
Buildings	(653)	(58)	8	(703)
Intangible - Software	(69)	(10)	-	(79)
Equipment	(516)	(42)	13	(545)
Infrastructure	(4,708)	(339)	3	(5,044)
Total accumulated depreciation	<u>(5,946)</u>	<u>(449)</u>	<u>24</u>	<u>(6,371)</u>
Total capital assets being depreciated, net	<u>4,467</u>	<u>160</u>	<u>(11)</u>	<u>4,616</u>
Capital assets, net	<u>\$ 6,951</u>	<u>\$ 1,060</u>	<u>\$ (615)</u>	<u>\$ 7,396</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	\$ 31	\$ -	\$ -	\$ 31
Construction in progress	96	66	(102)	60
Total capital assets not being depreciated	<u>127</u>	<u>66</u>	<u>(102)</u>	<u>91</u>
Capital assets being depreciated:				
Buildings	1,088	27	-	1,115
Equipment	102	5	(2)	105
Infrastructure	825	11	-	836
Total capital assets being depreciated	<u>2,015</u>	<u>43</u>	<u>(2)</u>	<u>2,056</u>
Less accumulated depreciation for:				
Buildings	(349)	(31)	-	(380)
Equipment	(69)	(7)	1	(75)
Infrastructure	(412)	(27)	-	(439)
Total accumulated depreciation	<u>(830)</u>	<u>(65)</u>	<u>1</u>	<u>(894)</u>
Total capital assets being depreciated, net	<u>1,185</u>	<u>(22)</u>	<u>(1)</u>	<u>1,162</u>
Capital assets, net	<u>\$ 1,312</u>	<u>\$ 44</u>	<u>\$ (103)</u>	<u>\$ 1,253</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), 100.5 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	\$ 9
Education	10
Health and Human Services	5
Law and Justice	5
Natural Resources	4
Development	1
Public Protection	24
Transportation	359
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>33</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 450</u>
Business-type Activities	
Enterprise	<u>\$ 65</u>

DISCRETELY PRESENTED COMPONENT UNITS

The estimated useful lives of capital assets range from 4 to 50 years. Intangibles are reported separately in the notes to the financial statements; however, on the face of the financial statements, intangibles are grouped with the asset class they most resemble. Software and Right of Use are grouped with equipment. Library and media are also grouped with Equipment. The following table summarizes net capital assets reported by the discretely presented component units at June 30, 2015 (in millions):

	Beginning Balance (Restated)	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 110	\$ 1	\$ -	\$ 111
Museum collections	7	-	-	7
Construction in progress	875	289	(701)	463
Total capital assets not being depreciated	<u>992</u>	<u>290</u>	<u>(701)</u>	<u>581</u>
Capital assets being depreciated/depleted:				
Intangible - Software	2	-	-	2
Intangible - Right of Use	21	-	-	21
Land	4	-	-	4
Library and Media	56	1	(1)	56
Buildings	1,861	424	(26)	2,259
Equipment	598	45	(3)	640
Infrastructure	1,458	255	-	1,713
Total capital assets being depreciated/depleted	<u>4,000</u>	<u>725</u>	<u>(30)</u>	<u>4,695</u>
Less accumulated depreciation/depletion for:				
Intangible - Software	(1)	-	-	(1)
Intangible - Right of Use	(6)	(1)	-	(7)
Library and Media	(45)	(1)	-	(46)
Buildings	(930)	(72)	13	(989)
Equipment	(377)	(35)	3	(409)
Infrastructure	(637)	(54)	-	(691)
Total accumulated depreciation/depletion	<u>(1,996)</u>	<u>(163)</u>	<u>16</u>	<u>(2,143)</u>
Total capital assets being depreciated/depleted, net	<u>2,004</u>	<u>562</u>	<u>(14)</u>	<u>2,552</u>
Capital assets, net	<u>\$ 2,996</u>	<u>\$ 852</u>	<u>\$ (715)</u>	<u>\$ 3,133</u>

University of Alaska art and museum collections, which are capitalized but not depreciated, 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.

Beginning balances for the discretely presented component units have been restated. In FY 2015, the Alaska Gasline Development Corporation identified an error in the FY 2014 ending balance between software and equipment. The Capital Assets, net ending balance for FY 2014 was correct.

On August 25, 2014, a failure occurred on the launch vehicle within seconds of launch at Alaska Aerospace Corporation's (AAC) rocket launch facility on Kodiak Island, causing extensive damages to the facility. As a result AAC incurred a loss on impairment of capital assets of \$10,839,182 for the fiscal year ended June 30, 2015, and recognized insurance proceeds related to the loss of \$11,546,320.

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 15 totaling \$1,594 thousand and \$1,684 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.

The State issued bond anticipation notes during FY 15 totaling \$155.2 million that will mature in FY 16.

Short-term debt activity for the primary government for the fiscal year ended June 30, 2015 is as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Bond Anticipation Notes	\$ 170,000	\$ 155,215	\$ 170,000	\$ 155,215

The 2014 bond anticipation notes (BAN) were issued for the purpose of refunding the 2013C BAN and additional costs of State transportation projects. The 2015A BAN was issued for the purpose of refunding the 2014 BAN and additional costs of State transportation projects.

LONG-TERM LIABILITIES

The following table summarizes changes in long-term liabilities for Governmental Activities for the fiscal year ended June 30, 2015 (in thousands):

Governmental Activities	<u>Beginning Balance (Restated)</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Revenue bonds payable	\$ 391,121	\$ 1,231	\$ 10,522	\$ 381,830	\$ 12,983
General obligation debt	691,720	116,610	151,731	656,599	40,834
Capital leases payable	332,717	12,619	26,933	318,403	28,229
Unearned revenue	49,081	799	4,886	44,994	31,139
Certificates of participation	3,345	35,427	3,495	35,277	3,346
Compensated absences	178,363	164,893	167,044	176,212	167,727
Claims and judgments	141,543	56,555	42,332	155,766	52,296
Pollution Remediation	78,200	84,871	20,439	142,632	13,239
Other noncurrent liabilities	1,114	15	268	861	347
Net pension liability	6,696,291	-	706,108	5,990,183	-
Total	<u>\$ 8,563,495</u>	<u>\$ 473,020</u>	<u>\$ 1,133,758</u>	<u>\$ 7,902,757</u>	<u>\$ 350,140</u>

Beginning balances for capital leases payable was restated due to the Highways Equipment Working Capital Fund incorrectly reporting capital leases as notes payable. This also resulted in the notes payable balance being removed from the table above. Beginning balances for unearned revenue was restated due a prior period adjustment removing large scale enhanced oil recovery credits (LSEOR). A legal opinion found that a liability for LSEOR credits does not exist and should not be presented as such. Note 3 provides additional information for this prior period adjustment.

Beginning balances for net pension liability are being reported as a result of the implementation of GASB 68. Prior to FY 15, no net pension liability was reported. Note 3 provides additional information for this prior period adjustment.

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

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

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

The following table summarizes changes in long-term liabilities for Business-type Activities for the fiscal year ended June 30, 2015 (in thousands):

Business-type Activities	Beginning Balance (Restated)	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue bonds payable	\$ 513,685	\$ -	\$ 16,530	\$ 497,155	\$ 16,725
Unearned revenue	1,471	-	606	865	865
Compensated absences	4,471	3,940	3,828	4,583	3,979
Pollution Remediation	1,193	-	-	1,193	50
Net pension liability	73,888	-	7,439	66,449	-
Total	<u>\$ 594,708</u>	<u>\$ 3,940</u>	<u>\$ 28,403</u>	<u>\$ 570,245</u>	<u>\$ 21,619</u>

Beginning balances for net pension liability are being reported as a result of the implementation of GASB 68. Prior to FY 15, no net pension liability was reported. Note 3 provides additional information for this prior period adjustment.

B. NET PENSION LIABILITY

In implementing GASB 68, Net Pension Liability is being recorded in the schedule of long-term liabilities above. For PERS and TRS, the total pension liability for the June 30, 2014 measurement date was determined by actuarial valuations as of June 30, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by actuarial valuations as of June 30, 2013. JRS and NGNMRS was determined using actuarial valuations as of June 30, 2014. The actuarial valuations used the following actuarial assumptions, applied to all periods included in the measurement:

<u>System</u>	<u>Investment Rate of Return</u>	<u>Inflation Rate</u>	<u>Salary Scale Increase</u>
PERS	8%, net of pension plan investment expenses. This is based on average inflation rate of 3.12% and a real rate of return of 4.88%	3.12%	Graded by service, from 6.36% to 4.12% for Peace Officer/Firefighter Graded by age and service, from 9.60% to 3.62% for all others
TRS	8%, net of pension plan investment expenses. This is based on average inflation rate of 3.12% and a real rate of return of 4.88%	3.12%	Graded by service, from 6.11% to 3.62%
JRS	8%, net of pension plan investment expenses. This is based on average inflation rate of 3.12% and a real rate of return of 4.88%	3.12%	3.62% per year, compounded annually
NGNMRS	7%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 3.88%	3.12%	None

PERS mortality (pre termination) – Peace officer/firefighter: Based upon the 2005–2009 actual mortality experience study. 1994 Group Annuity Mortality (GAM) Table, sex-distinct, 1994 Base Year without margin projected to 2013 using Projection Scale AA, 80% of the male table for males and 60% of the female table for females. Others: Based upon the 2005–2009 actual mortality experience. 1994 GAM Table, sex-distinct, 1994 Base Year without margin projected to 2013 using Projection Scale AA, 75% of the male table for males and 55% of the female table for females. Deaths are assumed to be occupational 75% of the time for peace officer/firefighter, 55% of the time for others. The mortality assumptions include an allowance for expected future mortality improvement. The mortality table used was set in 2010 with an actual deaths to expected deaths ratio of 109%. Mortality (post-termination) – 1994 GAM Table, sex-distinct, 1994 Base Year without margin projected to 2013 using Projection Scale AA for males and with a one-year set-forward for females. The mortality assumptions include an allowance for expected future mortality improvement. The mortality table used was set in 2010 with an actual deaths to expected deaths ratio of 109%.

TRS mortality rates were based on the 1994 Group Annuity Mortality (GAM) Sex-distinct Table 1994 Base Year without margin projected to 2013 using Projection Scale AA, adjusted 55% for females and 45% for males for pre-termination mortality and the 1994 GAM Sex-distinct Table 1994 Base Year without margin projected to 2013 using Projection Scale

AA, with a 3-year setback for females and a 4-year setback for males for post-termination mortality. The actuarial assumption used in the June 30, 2013 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2005 to June 30, 2009, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

JRS post-termination mortality rates were based on 94% of the male rates and 97% of the female rates of the RP-2000 Combined Mortality Table, 2000 Base Year projected to 2018 with Projection Scale BB, with a 3-year setback for males and 4-year setback for females. The rates for pre-termination mortality were 68% of the male rates and 60% of the female rates of the post-termination mortality rates. The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect future experience.

NGNMRS post-termination mortality rates were based on 96% of all rates of RP-2000 Combined Mortality, 2000 Base Year projected to 2018 with Projection Scale BB. Pre-termination mortality is based on 60% of the male and 65% of female rates of the post-termination mortality rates. The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect future experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plans' current and expected asset allocation is summarized in the following table (note that the rates shown exclude the inflation component):

System	Asset Class	Long-term Expected Real Rate of Return
PERS/TRS	Equities:	
	Broad domestic equity	5.40%
	Large cap	5.25%
	Small/mid cap	5.60%
	International equity	5.25%
	Emerging markets equity	5.65%
	Global ex-U.S. equity	5.55%
	Fixed Income:	
	Domestic fixed	0.75%
	TIPS	0.75%
	Other	
	Real estate	3.95%
	Private equity	6.40%
Hedge funds	2.85%	
Cash equivalents	-0.25%	
JRS	Domestic equity	6.77%
	International equity	7.50%
	Private equity	10.86%
	Fixed income	2.05%
	Real estate	3.63%
	Absolute return	4.80%
NGNMRS	Equities	
	Broad domestic equity	7.65%
	Large cap	7.50%
	Small/mid cap	7.85%
	International equity	7.50%
	Emerging markets equity	7.90%
	Global ex-U.S. equity	7.80%
	Fixed Income	
	Domestic Fixed	3.00%
	TIPS	3.00%
	Other	
	Real estate	6.20%
	Private equity	8.65%
Hedge funds	5.10%	
Cash equivalents	2.00%	

The discount rate used to measure the total pension liability was 8% percent for PERS, TRS and JRS. The discount rate used to measure the total pension liability was 7% for NGNMRS. The projection of cash flows used to determine the discount rate assumed that the employer and the nonemployer contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the Plans fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the State’s proportionate share of the net pension liability calculated using the discount rate, as well as what the State’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (in thousands):

	1% Decrease 7%	Discount Rate 8%	1% Increase 9%
Primary Government's proportionate share of the PERS net pension liability	\$ 3,194,168	\$ 2,436,220	\$ 1,797,698
Component Units' proportionate share of the PERS net pension liability	271,532	207,090	152,820
Primary Government's proportionate share of the TRS net pension liability	29,838	23,739	18,535
Component Units' proportionate share of the TRS net pension liability	36,637	29,024	22,758
Primary Government's JRS net pension liability	77,164	54,883	36,111

	1% Decrease 6%	Discount Rate 7%	1% Increase 8%
Primary Government's NGNMRS net pension liability/(asset)	\$ 1,368	\$ (752)	\$ (2,666)

The State’s proportion of the net pension liability was based on projections of the State’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. At June 30, 2014 the proportionate share of the net pension liability attributed to the State was 56.67 percent (52.23 percent for the primary government and 4.44 percent for the component units) for the Public Employee’s Retirement System (PERS) and 1.76 percent (0.79 for the primary government and 0.97 for the component units) for the Teacher’s Retirement System (TRS). This was an increase of 0.65 percent (0.64 percent for the primary government and 0.01 percent for the component units) for PERS and a decrease of 0.04 percent (0.01 percent increase for the primary government and 0.05 percent decrease for the component units) for TRS from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the State recognized pension expense of \$213,581 thousand (\$197,369 for the primary government and \$16,212 for component units) broken out by plan as follows (in thousands):

<u>Systems</u>	<u>Pension Expense</u>
Public Employees’ Retirement System – Primary Government	\$ 189,573
Public Employees’ Retirement System – Component Units	15,002
Teachers’ Retirement System – Primary Government	1,725
Teachers’ Retirement System – Component Units	1,210
Judicial Retirement System – Primary Government	5,383
Alaska National Guard and Alaska Naval Militia Retirement System – Primary Government	688

At June 30, 2015, the State reported deferred outflows of resources and deferred inflows of resources related to pension plans from the following sources by plan (in thousands):

		Deferred Outflows of Resources	Deferred Inflows of Resources
PERS			
Primary Government	Difference between Projected Investment Earnings	\$ -	\$ (281,495)
	Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	19,215	-
	Contributions Subsequent to the Measurement Date	636,865	-
Component Units	Difference between Projected Investment Earnings	-	(23,910)
	Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	1,208	(1,007)
	Contributions Subsequent to the Measurement Date	18,561	-
TRS			
Primary Government	Difference between Projected Investment Earnings	-	(2,119)
	Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	155	-
	Contributions Subsequent to the Measurement Date	12,500	-
Component Units	Difference between Projected Investment Earnings	-	(2,591)
	Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	-	(980)
	Contributions Subsequent to the Measurement Date	2,314	-
JRS			
Primary Government	Difference between Projected Investment Earnings	-	(9,771)
	Difference Between Expected and Actual Experience	-	(7,482)
	Changes in Assumptions	2,813	-
	Contributions Subsequent to the Measurement Date	10,222	-
NGNMRS			
Primary Government	Difference between Projected Investment Earnings	-	(1,729)
	Difference Between Expected and Actual Experience	1,037	-
	Changes in Assumptions	118	-
	Contributions Subsequent to the Measurement Date	627	-
		<u>\$ 705,635</u>	<u>\$ (331,084)</u>

\$681,089 thousand reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in fiscal year 2016 (\$660,214 thousand for the primary government and \$20,875 thousand for component units). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for each plan as follows (in thousands):

Year Ending June 30	PERS - Primary Government	PERS - Component Units	TRS - Primary Government	TRS - Component Units	JRS - Primary Government	NGNMRS - Primary Government
2016	\$ (55,593)	\$ (5,823)	\$ (410)	\$ (1,401)	\$ (4,777)	\$ (164)
2017	(65,939)	(5,931)	(494)	(874)	(4,777)	(164)
2018	(70,374)	(5,977)	(530)	(648)	(2,443)	(164)
2019	(70,374)	(5,978)	(530)	(648)	(2,443)	(163)
2020	-	-	-	-	-	81

SPECIAL FUNDING SITUATION

Under Governmental Accounting Standards Board Statement No. 68, a special funding situation exists when a nonemployer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either (1) the amount of contributions for which the nonemployer entity legally is responsible is not dependent upon one or more events unrelated to pensions or (2) the nonemployer is the only entity with a legal obligation to make contributions directly to a pension plan.

In an opinion dated August 3, 2015, the Department of Law advised that AS 39.35.280 and AS 14.25.085 did not create “legal responsibility” in the State to make contributions for non-State PERS and TRS participating employers, and that a “special funding situation” did not exist for purposes of GASB 68. The Department of Law further advised that the State should only report on its balance sheet those net pension liabilities attributable to the State as a participating employer. That opinion is incorporated by reference to this note.

On November 25, 2015, however, GASB staff advised the Department of Administration and the Department of Law that the term “legally responsible” for purposes of GASB 68 should not be construed in a legally enforceable sense, and that the reporting of net pension liability attributable to special funding situations on the State’s balance sheet does not mean that the State is legally obligated for such underlying net pension liabilities. Rather, the reporting of such amounts merely reflects an “economic reality” that the State is making state assistance payments on behalf of participating employers pursuant to AS 39.35.280 and AS 14.25.085. Nevertheless, GASB staff advised that the existence of such statutes, irrespective of their constitutional validity, required the State to report these amounts as liabilities on its balance sheet. Moreover, in a memo dated December 16, 2015, the Division of Legislative Audit stated that the constitutional prohibition against dedicated revenue and limitations on one legislature binding the appropriation power of a subsequent legislature are not permissible exceptions to this accounting rule.

Accordingly, the State is reporting such amounts on its balance sheet, but the State affirmatively disclaims any and all legal responsibility or obligation, in a legally enforceable sense, for the non-State employer GASB 68 net pension liabilities reported as liabilities on the basic financial statements herein. The State acknowledges that municipalities and school districts have taken the position that they are not claiming responsibility for liabilities beyond the obligations they report in their financial statements.

The assumptions for the portion of the net pension liability attributed to the special funding situation for both the PERS and TRS plans are the same as those listed above. The proportionate share of the net pension liability attributed to the special funding situation was based on a projection of these types of contributions to the pension plan relative to the projected contributions of all participating employers.

The following presents the State’s proportionate share of the net pension liability calculated using the discount rate, as well as what the State’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for the special funding situation portion (in thousands):

	1% Decrease 7%	Discount Rate 8%	1% Increase 9%
PERS net pension liability	\$ 1,336,866	\$ 1,019,583	\$ 752,397
TRS net pension liability	3,176,443	2,522,174	1,973,124

At June 30, 2014 the proportionate share of the net pension liability attributed to the State for the special funding situation was 21.86 percent for the Public Employee’s Retirement System (PERS) and 84.10 percent for the Teacher’s Retirement System (TRS), which was a decrease of 1.01 percent and an increase of 0.69 percent from its proportion measured as of June 30, 2013 for PERS and TRS respectively.

For the year ended June 30, 2015, the State recognized expenses of \$230,483 thousand in relation to the special funding situation broken out by plan as follows (in thousands):

<u>Systems</u>	<u>Expenses</u>
Public Employees’ Retirement System	\$ 49,938
Teachers’ Retirement System	180,545

At June 30, 2015, the State reported deferred outflows of resources and deferred inflows of resources related to pension plans for the special funding situation amounts from the following sources by plan (in thousands):

<u>System</u>		<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
PERS	Difference between Projected Investment Earnings	\$ -	\$ (117,783)
	Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	-	(30,159)
	Contributions Subsequent to the Measurement Date	479,760	-
TRS	Difference between Projected Investment Earnings	-	(225,168)
	Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	12,944	-
	Contributions Subsequent to the Measurement Date	1,650,517	-
		<u>\$ 2,143,221</u>	<u>\$ (373,110)</u>

\$2,130,277 thousand reported as deferred outflows of resources related to the special funding situation resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in fiscal year 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the special funding situation will be recognized as expenses for each plan as follows (in thousands):

<u>Year Ending June 30</u>	<u>PERS</u>	<u>TRS</u>
2016	\$ (52,645)	\$ (46,335)
2017	(36,405)	(53,305)
2018	(29,446)	(56,292)
2019	(29,446)	(56,292)

SINGLE EMPLOYER PLANS

The schedules of changes in plan net pension liability and related ratios for the JRS and NGNMRS defined benefit pension plan as of the measurement date, June 30, 2014 are below (in thousands):

	<u>JRS</u>	<u>NGNMRS</u>
Total pension liability:		\$
Service cost	\$ 5,186	632
Interest	15,320	2,363
Differences between expected and actual experience	(3,741)	241
Changes in assumptions	1,407	27
Benefit payments, including refunds of member contributions	<u>(10,578)</u>	<u>(1,611)</u>
Net Change in total pension liability	7,594	1,652
Total pension liability - beginning	<u>77,071</u>	<u>35,063</u>
Total pension liability - ending (a)	<u>84,665</u>	<u>36,715</u>
Plan fiduciary net position:		
Contributions	9,642	740
Total net investment income	21,845	4,528
Benefit payments, including refunds or member contributions	(10,578)	(1,611)
Administrative expenses	<u>(66)</u>	<u>(223)</u>
Net change in plan fiduciary net position	20,843	3,434
Plan fiduciary net position - beginning	<u>118,705</u>	<u>34,033</u>
Plan fiduciary net position - ending (b)	<u>139,548</u>	<u>37,467</u>
Plan's net pension liability/(asset) (a) - (b)	<u>\$ 54,883</u>	<u>\$ (752)</u>

C. 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, 2015, the following were the General Obligation Bond debt outstanding (in millions):

Year Ending June 30	Principal	Interest	Total
2016	\$ 38.4	\$ 27.3	\$ 65.7
2017	40.9	26.6	67.5
2018	42.7	24.7	67.4
2019	44.4	22.8	67.2
2020	35.0	21.0	56.0
2021-2025	149.2	124.5	273.7
2026-2030	148.9	100.0	248.9
2031-2035	87.0	12.5	99.5
2036-2040	12.1	1.2	13.3
Total debt service requirements	598.6	<u>\$ 360.6</u>	<u>\$ 959.2</u>
Unamortized bond premium	58.0		
Total principal outstanding	<u>\$ 656.6</u>		

The General Obligation Bond Series 2009A Bonds were issued for the purpose of paying \$165 million of the costs of State transportation projects. The Series 2010 A and B Bonds were issued for the purpose of paying \$164.57 million of the costs of State education projects. The Series 2012A Bonds were issued for the purpose of refunding \$191.41 million on the 2003A Series Bonds. The Series 2013 A and B Bonds were issued for the purpose of paying \$162.48 million of the costs of State education projects. The Series 2015B Bonds were issued for the purpose of refunding \$100.62 million on the 2009A Series Bonds.

Federal subsidies related to the interest payments made during the year on the bonds were \$4.8 million.

At June 30, 2015, the amount of General Obligation Bonds authorized was \$1,012.1 million with \$682.7 million issued. Of the amount issued, \$155.2 million is short-term Bond Anticipation Notes. General Obligation Bonds authorized but not issued at June 30, 2015 was \$329.4 million.

REVENUE BONDS

As of June 30, 2015, the following were the revenue bonds outstanding (in millions):

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 13.0	\$ 18.0	\$ 16.7	\$ 23.6
2017	12.0	17.5	18.7	22.8
2018	7.2	16.9	25.0	21.8
2019	8.0	16.6	26.4	20.4
2020	22.4	18.9	27.6	19.0
2021-2025	33.2	72.1	162.3	72.9
2026-2030	38.5	63.9	162.1	27.8
2031-2035	51.6	52.9	41.5	7.0
2036-2040	67.0	38.7	6.9	0.2
2041-2045	91.4	19.7	-	-
2046-2050	33.6	69.3	-	-
Total debt service requirements	377.9	<u>\$ 404.5</u>	487.2	<u>\$ 215.5</u>
Unamortized bond (discounts)/premiums	(4.7)		9.8	
Plus accreted value	8.7		-	
Total principal outstanding	<u>\$ 381.9</u>		<u>\$ 497.0</u>	

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 Position.

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, 2015 includes \$346.6 million in principal, \$394.9 million in interest, \$6.6 million in unamortized discount, and \$8.7 million in accreted value on the Series 2006B and Series 2006C Bonds.

Alaska Sport Fishing Revenue Bonds

The State of Alaska Sport Fishing Revenue Bonds Series 2006 were issued under Article 5A of Chapter 15 of Title 37 of the Alaska Statutes. The bonds were issued to provide a portion of the funds necessary to finance the construction and renovation of fisheries rehabilitation, enhancement and development projects that benefit sport fishing. These revenue bonds are special, limited obligations of the State secured by and payable from the sport fishing facilities surcharge imposed under AS 16.05.340 and from funds received from the federal government which by their terms are not restricted in use and legally available for the payment for debt service on Parity Bonds. The bonds are not general obligations of the State, and the State does not pledge its full faith and credit to the payment of the bonds. Sport Fishing Revenue Bond total at year end includes \$31.3 million in principal, \$9.6 million in interest, and \$1.9 million in unamortized premium.

International Airports Revenue Bonds

The business activities revenue bonds include bond issuances by the International Airports Fund. Gross revenues derived from the operation of the international airports at Anchorage and Fairbanks are pledged to secure the payment of principal and interest on International Airports Revenue Bonds. There are \$23.2 million of bonds authorized by the Alaska Legislature that have not been issued. This debt is reported in the Business-type Activities column of the Government-wide Statement of Net Position. No International Airports Revenue Bonds were refunded during FY 15. At June 30, 2015 there was no bond interest arbitrage rebate liability. Federal subsidies related to the interest payments made during the year on Build American Bonds were \$430 thousand. International Airports Revenue Bond total at year end includes \$487.3 million in principal, \$215.5 million in interest and \$9.9 million in unamortized premiums/discounts and deferred gains/losses.

D. CAPITAL AND OPERATING LEASES

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

Governmental Activities Year Ending June 30	Operating Leases	Capital Leases		
		Principal	Interest	Total
2016	\$ 40.2	\$ 28.3	\$ 14.9	\$ 43.2
2017	29.7	24.0	14.4	38.4
2018	24.9	20.9	13.2	34.1
2019	19.5	21.8	12.3	34.1
2020	21.9	21.7	11.2	32.9
2021-2025	11.7	80.9	42.1	123.0
2026-2030	2.8	75.6	21.6	97.2
2031-2035	1.4	49.1	3.7	52.8
2036-2040	0.2	-	-	-
2041-2045	0.2	-	-	-
2046-2050	0.2	-	-	-
2051-2055	0.2	-	-	-
2056-2060	0.2	-	-	-
2061-2065	2.0	-	-	-
Total	<u>\$ 155.1</u>	<u>\$ 322.3</u>	<u>\$ 133.4</u>	<u>\$ 455.7</u>

Leases at June 30, 2015 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, 2015 include the following (in thousands):

	Governmental Activities	Business-Type Activities
Buildings	\$ 463,060	\$ -
Equipment	10,838	-
Less: Accumulated Depreciation	(96,428)	-
	<u>\$ 377,470</u>	<u>\$ -</u>

E. CERTIFICATES OF PARTICIPATION

The State has lease purchase agreements funded through certificates of participation (COPs). These leases are for the purchase or construction 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, 2015 (in millions):

<u>Governmental Activities</u>	<u>Certificates of Participation</u>		
<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 3.3	\$ 1.4	\$ 4.7
2017	1.7	1.3	3.0
2018	1.7	1.2	2.9
2019	1.8	1.1	2.9
2020	1.8	1.1	2.9
2021-2025	10.3	4.1	14.4
2026-2030	10.2	1.3	11.5
Total	<u>\$ 30.8</u>	<u>\$ 11.5</u>	<u>\$ 42.3</u>

F. DISCRETELY PRESENTED COMPONENT UNITS

Debt service requirements are (in millions):

Year Ending June 30	Principal	Interest	Total
2016	\$ 193.2	\$ 144.8	\$ 338.0
2017	203.5	138.3	341.8
2018	202.5	131.0	333.5
2019	188.1	123.5	311.6
2020	193.4	116.5	309.9
2021-2025	841.5	460.3	1,301.8
2026-2030	890.4	285.8	1,176.2
2031-2035	515.9	144.2	660.1
2036-2040	357.3	59.2	416.5
2041-2045	141.1	11.7	152.8
2046-2050	13.9	1.3	15.2
Total debt service requirements	3,740.8	\$ 1,616.6	\$ 5,357.4
Unamortized (discounts)/premiums	89.0		
Unamortized swap termination penalty	(11.6)		
Deferred amount on refunding	(1.3)		
Total principal outstanding	\$ 3,816.9		

The preceding table does not include \$776 thousand of Alaska Energy Authority arbitrage interest payable.

G. ALASKA HOUSING FINANCE CORPORATION DERIVATIVES

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

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

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

AHFC's interest rate swaps require that if the ratings on the associated bonds fall to BBB+/Baa1, AHFC would have to post collateral of up to 100 percent of the swaps' fair value. As of June 30, 2015, AHFC has not posted any collateral and is not required to post any collateral.

HEDGING DERIVATIVES

The significant terms and credit ratings of AHFC's hedging derivatives as of June 30, 2015, are shown below:

Related Bond Issue	Effective Dates	Fixed Rate Paid	Variable Rate Received	SWAP Termination Date	Counterparty Credit Rating ⁷
GP01A ¹	12/1/2008	2.4530%	67% of 1M LIBOR ⁴	12/1/2030	A/A2
GP01B	8/2/2001	4.1427%	67% of 1M LIBOR	12/1/2030	A+/Aa3
E021A1 ²	10/9/2008	2.9800%	70% of 3M LIBOR ⁵	6/1/2032	AAA/Aa2
E021A2	10/9/2008	3.4480%	70% of 1M LIBOR	12/1/2036	A+/Aa3
SC02C ³	12/5/2002	4.3030%	SIFMA ⁶ +0.115%	7/1/2022	A+/Aa3
E071AB	5/31/2007	3.7345%	70% of 3M LIBOR	12/1/2041	AAA/Aa2
E071BD	5/31/2007	3.7200%	70% of 3M LIBOR	12/1/2041	A+/Aa3
E091A	5/28/2009	3.7610%	70% of 3M LIBOR	12/1/2040	A/A2
E091B	5/28/2009	3.7610%	70% of 3M LIBOR	12/1/2040	AAA/Aa2
E091ABD	5/28/2009	3.7400%	70% of 3M LIBOR	12/1/2040	A+/Aa3

¹ Governmental Purpose Bonds

² Home Mortgage Revenue Bonds

³ State Capital Project Bonds

⁴ London Interbank Offered Rate 1 month

⁵ London Interbank Offered Rate 3 month

⁶ Securities Industry and Financial Markets Municipal Swap Index

⁷ Standard & Poor's/Moody's

The change in fair value and ending balance of AHFC's hedging derivatives as of June 30, 2015, is shown below (in thousands). The fair value is reported as a deferred outflow/inflow of resources in the Statement of Net Position.

Related Bond Issue	Notional Amounts	Present Values	Fair Values June 30, 2015	Fair Values June 30, 2014	Change in Fair Values
GP01A	\$ 51,115	\$ 54,847	\$ (3,732)	\$ (3,353)	\$ (379)
GP01B	62,460	75,270	(12,810)	(13,103)	293
E021A1	40,520	45,021	(4,501)	(4,195)	(306)
E021A2	46,675	49,183	(2,508)	(4,091)	1,583
SC02C	45,700	50,785	(5,085)	(5,981)	896
E071AB	143,622	178,644	(35,022)	(31,412)	(3,610)
E071BD	95,748	118,787	(23,039)	(20,577)	(2,462)
E091A	72,789	91,267	(18,478)	(16,520)	(1,958)
E091B	72,789	91,181	(18,392)	(16,461)	(1,931)
E091ABD	97,052	121,167	(24,115)	(21,483)	(2,632)
Total	<u>\$ 728,470</u>	<u>\$ 876,152</u>	<u>\$(147,682)</u>	<u>\$(137,176)</u>	<u>\$ (10,506)</u>

As of June 30, 2015, debt service requirements of AHFC's outstanding variable-rate debt and net swap payments are displayed in the following schedule (in thousands). As interest rates vary, variable-rate bond interest payments and net swap payments will also vary.

Year Ending June 30	Outstanding Variable-Rate Debt	Outstanding Variable-Rate Debt	Swap	Total
	Principal	Interest	Net Payment	Payment
2016	\$ 13,155	\$ 624	\$ 25,216	\$ 38,995
2017	16,146	614	24,744	41,504
2018	19,399	600	24,121	44,120
2019	20,280	584	23,424	44,288
2020	24,500	567	22,697	47,764
2021-2025	142,530	2,499	98,541	243,570
2026-2030	158,861	1,898	73,778	234,537
2031-2035	144,716	1,224	47,173	193,113
2036-2040	155,608	554	21,150	177,312
2041-2043	33,275	32	1,021	34,328
	<u>\$ 728,470</u>	<u>\$ 9,196</u>	<u>\$ 361,865</u>	<u>\$ 1,099,531</u>

Interest Rate Risk

AHFC is exposed to interest rate risk on all of its interest rate swaps. As the London Interbank Offered Rate (LIBOR) or the Securities Industry and Financial Markets Association (SIFMA) index decreases, AHFC's net payment on the swaps increases.

Credit Risk

As of June 30, 2015, AHFC is not exposed to credit risk on any of the swaps because the swaps all have negative fair values. If interest rates rise and the fair value of the swaps becomes positive, AHFC would be exposed to credit risk in the amount of the swaps' fair value. The swap agreements contain varying collateral agreements with the counterparties and require full collateralization of the fair value amount of the swap should the counterparty's rating fall to BBB+/Baa1. AHFC currently has swap agreements with five separate counterparties. Approximately 35.3 percent of the total notional amount of the swaps is held with one counterparty rated AAA/Aa2. Another 32.7 percent of the total notional amount of the swaps is held with another counterparty rated A+/Aa3. Of the remaining swaps, another counterparty is also rated A+/Aa3, another counterparty is rated A/A2, and the remaining counterparty is also rated A/A2, approximating 15.0 percent, 10.0 percent, and 7.0 percent respectively, of the total notional amount of the swaps.

Basis Risk

All of AHFC's variable-rate bond interest payments are based on the tax exempt SIFMA index. Therefore, AHFC is exposed to basis risk on swaps where the variable payment received on the swaps is based on a taxable LIBOR index and does not fully offset the variable rate paid on the bonds, which is based on the SIFMA index. The SC02C swap is based on the SIFMA index and thus is not exposed to any basis risk. As of June 30, 2015, SIFMA was 0.07 percent and 1 month LIBOR was 0.1865 percent, resulting in a SIFMA/LIBOR ratio of 37.5 percent. The 3 month LIBOR was 0.2832 percent resulting in a SIFMA/LIBOR ratio of 24.75 percent. The SIFMA/LIBOR ratios have fluctuated since the agreements became effective but the anticipated cost savings from the swaps increases as the ratios decrease.

Termination Risk

Termination risk is the risk of an unscheduled termination of a swap prior to its planned maturity. If any of the swaps are terminated, the associated floating rate bonds would no longer carry synthetic fixed interest rates and AHFC would be exposed to interest rate risk on the bond. This risk is mitigated by the fact that the termination payment could be used to enter into an identical swap at the termination date of the existing swap. Further, if any of the swaps have a negative fair

value at termination, AHFC would be liable to the counterparty for payments equal to the swaps' fair value. AHFC or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the agreement, including downgrades and events of default.

In fiscal year 2009, three swaps were terminated because of bankruptcy events with the counterparties, resulting in AHFC making termination payments totaling \$22.2 million to the counterparties. AHFC replaced the swaps with new swaps that had provisions that resulted in a lower cost overall on the underlying debt. The termination payments were deferred and are being amortized to interest expense over the life of the bonds related to those terminated swaps. An additional payment of \$150 thousand was made to a former counterparty in fiscal year 2013 as settlement of any and all claims relating to that counterparty's swap termination. This payment was expensed as insurance and financing expense in fiscal year 2013.

Rollover Risk

Rollover risk occurs when there is a mismatch in the amortization of the swap versus the amortization of the floating rate bonds. AHFC has structured the swaps to amortize at the same rate as scheduled or anticipated reductions in the associated floating rate bonds outstanding. The E021A swaps were set up in several tranches of various sizes that can be cancelled to parallel the redemption of debt from mortgage prepayments. In addition, the GP01A and GP01B swaps cover only a portion of the total debt issuance, allowing any increase in the speed of mortgage prepayments to be directed to the unswapped portion of the debt.

INVESTMENT DERIVATIVES

The State Capital Project Bonds, 2002 Series B, were fully redeemed in fiscal year 2009, so the associated interest rate swap was no longer a hedging derivative and is accounted for as an investment derivative.

The significant terms and credit ratings of AHFC's investment derivatives as of June 30, 2015, are shown below:

Related Bond Issue	Effective Dates	Fixed Rate Paid	Variable Rate Received	SWAP Termination Date	Counterparty Credit Rating
SC02B	12/5/2002	3.77%	70% of 1M LIBOR	7/1/2024	A+/Aa3

The change in fair value of the investment derivatives as of June 30, 2015, is shown below (in thousands) and is presented as a part of Interest and Investment Income in the Statement of Activities.

Related Bond Issue	Notional Amounts	Present Values	Fair Values June 30, 2015	Fair Values June 30, 2014	Change in Fair Values
SC02B	\$ 14,555	\$ 17,072	\$ (2,517)	\$ (2,528)	\$ 11

Credit Risk

As of June 30, 2015, AHFC was not exposed to credit risk on this outstanding swap because the swap had a negative fair value. If interest rates rise and the fair value of the swap becomes positive, AHFC would be exposed to credit risk in the amount of the swaps' fair value. The swap agreement requires the counterparty to fully collateralize the fair value amount of the swap should the counterparty's rating fall to BBB+/Baa1. The counterparty on this swap is rated A+/Aa3.

NOTE 7 – DEFINED BENEFIT PENSION PLANS

STATE ADMINISTERED PLANS

DESCRIPTION OF PLANS

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

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

Prior to July 1, 2008, PERS was a defined benefit, agent, multiple-employer public employee retirement plan. The Alaska Legislature passed Senate Bill 125, which was signed by the Governor on April 2, 2008. This law converted the PERS to a cost-sharing plan under which the unfunded liability will be shared among all employers. This legislation also established a uniform contribution rate of 22 percent of participating employees’ covered payroll.

Prior to July 1, 1997, postemployment healthcare benefits were provided by the payment of premiums to an insurance company. Beginning July 1, 1997, the Retiree Health Fund (RHF), a pension trust fund of the State, was established. The RHF is self-funded and originally provided major medical, dental, vision, audio, and long-term care coverage to retirees of the PERS-DB, the Teacher’s Retirement System – Defined Benefit (TRS-DB), and the Judicial Retirement System (JRS) Plans. Due to the establishment of the Alaska Retiree Healthcare Trust (ARHCT) effective July 1, 2007, the RHF now provides major medical coverage to those retirees not eligible to participate in the ARHCT, along with optional dental, vision, audio, and long-term care coverage to all retirees in these plans. The plan retains the risk of loss of allowable claims. The RHF issues a financial report that may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

The PERS-DB Plan is a plan within the Public Employees’ Retirement System (PERS). PERS is a component unit of the State of Alaska financial reporting entity. PERS includes the PERS-DB and ARHCT. Senate Bill 123 was passed during the 2007 legislative session and created the ARHCT. ARHCT is self-funded and provides major medical coverage to retirees of PERS. PERS retains the risk of loss of allowable claims for eligible members. ARHCT began paying member healthcare claims on March 1, 2008. Prior to that time, healthcare claims were paid for by the RHF.

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

At June 30, 2015 the number of PERS participating employers was:

State of Alaska	4
Municipalities	76
School Districts	53
Other	24
Total Employers	<u>157</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 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, 2015 was capped at 22 percent of compensation.

The state’s contributions to PERS-DB for the fiscal years ended June 30, 2015, 2014, and 2013 were \$237.5, \$248.2, and \$244.9 million respectively for the year. For the FY 15 contributions, \$135.2 million was for pensions and \$102.4 million was for postemployment benefits. The contributions were equal to the required contributions in FY 15.

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

Chapter 18 SLA 2014 appropriated \$1.0 billion from the Constitutional Budget Reserve Fund to the PERS-DB as an additional state contribution for FY 15. The portion of this payment attributable to State of Alaska employers is \$587.4 million; all for pensions.

Postemployment healthcare benefits are provided to retirees without cost for all employees first hired before July 1, 1986, and employees who are disabled or age 60 or older, regardless of initial hire dates. Employees first hired on or after July 1, 1986, with five years of credited service (or ten years of credited service for those first hired after July 1, 1996) may pay the full monthly premium if they are under age 60, and receive benefits at no premium cost if they are over age 60 or are receiving disability benefits. Police and fire employees with 25 years of membership and all other employees with 30 years of membership service also receive benefits at no premium cost.

The components of the net pension liability of the participating employers at June 30, 2015, were as follows (in thousands):

Total Pension Liability	\$	13,456,876
Plan Fiduciary Net Position		<u>(8,606,862)</u>
Employers' Net Pension Liability (Asset)	\$	<u>4,850,014</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		63.96%

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

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

Prior to July 1, 1997, postemployment healthcare benefits were provided by the payment of premiums to an insurance company. Beginning July 1, 1997, the RHF, a pension trust fund of the State, was established. The RHF is self-funded and originally provided major medical, dental, vision, audio, and long-term care coverage to retirees of the PERS-DB, TRS-DB, and JRS Plans. Due to the establishment of the ARHCT effective July 1, 2007, the RHF now provides major medical coverage to those retirees not eligible to participate in the ARHCT, along with optional dental, vision, audio, and long-term care coverage to all retirees in these plans. The plan retains the risk of loss of allowable claims. The RHF issues a financial report that may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

The 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 the ARHCT Fund. Senate Bill 123 was passed during the 2007 legislative session and created the ARHCT. ARHCT is self-funded and provides major medical coverage to retirees of TRS.

TRS retains the risk of loss of allowable claims for eligible members. ARHCT began paying member healthcare claims on March 1, 2008. Prior to that time, healthcare claims were paid for by the RHF.

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

At June 30, 2015 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.

The TRS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as a percent of annual-covered payroll, are sufficient to accumulate assets to pay benefits when due. The employer rate for the State of Alaska for the year ended June 30, 2015 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, 2015, 2014, and 2013 were \$4.6, \$5.1, and \$5.3 million respectively, equal to the required contributions for each year. For the FY 15 contributions, \$2.6 million was for pensions and \$2.0 million was for postemployment benefits. The contributions were equal to the required contributions in FY 15.

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

Chapter 18 SLA 2014 appropriated \$2.0 billion from the Constitutional Budget Reserve Fund to the TRS-DB as an additional state contribution for FY 15. The portion of this payment attributable to State of Alaska employers is \$110.7 million, of which \$92.0 million is for pensions and \$18.7 million is for postemployment benefits.

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

The components of the net pension liability of the participating employers at June 30, 2015, were as follows (in thousands):

Total Pension Liability	\$ 7,107,406
Plan Fiduciary Net Position	<u>(5,246,955)</u>
Employers' Net Pension Liability (Asset)	<u>\$ 1,860,451</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.82%

The Judicial Retirement System (JRS)

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

Prior to July 1, 1997, postemployment healthcare benefits were provided by the payment of premiums to an insurance company. Beginning July 1, 1997, the RHF, a pension trust fund of the State, was established. The RHF is self-funded and originally provided major medical, dental, vision, audio, and long-term care coverage to retirees of the PERS-DB, TRS-DB, and JRS Plans. Due to the establishment of the ARHCT effective July 1, 2007, the RHF now provides major medical coverage to those retirees not eligible to participate in the ARHCT, along with optional dental, vision, audio, and long-term care coverage to all retirees in these plans. The plan retains the risk of loss of allowable claims. The RHF issues a financial report that may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

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

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

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

Members contribute seven percent of their compensation to JRS. The contributions are deducted before federal income tax is withheld. Contributions are not required after members have made contributions for 15 years, or from members first appointed before July 1, 1978.

The JRS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual-covered payroll, are sufficient to accumulate assets to pay benefits when due. The employer rate for the State of Alaska for the year ended June 30, 2015, was 82.48 percent of compensation. Total contributions for FY 15 were \$9,915 thousand for pensions, and \$677 thousand for postemployment benefits. Included in the total contributions amounts is \$5.2 million appropriated in Chapter 16 SLA 2014 from the General Fund to JRS as an additional state contribution for the purpose of funding the retirement system.

Postemployment healthcare benefits are provided without cost to retired JRS members. The 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
2014	\$24,074	\$18,642	\$(5,432)	129.1%	\$13,373	(40.6%)

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The actuarial valuation dated June 30, 2012 set the contribution rates for the year ended June 30, 2015. The State of Alaska's other postemployment benefit (OPEB) obligations for FY 15 follows (in thousands):

	<u>OPEB</u>
Annual Required Contribution	\$ 313
Interest on Net Pension Asset	(31)
Adjustment to Annual Required Contribution	<u>28</u>
Annual Pension Cost (APC)/OPEB Cost (AOC)	310
Contributions Made	<u>(678)</u>
Increase in Obligation	(368)
Net Pension Obligation/(Asset) Beginning of Year	<u>(392)</u>
Net Pension Obligation/(Asset) End of the Year	<u>\$ (760)</u>

Three year trend information for this obligation follows (in thousands):

OPEB	<u>Year Ended June 30</u>	<u>AOC</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation /(Asset)</u>
	2013	\$ 1,073	108.9%	\$ (421)
	2014	1,090	97.3%	(392)
	2015	310	218.9%	(760)

The components of the net pension liability at June 30, 2015, were as follows (in thousands):

Total Pension Liability	\$ 205,125
Plan Fiduciary Net Position	<u>(144,160)</u>
Employer's Net Pension Liability (Asset)	<u>\$ 60,965</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.28%

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 components of the net pension liability at June 30, 2015, were as follows (in thousands):

Total Pension Liability	\$ 38,309
Plan Fiduciary Net Position	<u>(36,880)</u>
Employer's Net Pension Liability (Asset)	<u>\$ 1,429</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	96.27%

ASSET VALUATION

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

<u>Systems</u>	<u>Fair Value</u>
Public Employees' Retirement System	\$15,598,688
Teachers' Retirement System	7,848,576
Judicial Retirement System	171,060
Alaska National Guard and Alaska Naval Militia Retirement System	36,969

PLAN MEMBERSHIPS

The table below includes the plan membership counts from the notes to the separately issued financial statements for the various plans.

	<u>PERS</u>	<u>TRS</u>	<u>JRS</u>	<u>NGNMRS</u>
	6/30/15	6/30/15	6/30/15	6/30/14
Inactive plan members or beneficiaries currently receiving benefits	32,045	12,080	108	639
Inactive plan members entitled to but not yet receiving benefits	18,181	3,156	4	1,756
Current active employees	17,988	5,606	76	4,139
Total	<u>68,214</u>	<u>20,842</u>	<u>188</u>	<u>6,534</u>

Actuarial Method and Assumptions

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

The following main assumptions were used in the actuarial valuation.

System	Investment Rate of Return	Actuarial Cost Method	Amortization Method	Equivalent Single Amorization Period	Salary Scale Increase	Valuation Date
PERS	8% Includes Inflation at 3.12%	Entry age normal; level percentage of pay normal cost basis for pension; level dollar normal cost basis for healthcare	Level percent of pay, closed	25 years	Peace Officer/Firefighter: Merit –2.75% per year for the first 4 years of employment, grading down to 0.5% at 7 years and thereafter. Productivity – 0.5% per year. Others: Merit – 6.00% per year grading down to 2.00% after 5 years; for more than 6 years of services, 1.50% grading down to 0% Productivity – 0.5% per year.	6/30/2014
TRS	8% Includes Inflation at 3.12%	Entry age normal; level percentage of pay Normal Cost Basis for pension and healthcare	Level percentage of pay, closed	25 years	6.11% for first 5 years of service grading down to 3.62% after 20 years	6/30/2014
JRS	8% Includes Inflation at 3.12%	Entry age normal level percentage of pay normal cost basis for pension; level dollar normal cost basis for healthcare	Level dollar, closed	20 years	3.62%	6/30/2014
NGNMRS	7% Includes Inflation at 3.12%	Entry age normal	Level dollar, open	20 years less average military service of active members	None	6/30/2014

Health Care Inflation

		<u>Medical Pre-65</u>	<u>Medical Post-65</u>	<u>Rx</u>
For all systems above	FY15	10.0%	6.0%	6.0%
(excluding NGNMRS):	FY16	9.4%	5.9%	5.7%

For PERS and TRS, assets are at fair value, with 20 percent of the investment gains or losses recognized each year, for a period of up to 5 years. For JRS and NGNMRS, assets are at market value, with 20 percent of the investment gains or losses recognized in each of the current and preceding four years. JRS and NGNMRS valuation assets cannot be outside a range of

80 to 120 percent of the fair value of assets. PERS and TRS assets are valued at a five year fair value smoothing valuation method. JRS and NGNMRS assets are valued at a five year market value smoothing valuation method.

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. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

NOTE 8 – DEFINED CONTRIBUTION PENSION PLANS

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, 2015, there were 159 employers participating in PERS-DCR. There were 17,456 active members, of which 16,011 are general employees and 1,445 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 15 for each member's compensation was 1.66 percent for medical coverage and 0.22 percent for death and disability (1.06 percent for peace officers and firefighters). HRA is \$163.38 per month for full time employees and \$1.26 per hour for part time employees.

The PERS pension contributions for the year ended June 30, 2015 by the employees were \$39,278 thousand and the State of Alaska employers were \$24,552 thousand. The PERS other postemployment contributions for the year ended June 30, 2015 were \$25,128 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, 2015 is \$861,066 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.

For the year ended June 30, 2015 the State of Alaska recognized \$24,552 thousand in pension expense for the PERS-DCR as an employer.

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, 2015, there were 58 employers participating in TRS-DCR. There were 4,076 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 RMP and HRA. The TRS 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 15 for each member's compensation was 2.04 percent for medical coverage and zero percent for death and disability. HRA is \$163.38 per month for full-time employees while part-time employees are based on the contract percentage worked multiplied by the full-time employee rate.

The TRS pension contributions for the year ended June 30, 2015 by the employees were \$608 thousand and the State of Alaska employers were \$482 thousand. The TRS other postemployment contributions for the year ended June 30, 2015 were \$345 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, 2015 is \$337,743 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.

For the year ended June 30, 2015 the State of Alaska recognized \$532 thousand in pension expense for the TRS-DCR as an employer.

Supplemental Benefits System

In addition to the pension plans (note 7) and deferred compensation plan (note 9), all state employees, as well as employees of political subdivisions which have elected to participate in the program, are covered under the Alaska Supplemental Benefits System (SBS). SBS is comprised of the Supplemental Annuity Plan and the Supplemental Benefits Cafeteria 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 June 30, 2015, there were 22 other employers participating in SBS. There were 43,755 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 Cafeteria 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 ended June 30, 2015, were \$75,481 thousand. The State's covered payroll was \$1,231,348 thousand.

Supplemental Benefit Cafeteria 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 ended June 30, 2015, were \$2,645 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 Cafeteria 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 June 30, 2015. Participant accounts under the Supplemental Annuity Plan are self-directed with respect to investment options. Each participant designates how contributions are allocated among the investment options. Each participant's account is credited with the contributions, the increase or decrease in unit value for the investment funds, and reduced for administrative fees.

NOTE 9 – DEFERRED COMPENSATION PLAN

The State of Alaska Deferred Compensation Plan was created by Alaska statutes. It is a deferred compensation plan under Section 457 of the Internal Revenue Code. It is available to all permanent and long-term non-permanent employees, and elected officials of the State (and with the March 1, 2006 amendment, members of State of Alaska boards and commissions) who have completed a pay period of employment. Participants authorize the State to reduce their current salary so that they can receive the amount deferred at a later date. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency, within the definition allowed by the applicable Internal Revenue Code. As of June 30, 2015 the Deferred Compensation Plan had approximately 11,100 participants.

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

The Division of Retirement and Benefits is responsible for Deferred Compensation Plan administration and record-keeping. The Alaska Retirement Management Board is responsible for the specific investment of monies in the Deferred Compensation Plan.

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

Deferred Compensation Plan net position as of June 30, 2015 was \$815,779 thousand. The Deferred Compensation Plan is reported in the accompanying financial statements as a pension (and other employee benefit) trust fund.

NOTE 10 – INTERFUND TRANSACTIONS

The following schedules summarize individual interfund receivable and payable balances at June 30, 2015, and interfund transfers for the year then ended (in thousands):

INTERFUND RECEIVABLE / PAYABLE BALANCES

Due to Other Funds	General Fund	Due from Other Funds					Fiduciary Funds	Total
		Alaska Permanent Fund	Nonmajor Governmental Funds	International Airports	Nonmajor Enterprise Funds	Internal Service Funds		
General Fund	\$ -	\$ 28,576	\$ 47,605	\$ 3,758	\$ 262	\$ 12,695	\$ 31,019	\$ 123,915
Alaska Permanent Fund	1,397,146	-	-	-	-	-	-	1,397,146
Nonmajor								
Governmental Funds	14,803	-	-	-	-	-	-	14,803
International Airports	42,183	-	-	-	-	-	-	42,183
Nonmajor								
Enterprise Funds	1,554	-	-	-	-	-	-	1,554
Internal Service Funds	2,212	-	-	-	-	-	-	2,212
Fiduciary Funds	20,300	-	-	-	-	-	6	20,306
Total	<u>\$ 1,478,198</u>	<u>\$ 28,576</u>	<u>\$ 47,605</u>	<u>\$ 3,758</u>	<u>\$ 262</u>	<u>\$ 12,695</u>	<u>\$ 31,025</u>	<u>\$ 1,602,119</u>

The \$1,397.1 million balance due from the Alaska Permanent Fund to the General Fund includes \$1,326.3 million for payment of 2015 Permanent Fund dividends to qualified residents of the State and \$24.0 million to be transferred to the Alaska Capital Income Fund. The balance is for administrative and associated costs of the 2015 Permanent Fund Dividend Program.

INTERFUND TRANSFERS

Transfers From	Transfers to						Total
	General Fund	Alaska Permanent Fund	Nonmajor Governmental Funds	International Airports	Nonmajor Enterprise Funds	Internal Service Funds	
General Fund	\$ -	\$ -	\$ 122,770	\$ 14,057	\$ 133	\$ 23,108	\$ 160,068
Alaska Permanent Fund	1,397,145	-	-	-	-	-	1,397,145
Nonmajor Governmental Funds	-	2,881	6,327	-	-	-	9,208
Nonmajor Enterprise Funds	3,646	-	-	-	-	-	3,646
Total	<u>\$ 1,400,791</u>	<u>\$ 2,881</u>	<u>\$ 129,097</u>	<u>\$ 14,057</u>	<u>\$ 133</u>	<u>\$ 23,108</u>	<u>\$ 1,570,067</u>

The general purpose for transfers is to move monies from funds required by statute to collect them to the funds required by statute or budget to expend them, to move receipts restricted to debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments come due, and transfer accumulated surpluses from “Other” funds to the General Fund.

The transfer from Alaska Permanent Fund to the General Fund includes a \$1,326.3 million transfer for payment of the Permanent Fund dividends and for administrative and associated costs of the dividend program and a \$24.0 million transfer to the Alaska Capital Income Fund.

NOTE 11 – RELATED PARTY ACTIVITY

Based on understandings and board approved agreements between the Alaska Industrial Development and Export Authority (AIDEA) and Alaska Energy Authority (AEA), AIDEA provides administrative, personnel, data processing, communications and other services to AEA. AIDEA recognized revenue totaling \$8.8 million for providing these services during FY15. On June 30, 2015 AIDEA had \$2.4 million receivable from AEA for services and short-term borrowings.

On September 30, 2010, pursuant to legislation and an agreement, AIDEA purchased 37 loans from AEA with an outstanding balance of \$24,254 thousand, plus accrued interest, for \$20,631 thousand. Under the agreement, at AIDEA's request, AEA is required to repurchase any loan upon a payment default. The current loan outstanding balance at June 30, 2015 is \$17,487 thousand.

Northern Tobacco Securitization Corporation (NTSC) entered into a memorandum of agreement with Alaska Housing Finance Corporation (AHFC) that retains AHFC as administrator with respect to the preparation of all reports and other instruments and documents that NTSC is required to prepare, execute, file or deliver pursuant to the bond indenture and the related agreements for a monthly fee. NTSC also entered into a sub-lease agreement with AHFC for office space, overhead and operating services from AHFC for a monthly fee. The cost to NTSC for these services provided by AHFC for the year ended June 30, 2015 was approximately \$9 thousand.

Alaska Gasline Development Corporation (AGDC) utilizes certain AHFC administrative and support services and products such as payroll administration for half of the fiscal year, employee medical plans and their associated administrative services. There was no outstanding balance due to AHFC at June 30, 2015.

For the year ended December 31, 2013, Alaska Railroad Corporation issued a \$1,940 thousand note payable to the State of Alaska, Department of Transportation and Public Facilities in exchange for real property. The note payable outstanding balance at December 31, 2014 is \$1,856 thousand.

The Department of Transportation and Public Facilities (DOTPF) provides administrative and technical services benefiting all Alaska's airports and aircraft bases. Costs allocated to the International Airport Fund (IAF) as operating expenses totaled \$2,525 thousand for the year ended June 30, 2015. Capital project management services are performed by DOTPF personnel and are capitalized to IAF capital assets. The indirect costs allocated to the IAF and capitalized to construction in progress totaled \$2,441 thousand during the year ended June 30, 2015.

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, 2015, is \$18,316 thousand. This amount was calculated using the base pay on file for each employee as of June 30, 2015. 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 15 expended for school debt was \$116,387 thousand, which was 98.6 percent of the entitlement. The remaining FY 15 entitlement of \$1,638 thousand, 1.4 percent, was actually paid out in September 2015. The total debt requirement, assuming the State makes full payment of its share of school debt service, would be approximately \$1,156,213 thousand. The State has in the past and may in the future appropriate less than the full amount to which the municipalities are entitled under statute.

C. RISK MANAGEMENT AND SELF-INSURANCE

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

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

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

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

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

Additional specialty coverage 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 15, the State completely self-insured all statutory workers' compensation claims, general (premises and operations) and professional liability, and automobile liability. The State had Self-Insured Retention (SIR) levels of \$1 million per claim for property, \$750,000 for marine risks, and \$250,000 per incident for airport and aviation liability exposures. Limits of excess insurance vary by risk: \$1 billion per occurrence for marine, \$200 million for property, and \$500 million for aviation.

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

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

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

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

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

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

The table below presents changes in policy claim liabilities for the fiscal years ending June 30, 2014 and June 30, 2015 (in thousands). The State records its related liability using discounted amounts provided by actuaries. The amount of unpaid claim liabilities for Risk Management are presented at their present value using a 3.0 percent discount interest rate for FY 14 and a 3.0 percent discount interest rate for FY 15. 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
2014	\$ 102,885	\$ 60,081	\$ (40,091)	\$ 122,875
2015	122,875	52,822	(42,332)	133,365

D. LITIGATION AND ADMINISTRATIVE APPEALS

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 \$21,651 thousand, with an additional possible liability of \$23,379 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.

The Department of Revenue Oil and Gas Audit Group performs periodic audits of oil and gas companies. Audits often result in additional assessments. Oil and gas companies sometimes choose to pay the additional assessments “under protest” to avoid accruing interest. Because these payments are deposited in the Constitutional Budget Reserve Fund but are still under dispute, the oil and gas audit assessment revenues recognized in the Constitutional Budget Reserve Fund could be adversely affected by a potential refund resulting from an appeals decision issued by the Department of Revenue’s Appeals Group or by the Department of Administration’s Office of Administrative Hearings. The amount of potential refund could not be estimated.

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, 2015, the Alaska Clean Water and the Alaska Drinking Water Funds are committed to funding loans for which they have entered into agreements for communities but funds have not yet been disbursed. The total amounts to be disbursed under these agreements is uncertain as not all of the loans are expected to be fully drawn and some loans may increase with changes in scope of the underlying projects; accordingly, they are not included in the financial statements for these funds. As of June 30, 2015, the Alaska Clean Water and the Alaska Drinking Water Funds have entered into binding commitments, as evidenced by signed loan agreements, for which funds remain to be disbursed totaling \$77,424 thousand and \$54,651 thousand respectively.

As of June 30, 2015, the Department of Commerce, Community and Economic Development, Division of Investment, identified outstanding loan commitments. Agreements have been entered into, yet funds have not yet been disbursed. The open loan commitments include the Alaska Commercial Fishing Revolving Loan Fund for \$2,236 thousand, the Alaska Fisheries Enhancement Revolving Loan Fund for \$4,163 thousand, and the Alaska Bulk Fuel Revolving Loan Fund for \$6,347 thousand.

At June 30, 2015, the Alaska Energy Authority had open loan commitments of \$20,262 thousand.

At June 30, 2015, the Alaska Industrial Development and Export Authority (AIDEA) had extended loan participation purchase commitments to be funded by the Revolving Fund of \$50.8 million, direct financing loans of \$30.0 million, and loan guarantees of \$2.0 million. AIDEA extended commitments to fund borrowings not to exceed \$31.9 million from the Sustainable Energy Transmission and Supply Development Fund in the form of two lines of credit relating to the Interior Energy Project. These commitments, in addition to the currently outstanding Interior Energy Project related line of credit of \$20.9 million, will be converted to term loans in the future if certain events occur. In the event the lines of credit do not convert to term loans their repayment may be limited.

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 regulators put into liquidation. AIDEA can guarantee only loans AIGA needs to meet cash flow needs up to a maximum of \$30 million in outstanding principal balance at any time. No guarantees have been made pursuant to this authorization.

H. POTENTIAL DEVELOPMENT PROJECTS

The Alaska Gasline Development Corporation (AGDC) entered into an agreement where \$4,658 thousand would become due and payable when (a) the State awards permits, work product, and other results of the North Slope to Tidewater Preliminary Development Project to a Qualified Builder (other than a public corporation owned by the State); or (b) the State determines it will construct the North Slope to Tidewater pipeline itself, either through a public corporation owned by the State or otherwise, and (i) the Legislature of the State of Alaska appropriates some or all of the funding for the North Slope to

Tidewater Development and Construction Expenses, or (ii) bonds are issued by the State or a public corporation owned by the State intended to finance some or all of the North Slope to Tidewater Development and Construction Expenses.

The AGDC entered into a Joint Venture Agreement effective July 1, 2014, with affiliates of ExxonMobil, BP, ConocoPhillips, and TransCanada Corporation, for a proposed Alaska Liquefied Natural Gas (AK LNG) project. The project is to jointly fund and conduct Pre Front End Engineering (Pre-FEED) work consisting of engineering, design, permitting and related studies for a North Slope treatment plant, large-diameter pipeline from the North Slope to Nikiski and liquefied natural gas plant and marine terminal at Nikiski. Costs of the overall project are estimated to be \$45 billion to \$65 billion and the estimated export of LNG is 15 million to 18 million tons per year. Under the agreement, AGDC would contribute \$31 million and \$22.4 million in FY 15 and FY 16, respectfully, to carry out the Pre-FEED work for the Alaska LNG project. In FY 15 AGDC contributed \$16.3 million, with the remainder to be contributed in FY 16 and FY 17.

AIDEA entered into an agreement to purchase Pentex Alaska Natural Gas Company, LLC for \$52.5 million plus the amount of Net Working Capital the acquired companies have on the closing date up to a maximum of \$1.5 million. AIDEA paid \$2,675 thousand deposit from the Revolving Fund in FY 15 towards the purchase, which is reflected in other assets in AIDEA's financial statements. The purchase closed in September 2015.

I. INVESTMENT COMMITMENTS

The Alaska Retirement Management Board (ARMB) has entered into agreements with external investment managers to provide funding for future investments. At June 30, 2015, ARMB's unfunded commitments were as follows:

Investment Type/Term	Amounts in thousands		
	PERS	TRS	JRS
Private Equity			
To be paid through 2026.	\$ -	\$ 415,392	\$ 8,959
To be paid through 2022.	829,676	-	-
Energy			
To be paid through 2023.	52,219	26,144	564
Real Estate			
To be paid through 2024.	141,204	67,850	1,371
	<u>\$ 1,023,099</u>	<u>\$ 509,386</u>	<u>\$ 10,894</u>

J. 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 one fund.

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 the 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, 2014, the General Fund had pollution remediation obligations of \$78,200 thousand. As of June 30, 2015, the State had an increase to the obligation of \$84,871 thousand and recognized a decrease of \$20,439 thousand, for an ending balance of \$142,632 thousand in pollution remediation obligation related activities. The State has an estimated potential recovery of \$15,604 thousand from other responsible parties.

At July 1, 2014, the International Airports Fund (IAF) reported pollution remediation liabilities of \$1,193 thousand for which IAF is in whole or in part a responsible party. As of June 30, 2015, IAF did not report any increases or decreases, for an ending balance of \$1,193 thousand. IAF has an identified \$30 thousand expected to be collected from third parties. The estimated liabilities were measured using the estimated mean of the future cash flows of costs and recovery associated with those sites, measured at current value. This accrual includes the estimated obligation for five sites. IAF has also identified 17 other sites for which it is in whole or in part a responsible party, but for which no obligating event has occurred.

At December 31, 2013, the Alaska Railroad Corporation had pollution remediation obligations of \$2,473 thousand. As of December 31, 2014, the Alaska Railroad Corporation had additional obligations of \$783 thousand and reductions in obligations of \$639 thousand, for an ending liability of \$2,617 thousand. The Alaska Railroad Corporation estimated the liability for pollution remediation by estimating a reasonable range of potential outlays and multiplying those outlays by the probability of occurrence, reduced by the allocation of liability to other potentially responsible parties where applicable. The liabilities associated with these sites could change over time due to changes in costs of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation efforts.

K. ENCUMBRANCES

The State of Alaska utilizes encumbrance accounting to identify fund obligations. The following shows encumbrances within the governmental funds for the fiscal year ended June 30, 2015 (in thousands):

	Amount (in thousands)
General Fund	\$ 1,717,334
Special Revenue Funds	38,139
Capital Project Funds	73,408
Total Encumbrances	<u>\$ 1,828,881</u>

A review of the appropriations with encumbrance balances over \$5 million were identified and analyzed below:

The Department of Administration, Department of Education and Early Development, Department of Commerce, Community and Economic Development, and the Department of Transportation and Public Facilities have several construction/maintenance projects underway which total \$450.2 million of which \$384.5 million is in the General Fund, \$22.5 million is in a Special Revenue Fund, and \$43.2 million are Capital Project Funds. These projects are funded by a mixture of general funds, bond proceeds, and component units.

The Department of Commerce, Community and Economic Development administers grants to municipalities and named recipients which total \$284.7 million of which \$278.5 is in the General Fund and \$6.2 million is in the Capital Project Fund. These projects are funded by the general funds and bond proceeds.

The Department of Transportation and Public Facilities has a project for the Alaska Marine Highway System Alaska Class Ferry purchase for a total of \$101.8 million, which is in the General Fund. This is funded by general fund resources.

The Department of Administration, Department of Health and Social Services and the Department of Revenue have information technology projects underway within the General Fund totaling \$44.3 million funded by general fund resources and federal programs.

L. MEDICAID

The Alaska Health Enterprise (AHE) system processes Medicaid and Children's Health Insurance Program medical claims submitted by service providers. Some claims are suspended during normal processing for reasons including third party insurance verification, verification of medical necessity, provider claim submission errors, and system defects. Due to the complexity of claim processing, the cost of settling the suspended claims cannot be reasonably estimated.

October 1, 2013 the Department of Health and Social Services legacy Medicaid system was replaced by the Alaska Health Enterprise (AHE) system. After the system went live, numerous system defects were identified. While the number of defects decreased in FY 15, the claims affected by these defects were not completely corrected and reprocessed. Additionally, the system continued to pay some claims incorrectly. Due to the complexity of claim pricing, the total amount affected by AHE system defects cannot be reasonably estimated before the defects are corrected.

NOTE 13 – SUBSEQUENT EVENTS

A. ALASKA MUNICIPAL BOND BANK AUTHORITY

Subsequent to year end, the Alaska Municipal Bond Bank Authority (AMBBA) issued the 2015 Series Three general obligation bonds in the principal amount of \$96.2 million. The 2015 Series Three bonds priced on August 26, 2015 and closed on September 16, 2015. The true interest cost for the total issuance was four percent with last maturity on October 1, 2044.

On January 7, 2016 AMBBA posted the 2016 Series One Preliminary Official Statement and Notice of Sale with an estimated issuance amount of \$38,335 thousand. The bonds are expected to price by competitive sale on January 20, 2016 and close on February 2, 2016.

B. ALASKA CLEAN WATER FUND

Pursuant to legislative authorization obtained during the 2015 session of the Alaska Legislature, Series A Revenue Bond Anticipation Notes for FY 16 in the amount of \$1,683 thousand were issued on November 23, 2015. The Notes were repaid on November 24, 2015. The borrowing is secured by interest earnings of the Alaska Clean Water Fund.

C. ALASKA DRINKING WATER FUND

Pursuant to legislative authorization obtained during the 2015 session of the Alaska Legislature, Series A Revenue Bond Anticipation Notes for FY 16 in the amount of \$1,777 thousand were issued on November 23, 2015. The Notes were repaid on November 24, 2015. The borrowing is secured by interest earnings of the Alaska Drinking Water Fund.

D. ALASKA STUDENT LOAN CORPORATION

On September 30, 2015, the Alaska Student Loan Corporation (ASLC) called all outstanding 2005 Serial, Series A bonds, at par in the amount of \$15,750 thousand.

On November 12, 2015 the ASLC legally defeased \$30,945 thousand in bonds representing those outstanding under the 2002 Indenture. Cash in the amount of \$32,597 thousand was used to purchase certain United States Treasury Obligations. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. The ASLC defeased the bonds to release loans pledged to the 2002 Indenture.

E. UNIVERSITY OF ALASKA

In July 2015, the University issued General Revenue Bonds 2015 Series T with a par amount of \$65,350 thousand and a 25 year term. Average annual debt service is \$4.9 million.

In September 2015, the University entered into a loan agreement with the Alaska Municipal Bond Bank to borrow \$86.1 million with a 30 year term. Average annual debt service is \$5.6 million.

F. ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

On August 25, 2015, AIDEA issued \$65,720 thousand Power Revenue Refunding Bonds, 2015 Series to refund all of the outstanding Power Revenue Bonds, First Series (Snettisham Hydroelectric Project) pursuant to the Snettisham Power Revenue Bond Resolution. The refunding resulted in a financial benefit to the project.

G. ALASKA LIQUEFIED NATURAL GAS PROJECT

Governor Walker called the Legislature into a third special session to approve a proposal to buy TransCanada's share of the gas pipeline and gas treatment facilities. On November 4, 2015 the bill was passed by the Legislature. This bill appropriates \$68.5 million to the Alaska Liquefied Natural Gas (LNG) project fund for the State to acquire the interests of TransCanada, plus \$75.6 million for the State's continued participation in the Alaska LNG project and funding the State's share of preliminary front-end engineering and design work for the project. The bill was signed into law by Governor Walker on November 6, 2015.

H. ALASKA HOUSING FINANCE CORPORATION

In December 2015, the Alaska Housing Finance Corporation (AHFC) issued \$55,620 thousand State Capital Project Bonds II, 2015 Series C. The bonds are general obligations of AHFC. The 2015 Series C bonds are tax exempt and bear interest at fixed rates between two percent and five percent payable each June 1 and December 1 with a final maturity of June 1, 2035.

I. INTERNATIONAL AIRPORT FUND

The International Airports Fund (IAF) is nearing completion of a bond transaction intended to take advantage of currently favorable market rates to refund approximately \$200 million of outstanding revenue bonds (Series 1999A, 1999C, 2003B, 2006A, 2006B, and 2006D) for the dual goals of saving an estimated \$14.6 million net present value savings and lowering annual debt service by extending term by four years. The refunding bonds have received the same ratings from Fitch and Moody's as currently outstanding IAF par revenue bonds of A+/Stable and A1/Stable, respectively. The transaction is currently anticipated to price the 2016 Series A (Non-AMT) and 2016 Series B (AMT) on January 13, 2016, price the 2016 Series C (AMT) and D (AMT) on January 19, 2016 and close the Series A and Series B on February 10, 2016 and close the series C and D on July 6, 2016.

J. GENERAL OBLIGATION BONDS

On January 5, 2016, the State Bond Committee authorized the issuance of up to \$160 million of General Obligation Bonds to refinance the Series 2015A Bond Anticipation Notes (BANs), and up to \$150 million of BANs to fund 2012 transportation act projects. These two transactions are anticipated to occur between February and June.

NOTE 14 – RESTATEMENT

The FY 15 Comprehensive Annual Financial Report (CAFR) is being restated due to an identified material misstatement. The State General Fund made a contribution to the Teachers Retirement and System and the Public Employee Retirement System for the total of \$3 billion. For the FY 15 CAFR, the required pension contribution was reported as a deferred outflow and the remainder of the pension contributions were reported as an expense on the government-wide financial statements. However, the amount reported as an expense should have been reported as a deferred outflow on the government-wide financial statements. As a result, an adjustment was entered to correct this financial activity moving it from an expense to a deferred outflow. The following financial statements were restated due to this finding:

<u>Government-Wide Financial Statements</u>	(Amounts in Thousands)		
	<u>As Originally Reported</u>	<u>Increase/(Decrease) Amount</u>	<u>Restated Amount</u>
<u>Statement 1.01 - Statement of Net Position</u>			
Deferred Outflows Related to Pensions	\$ 1,177,383	\$ 1,659,019	\$ 2,836,402
Net Position Unrestricted	16,699,444	1,659,019	18,358,463
<u>Statement 1.02 - Statement of Activities</u>			
<u>Governmental Activities</u>			
General Government	\$ 850,593	\$ (263,869)	\$ 586,724
Education	3,540,700	(1,255,428)	2,285,272
University	653,383	(128,706)	524,677
Development	420,544	(11,016)	409,528
	<u>5,465,220</u>	<u>(1,659,019)</u>	<u>3,806,201</u>
<u>Statement 1.12 - Reconciliation of the Balance Sheet to the Statement of Net Position</u>			
Deferred outflow of resources that are not reported in the funds			
Related to pensions	\$ 1,164,669	\$ 1,659,019	\$ 2,823,688
<u>Statement 1.14 - Reconciliation of the Change in Fund Balances to the Statement of Activities</u>			
Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities or deferred outflows reported on the Statement of New Position and have been eliminated from the Statement of Activities.			
Pensions	\$ 682,591	\$ 1,659,019	\$ 2,341,610

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REQUIRED

SUPPLEMENTARY INFORMATION

STATE OF ALASKA
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2015
(Stated in Thousands)

STATEMENT 2.01

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Unrestricted:				
Taxes	\$ 2,790,000	\$ 2,790,000	\$ 687,692	\$ 2,102,308
Licenses and Permits	66,309	67,388	130,090	(62,702)
Charges for Services	160,549	164,194	199,316	(35,122)
Fines and Forfeitures	16,300	16,300	15,269	1,031
Rents and Royalties	1,656,203	1,656,375	1,175,258	481,117
Premiums and Contributions	396	414	20,638	(20,224)
Interest and Investment Income	537,646	537,646	336,928	200,718
Payments In from Component Units	31,643	31,371	14,040	17,331
Other Revenues	31,341	31,341	25,087	6,254
Restricted:				
Federal Grants in Aid	7,223,321	7,324,016	2,395,877	4,928,139
Interagency	713,026	982,485	640,379	342,106
Payments In from Component Units	66	66	66	-
Other Revenues	16,609	16,609	1,390	15,219
Total Revenues	<u>13,243,409</u>	<u>13,618,205</u>	<u>5,642,030</u>	<u>7,976,175</u>
EXPENDITURES				
Current:				
General Government	1,670,018	1,661,142	1,528,720	132,422
Alaska Permanent Fund Dividend	1,215,407	1,215,407	1,203,234	12,173
Education	2,906,579	4,110,386	4,019,897	90,489
University	448,230	448,870	652,181	(203,311)
Health and Human Services	3,423,000	3,487,926	2,912,414	575,512
Law and Justice	321,014	341,399	312,155	29,244
Public Protection	1,091,638	1,220,472	978,941	241,531
Natural Resources	777,671	801,069	492,024	309,045
Development	900,497	866,202	607,363	258,839
Transportation	7,028,246	7,235,175	2,856,301	4,378,874
Intergovernmental Revenue Sharing	66,937	138,675	137,033	1,642
Debt Service:				
Principal	32,356	32,356	34,004	(1,648)
Interest and Other Charges	1,103	1,103	1,529	(426)
Total Expenditures	<u>19,882,696</u>	<u>21,560,182</u>	<u>15,735,796</u>	<u>5,824,386</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(6,639,287)</u>	<u>(7,941,977)</u>	<u>(10,093,766)</u>	<u>2,151,789</u>
OTHER FINANCING SOURCES (USES)				
Bonds Issued	30,895	30,895	30,895	-
Bonds Issued Premium	4,532	4,532	4,532	-
Transfers In from Other Funds	8,332,617	8,378,387	8,377,874	513
Transfers (Out to) Other Funds	(7,088,114)	(7,088,114)	(7,173,389)	85,275
Total Other Financing Sources and Uses	<u>1,279,930</u>	<u>1,325,700</u>	<u>1,239,912</u>	<u>85,788</u>
Excess (Deficiency) of Revenues, Expenditures, Other Financing Sources, Special and Extraordinary Items, Budgetary Basis	<u>\$ (5,359,357)</u>	<u>\$ (6,616,277)</u>	<u>(8,853,854)</u>	<u>\$ 2,237,577</u>
RECONCILIATION OF BUDGETARY/ GAAP REPORTING:				
Adjust Expenditures for Encumbrances			2,135,283	
Basis Difference			<u>(274,761)</u>	
Excess (Deficiency) of Revenues, Expenditures, Other Financing Sources, Special and Extraordinary Items, GAAP Basis			<u>(6,993,332)</u>	
Fund Balances - Beginning of Year			22,541,616	
Prior Period Adjustment			283,619	
Fund Balances - End of Year			<u>\$ 15,831,903</u>	

**Note to Required Supplementary Information – Budgetary Reporting
For the Fiscal Year Ended June 30, 2015**

The Budgetary Comparison Schedule – General Fund presents comparisons of the original and final adopted budget with actual data on a budgetary basis. The State issues a separate legal basis budgetary report, which demonstrates legal compliance with the budget. A copy of this report may be obtained by contacting the State of Alaska, Department of Administration, Division of Finance, P.O. Box 110204, Juneau, AK 99811-0204, or may be viewed online at <http://doa.alaska.gov/dof/reports/cafr.html>.

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

The types of differences are as follows:

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

Petroleum Severance Taxes and Royalties	\$ (262,244)
Medical Assistance Program	(9,952)
Working Reserve	344
Tobacco Tax	(284)
Alcohol Tax	(2,159)
Tire Tax	(2)
Vehicle Rental Tax	18
Commercial Passenger Vessel Excise Tax	(482)
Total General Fund Basis Difference	<u>\$ (274,761)</u>

STATE OF ALASKA
Proportionate Share of the Net Pension Liability Schedule
Public Employees' Retirement System
Last Ten Fiscal Years
As of Measurement Date
(Stated in Thousands)

STATEMENT 2.10

	2015	2014
Primary government's proportion of the net pension liability	52.23%	51.60%
Component unit's proportion of the net pension liability	4.44%	4.43%
Nonemployer contributing state's proportion of the net pension liability	21.86%	22.87%
Primary government's proportionate share of the net pension liability	\$ 2,436,220	\$ 2,709,520
Component unit's proportionate share of the net pension liability	\$ 207,090	\$ 232,515
Nonemployer contributing state's share of the net pension liability	\$ 1,019,583	\$ 1,201,055
Primary government's covered-employee payroll	\$ 727,637	\$ 748,941
Component unit's covered-employee payroll	\$ 134,661	\$ 138,248
Primary government's proportionate share of the net pension liability as a percentage of its covered-employee payroll	334.81%	361.78%
Component unit's proportionate share of the net pension liability as a percentage of its covered-employee payroll	153.79%	168.19%
Plan fiduciary net position as a percentage of the total pension liability	62.37%	56.04%

This schedule is intended to present information for ten years. Additional years will be displayed as they become available.

STATE OF ALASKA
Employer Contributions Schedule
Public Employees' Retirement System
Last Ten Fiscal Years
(Stated in Thousands)

STATEMENT 2.11

	2015	2014	2013
Primary Government			
Statutorily required contribution	\$ 287,273	\$ 200,076	\$ 177,375
Contributions in relation to the statutorily required contribution	636,865	200,076	177,375
Contribution deficiency (excess)	<u>\$ (349,592)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 690,707	\$ 727,637	\$ 748,941
Contributions as a percentage of covered-employee payroll	92.20%	27.50%	23.68%
Component Units			
Statutorily required contribution	\$ 18,561	\$ 17,313	\$ 15,819
Contributions in relation to the statutorily required contribution	18,561	17,313	15,819
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 126,050	\$ 134,661	\$ 138,248
Contributions as a percentage of covered-employee payroll	14.73%	12.86%	11.44%
Primary Government Nonemployer Contribution			
Statutorily required contribution	\$ 153,622	\$ 82,554	\$ 77,689
Contributions in relation to the statutorily required contribution	479,750	82,554	77,689
Contribution deficiency (excess)	<u>\$ (326,128)</u>	<u>\$ -</u>	<u>\$ -</u>

This schedule is intended to present information for ten years. Additional years will be displayed as they become available.

Notes to required schedule

Significant methods and assumptions used in calculating the actuarially determined contribution are presented in Note 6

There are no changes in benefit terms between the valuation data presented above.

There are no changes in assumptions used between the valuation data presented above.

In FY 15 the legislature appropriated \$1.0 billion to the Public Employee's Retirement System's retirement funds from the Constitutional Budget Reserve Fund to help with the net pension liability.

STATE OF ALASKA
Required Postemployment Healthcare Contribution Schedule
Last Three Fiscal Years
(Stated in Thousands)

STATEMENT 2.12

Public Employees' Retirement System

year ended June 30	Actuarial valuation or roll-forward date as of June 30	Annual Required Contributions Postemployment healthcare	Postemployment healthcare percentage contributed
2012	2009	\$ 498,433	73.6 %
2013	2010	612,792	62.6
2014	2011	783,827	45.6

Teachers' Retirement System

year ended June 30	Actuarial valuation or roll-forward date as of June 30	Annual Required Contributions Postemployment healthcare	Postemployment healthcare percentage contributed
2012	2009	\$ 192,700	65.4 %
2013	2010	330,411	44.0
2014	2011	320,797	45.6

Judicial Retirement System

year ended June 30	Actuarial valuation or roll-forward date as of June 30	Annual Required Contributions Postemployment healthcare	Postemployment healthcare percentage contributed
2013	2010	\$ 1,076	80.5 %
2014	2011	1,094	86.7
2015	2012	313	166.5

STATE OF ALASKA
Proportionate Share of the Net Pension Liability Schedule
Teachers' Retirement System
Last Ten Fiscal Years
As of Measurement Date
(Stated in Thousands)

STATEMENT 2.20

	2015	2014
Primary government's proportion of the net pension liability	0.79%	0.78%
Component unit's proportion of the net pension liability	0.97%	1.02%
Nonemployer contributing state's proportion of the net pension liability	84.10%	83.41%
Primary government's proportionate share of the net pension liability	\$ 23,739	\$ 25,930
Component unit's proportionate share of the net pension liability	\$ 29,024	\$ 33,771
Nonemployer contributing state's share of the net pension liability	\$ 2,522,174	\$ 2,761,123
Primary government's covered-employee payroll	\$ 4,708	\$ 4,859
Component unit's covered-employee payroll	\$ 34,497	\$ 36,150
Primary government's proportionate share of the net pension liability as a percentage of its covered-employee payroll	504.23%	533.65%
Component unit's proportionate share of the net pension liability as a percentage of its covered-employee payroll	84.13%	93.42%
Plan fiduciary net position as a percentage of the total pension liability	55.70%	49.76%

This schedule is intended to present information for ten years. Additional years will be displayed as they become available.

**STATE OF ALASKA
Employer Contributions Schedule
Teachers' Retirement System
Last Ten Fiscal Years
(Stated in Thousands)**

STATEMENT 2.21

	2015	2014	2013
Primary Government			
Statutorily required contribution	\$ 2,644	\$ 1,951	\$ 1,836
Contributions in relation to the statutorily required contribution	12,500	1,951	1,836
Contribution deficiency (excess)	<u>\$ (9,856)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 4,307	\$ 4,708	\$ 4,859
Contributions as a percentage of covered-employee payroll	290.23%	41.44%	37.79%
Component Units			
Statutorily required contribution	\$ 2,314	\$ 2,385	\$ 2,390
Contributions in relation to the statutorily required contribution	2,314	2,385	2,390
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 31,575	\$ 34,497	\$ 36,150
Contributions as a percentage of covered-employee payroll	7.33%	6.91%	6.61%
Primary Government Nonemployer Contribution			
Statutorily required contribution	\$ 315,279	\$ 207,271	\$ 195,435
Contributions in relation to the statutorily required contribution	1,650,517	207,271	195,435
Contribution deficiency (excess)	<u>\$ (1,335,238)</u>	<u>\$ -</u>	<u>\$ -</u>

This schedule is intended to present information for ten years. Additional years will be displayed as they become available.

Notes to required schedule

Significant methods and assumptions used in calculating the actuarially determined contribution are presented in Note 6

There are no changes in benefit terms between the valuation data presented above.

There are no changes in assumptions used between the valuation data presented above.

In FY 15 the legislature appropriated \$2.0 billion to the Teacher's Retirement System's retirement funds from the Constitutional Budget Reserve Fund to help with the net pension liability.

STATE OF ALASKA
Changes in the Net Pension Liability and Related Ratios Schedule
Judicial Retirement System
Last Ten Fiscal Years
As of Measurement Date
(Stated in Thousands)

STATEMENT 2.30

	2015
Total pension liability	
Service cost	\$ 5,186
Interest	15,320
Changes of benefits terms	-
Differences between expected and actual experience	(3,741)
Changes of assumptions	1,407
Benefit payments, including refunds of employee contributions	(10,578)
Net change in total pension liability	7,594
Total pension liability - beginning	77,071
Total pension liability - ending (a)	84,665
 Plan fiduciary net position	
Contributions - employer	8,862
Contributions - employee	780
Net investment income	21,845
Benefit payments, including refunds of employee contributions	(10,578)
Administrative expenses	(66)
Net change in plan fiduciary net position	20,843
Plan fiduciary net position - beginning	118,705
Plan fiduciary net position - ending (b)	139,548
State's net pension liability - ending (a) - (b)	\$ (54,883)
 Plan fiduciary net position as a percentage of the total pension liability	164.82%
 Covered-employee payroll	\$ 13,731
State's net pension liability as a percentage of covered- employee payroll	-399.70%

This schedule is intended to present information for ten years. Additional years will be displayed as they become available.

**STATE OF ALASKA
Employer Contributions Schedule
Judicial Retirement System
Last Ten Fiscal Years
(Stated in Thousands)**

STATEMENT 2.31

	2015	2014	2013	2012
Actuarially determined contribution	\$ 10,329	\$ 9,156	\$ 8,367	\$ 5,052
Contributions in relation to the actuarially determined contribution	10,222	8,862	8,094	5,419
Contribution deficiency (excess)	<u>\$ 107</u>	<u>\$ 294</u>	<u>\$ 273</u>	<u>\$ (367)</u>
Covered-employee payroll	\$ 13,507	\$ 13,731	\$ 13,289	\$ 11,803
Contributions as a percentage of covered-employee payroll	75.68%	64.54%	60.91%	45.91%

This schedule is intended to present information for ten years. Additional years will be displayed as they become available.

Notes to required schedule

Significant methods and assumptions used in calculating the actuarially determined contribution are presented in Note 6.

From the June 30, 2013 to the June 30, 2014 actuarial valuation Pre-termination mortality has changed from 45% of the male rates and 55% of the females rates of the 1994 GAM Table, 1994 Base Year without margin projected to 2013 with Projection Scale AA to 68% of the male rates and 60% of the female rates of the post-termination mortality rates. Post-termination mortality has changed from 1994 GAM Table, 1994 Base Year without margin projected to 2013 with Projection Scale AA, with a 3-year setback for males and with a 1-year setback for females to 94% of the male rates and 97% of the female rates of RP-2000 Combined Mortality, 2000 Base Year projected to 2018 with Projection Scale BB, with a 3-year setback for males and 4-year setback for females. Salary Scale has changed from 4.12% per year, compounded annually to 3.62% per year, compounded annually. Retirement has changed from 3% if vested and age is less than 59 and 10% if vested and age is greater than 59, and 100% at age 70 to retirement rates based on 2010-2013 experience and terminated vested members are expected to commence benefits at age 60. Disability Mortality has changed from RP-2000 Disabled Retiree Mortality Table to RP-2000 Disabled Retiree Table, 2000 Base Year projected to 2018 with Projection Scale BB.

STATE OF ALASKA
Funding Progress for Postemployment Healthcare Benefits Schedule
Judicial Retirement System
Last Three Fiscal Years
(Stated in Thousands)

STATEMENT 2.32

Actuarial valuation year ended June 30	Actuarial value of plan assets	Actuarial accrued liabilities (AAL)	Unfunded Actuarial accrued liabilities (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
2010	\$ 19,694	\$ 22,346	\$ 2,652	88.1 %	\$ 11,846	22.4 %
2012	20,836	18,236	(2,600)	114.3	11,803	(22.0)
2014	24,074	18,642	(5,432)	129.1	13,373	(40.6)

STATE OF ALASKA
Changes in the Net Pension Liability and Related Ratios Schedule
Alaska National Guard and Alaska Naval Militia Retirement System
Last Ten Fiscal Years
As of Measurement Date
(Stated in Thousands)

STATEMENT 2.40

	2015
Total pension liability	
Service cost	\$ 632
Interest	2,363
Changes of benefits terms	-
Differences between expected and actual experience	241
Changes of assumptions	27
Benefit payments, including refunds of employee contributions	(1,611)
Net change in total pension liability	1,652
Total pension liability - beginning	35,063
Total pension liability - ending (a)	36,715
 Plan fiduciary net position	
Contributions - employer	740
Contributions - employee	-
Net investment income	4,528
Benefit payments, including refunds of employee contributions	(1,611)
Administrative expenses	(223)
Net change in plan fiduciary net position	3,434
Plan fiduciary net position - beginning	34,033
Plan fiduciary net position - ending (b)	37,467
 State's net pension liability - ending (a) - (b)	\$ (752)
 Plan fiduciary net position as a percentage of the total pension liability	102.05%
 Covered-employee payroll	N/A
State's net pension liability as a percentage of covered- employee payroll	N/A

This schedule is intended to present information for ten years. Additional years will be displayed as they become available.

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STATE OF ALASKA
Employer Contributions Schedule
Alaska National Guard and Alaska Naval Militia Retirement System
Last Ten Fiscal Years
(Stated in Thousands)

STATEMENT 2.41

	2015	2014	2013	2012
Actuarially determined contribution	\$ 627	\$ 475	\$ 431	\$ 896
Contributions in relation to the actuarially determined contribution	627	740	739	896
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (265)</u>	<u>\$ (308)</u>	<u>\$ -</u>
Covered-employee payroll	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A

Notes to required schedule

Significant methods and assumptions used in calculating the actuarially determined contribution are presented in Note 6.

Changes in assumptions have occurred over the ten year period presented.

From the June 30, 2006 to the June 30, 2008 actuarial valuation an administration expense load was added to the calculation of the annual contribution equal to the average of the prior two years of actual expenses, rounded to the nearest thousands.

From the June 30, 2008 to the June 30, 2010 actuarial valuation investment return has changed from 7.25% per year, compounded annually, net of expenses to 7.00% per year, compounded annually, net of expenses. Pre-termination mortality has changed from 1994 Group Annuity Mortality (GAM) Table, 1994 Year without margin to 80% of the male rate and 60% of the female rates of the 1994 GAM Table, 1994 Base Year without margin projected to 2013 with Projection Scale AA. Post-termination mortality has changed from 1994 GAM Table, 1994 Base Year without margin to 1994 GAM Table, 1994 Base Year without margin projected to 2013 with Projection Scale AA for males and with a 1-year set-forward for females. Total inflation has changed from 3.5% annually to 3.12% annually. Turnover has changed from unisex; 2-year select period; ultimate follows T-3 Table from Pension Actuary's Handbook to unisex; 5-year select period; increase all ultimate rates by 50%. Retirement age has changed from members are assumed to retire after 20 years of eligibility service, unless they complete 20 years before age 55, then it is assumed that they will work one-half of the remaining years to age 55 to members are assumed to begin retiring at the earliest eligible retirement age in accordance with the table of retirement rates. Disability mortality has changed from table ranging from 5.10% for males and 4.26% for females at age 20 to 8.13% for males and 4.73% for females at age 64 to RP-2000 Disabled Retiree Mortality Table. Disability rate has changed from disability rates under Group Long Term Disability policies, as given in the 1978 Society of Actuaries Study to incidence rates based upon the 2005-2009 actual experience of the State of Alaska Public Employees' Retirement System Peace Officer/Firefighter Plan.

From the June 30, 2010 to the June 30, 2012 actuarial valuation are no changes in actuarial assumptions from the prior valuations.

From the June 30, 2012 to the June 30, 2014 actuarial valuation Pre-termination mortality has changed from 80% of the male rates and 60% of the females rates of the 1994 GAM Table, sex-distinct, 1994 Base Year without margin projected to 2013 with Projection Scale AA to 60% of the male rates and 65% of the female rates of the post-termination mortality rates. Post-termination mortality has changed from 1994 GAM Table, sex-distinct, 1994 Base Year without margin projected to 2013 with Projection Scale AA for males and with a 1-year set-forward for females to 96% of all rates of RP-2000 Combined Mortality, 2000 Base Year projected to 2018 with Projection Scale BB. Retirement has changed from 5% if vested and age is less than 51 and increasing linearly until 100% at age 65 to retirement rates based on 2010-2013 experience and terminated vested members are expected to commence benefits at age 50. Disability Mortality has changed from RP-2000 Disabled Retiree Mortality Table to RP-2000 Disabled Retiree Mortality Table, 2000 Base Year projected to 2018 with Projection Scale BB.

STATEMENT 2.41

2011	2010	2009	2008	2007	2006
\$ 965	\$ 2,415	\$ 2,473	\$ 1,737	\$ 1,737	\$ 2,025
965	2,603	2,473	11,737	1,737	2,054
<u>\$ -</u>	<u>\$ (188)</u>	<u>\$ -</u>	<u>\$ (10,000)</u>	<u>\$ -</u>	<u>\$ (29)</u>
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A

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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 four 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.
- State compliance recommendations not resolved yet not reiterated.

Other audit reports issued separately that have report conclusions and recommendations which are relevant to the FY 15 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 Administration, Information System Controls Over Alaska Data Enterprise Reporting (ALDER), January 4, 2008.* Audit Control Number 02-10005-08.
4. *A Report on the Department of Administration, Governance Framework for Selected Information System Security Controls, July 15, 2008.* Audit Control Number 02-30046A-08.
5. *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.

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SUMMARY OF RECOMMENDATIONS
For the Fiscal Year Ended June 30, 2015

-----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	2015-003, 2015-005	2015-002, 2015-006, 2015-007, 2015-008, 2015-009				2015-001, 2015-004, 2015-010, 2015-011
DOL						
DOR		2015-012				2015-013, 2015-014, 2015-015
DEED		2015-016		2015-017		
DHSS		2015-019, 2015-020		2015-021, 2015-022, 2015-023, 2015-024, 2015-026	2015-021, 2015-022, 2015-024, 2015-025, 2015-026, 2015-027, 2015-028	2015-018
DLWD		2015-029, 2015-030				
DCCED			2015-031, 2015-032		2015-031, 2015-032	2015-031
DMVA				2015-033	2015-033	
DNR						
DFG						
DPS						
DEC						
DOC						

SUMMARY OF RECOMMENDATIONS
For the Fiscal Year Ended June 30, 2015

-----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>		
DOTPF		2015-034, 2015-035		2015-036, 2015-039, 2015-040, 2015-042	2015-036, 2015-037, 2015-038, 2015-039, 2015-040, 2015-041, 2015-042	
Court System						
Component Units			2015-043	2015-044		

Findings and Recommendations

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OFFICE OF THE GOVERNOR

No recommendations were made to the Office of the Governor in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2014*.

No new recommendations have been made during the FY 15 statewide single audit.

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DEPARTMENT OF ADMINISTRATION (DOA)

Two recommendations were made to DOA in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2014*. Prior year Recommendation No. 2014-002 is resolved. Prior year Recommendation No. 2014-001 is not resolved and is reiterated in this report as Recommendation No. 2015-001.

Ten new recommendations have been made during the FY 15 statewide single audit and are included as Recommendation Nos. 2015-002 through 2015-011.

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Recommendation No. 2015-001

The Division of Enterprise Technology Services (ETS) director should allocate staff resources to properly account for Information Services Fund (ISF) capital assets.

Prior Finding

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

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

This finding was first reported in the FY 06 statewide single audit and was attributed to inadequate procedures including manual processes and lack of communication between staff. From FY 07 through FY 10, little progress was made to address the problem. In FY 11, ETS implemented an asset tracking system which appeared adequate to meet basic asset tracking needs. Although the system improved asset tracking, historical data input into the new system continued to be unreliable. Furthermore, no physical inventory was completed for ISF capital assets. No forward progress in addressing the finding was made during FY 12 through FY 14.

Generally accepted accounting principles¹ (GAAP) require capital assets be reported at historical cost. GAAP also requires the ISF to be operated on a cost reimbursement basis, including recovering the cost of capital assets. Not maintaining accurate and complete records of ISF assets limits the State's ability to accurately report capital assets in financial statements.

Legislative Audit's Current Position

During FY 15, ETS staff did not address the accuracy of historical data input into its asset tracking system, and no comprehensive inventory was completed. Furthermore, no progress was made to improve reporting of ISF capital assets. According to ETS management, lack of progress was attributable to high turnover in key management and accountant positions and competing priorities.

We recommend ETS' director allocate staff resources to properly account for ISF capital assets.

¹*Codification of Governmental Accounting and Financial Reporting Standards* 1400.102-104.

Agency Response — Department of Administration

The Division of Enterprise Technology Services (ETS) concurs with this recommendation.

During calendar year 2015, the effort to complete a comprehensive physical inventory of assets began. This effort was to be completed in three phases: ETS Telecommunications, ETS Computer Services, and State of Alaska Telecommunications System (SATS). The ETS Telecommunications physical inventory was completed during calendar year 2015. Completion of the physical inventory for ETS Computer Service assets is expected during Fiscal Year 2016, and the FY 16 Information Services Fund (ISF) financial reporting is expected to reflect corrected asset valuation and depreciation for both ETS Telecommunications and ETS Computer Services.

SATS assets are located in a variety of remote locations that make a physical inventory uniquely challenging. Many sites are very expensive to reach and are rarely visited. Physical inventory of SATS assets is expected to be completed by the end of FY 17, with asset valuation and depreciation corrections effective shortly thereafter.

*Contact Person: Cheryl Lowenstein, Director
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(907) 465-5655*

Recommendation No. 2015-002

The state accountant should ensure expenses and deferred outflows related to pensions are accurately reported in the Comprehensive Annual Financial Report (CAFR).

FY 15 expenses and deferred outflows related to pensions for governmental activities were incorrectly calculated. As a result, expenses were understated and deferred outflows related to pensions were overstated by \$118.0 million in the governmental activities financial statements. This error was ultimately corrected via an audit adjustment and properly reported in the FY 15 CAFR.

According to governmental accounting standards,² pension expense, as well as deferred outflows of resources and deferred inflows of resources related to pensions, should be recognized for the employer's proportionate share of collective pension expense and collective deferred inflows/outflows of resources. DOA Division of Finance (DOF) staff responsible for calculating governmental activities pension expense and deferred outflows related to pensions used the incorrect FY 15 contribution amount for the Teachers' Retirement System portion of the pension activity calculation.

²Codification of Governmental Accounting and Financial Reporting Standards P20.150.

We recommended the state accountant ensure expenses and deferred outflows related to pensions are accurately reported in the CAFR.

Agency Response — Department of Administration

The Division of Finance (DOF) concurs with the recommendation to ensure expenses and deferred outflows related to pensions are accurately reported in the CAFR. DOF will improve the procedures regarding the calculation of pension activities to be in accordance with GASB Statement No. 68.

Information obtained from the Division of Retirement and Benefits included data for both the Public Employee Retirement System (PERS) and the Teacher's Retirement System (TRS) within the same spreadsheet. The spreadsheet contained a column with PERS data and a separate column for TRS data. DOF used the original spreadsheet and created another tab within the workbook to prepare the journal entries necessary to implement GASB 68. The original spreadsheet amounts were then linked forward to this new spreadsheet to prepare the actual journal entries. Unfortunately, one amount linked forward from the original spreadsheet in preparing the TRS journal entry was related to PERS.

As an improvement in our process, we will prepare workbooks which contain data exclusively for one specific pension plan. The TRS workbook will only contain data related to TRS. The same process will occur for each individual pension plan. This modification will remove the possibility of accidentally linking forward information from an unrelated plan in the preparation of the required journal entries.

*Contact Person: Cheryl Lowenstein, Director
Division of Administrative Services
(907) 465-5655*

Recommendation No. 2015-003

The state accountant should ensure pension plan contributions are accounted for in accordance with governmental accounting standards.

The State of Alaska made pension plan contributions to the Public Employees' Retirement System and the Teachers' Retirement System in excess of the standard employer and special funder rates. Excess contributions directly benefiting the State as an employer and non-employer special funder made after the measurement date of the FY 15 net pension liability were recorded as expenses rather than deferred outflows of resources.

This error resulted in governmental activities deferred outflows being understated by \$2.18 billion, expenses overstated by \$2.09 billion, and beginning net position understated by

\$92.1 million. These misstatements were ultimately corrected via an audit adjustment and properly reported in the FY 15 CAFR.

In FY 15, the State of Alaska implemented Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68). GASB 68 outlines how employers and other non-employer contributing entities of pension plans must report pension-related activity on their financial statements. However, GASB 68 does not specifically address situations, such as the State's, where an entity is both a participating employer and a non-employer contributing entity in a special funding situation.

Due to this lack of specificity, Division of Finance accountants did not correctly recognize the portions of excess contributions that directly benefited the State as employer and special funder contributions. Per GASB 68, the employer and special funder contributions made subsequent to the measurement date should be reported as a deferred outflow of resources related to pensions.³

We recommend the state accountant ensure pension plan contributions are accounted for in accordance with governmental accounting standards, and, when necessary, inquire with GASB staff on the proper interpretation of accounting standards.

Agency Response — Department of Administration

The Division of Finance (DOF) agrees with this recommendation. To ensure pension plan contributions are accounted for in accordance with governmental accounting standards, DOF wrote extensive procedures for recording activity related to GASB Statement No. 68 – Accounting and Financial Reporting for Pensions. These procedures were used for compiling the FY 2017 CAFR, revised for any issues that arose during the audit, and was finalized in October 2018. The name of the person responsible for the corrective action plan is Colleen O' Sullivan is the Chief Accountant and Finance Officer for the State of Alaska.

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(907) 465-3435*

Recommendation No. 2015-004

The DOA commissioner should ensure the audited schedules of employer and non-employer pension allocations for PERS and TRS are provided timely to participating employers.

³GASB 68, paragraphs 57 and 106.

DOA management failed to issue the schedules of employer and non-employer pension allocations for PERS and TRS in a timely manner. These schedules were not issued in final audited form until the end of November 2015.

Disagreement between DOA management and the allocation schedule auditor regarding whether the State was in a special funding situation caused repeated delays. Eventually a compromise on the presentation of the schedules was reached which did not require the auditor to make a determination as to whether or not the State was in a special funding situation. Even though a compromise was reached, further delays were experienced due to both the actuaries responsible for preparing the schedules, and the auditors having to share resources between allocation schedule work and the pension plan financial statement work.

Without these schedules employers participating in the PERS and TRS pension plans could not complete their annual financial statements. Alaska Statute 37.05.210 requires DOA to submit audited financial statements to the governor and legislative auditor before December 16th, and AS 14.14.050 requires school districts to provide audited financial statements to the state before October 1st each year. Furthermore, the commissioner of education is required to withhold all payments of State funds after November 15th to a school district that fails to file a copy of their audit with the department. Many school districts and the State of Alaska were unable to meet these statutory deadlines due, in part, to the delay of the audited pension allocation schedules.

The DOA commissioner should ensure the audited schedules of employer and non-employer pension allocations for PERS and TRS are provided timely to participating employers.

Agency Response — Department of Administration

The Division of Retirement and Benefits concurs with this recommendation. The first year of the issuance of this schedule and the complications related to the special funding situation and issue of legal responsibility discussed in Recommendation No. 2 played a significant role in the delay of the schedules. An added wrinkle was the request by the Alaska Retirement Management Board's Audit Committee at the September 23, 2015, audit committee meeting to the external auditors to spend additional time reviewing the allocation methodology proposed by the Division of Retirement & Benefits (the Division). The Division proposed the use of an allocation based on historical measures (actual contributions of the fiscal year), but the audit committee had suggested this might not provide an allocation that was appropriate based on the creation of the cost share plan. After review of GASB 68 and discussion with KPMG's Division of Professional Practice (DPP), it was determined that the Division's methodology was appropriate and continued down that path. However, that additional review added an extra 2-3 weeks to the timeframe.

The Division's external auditors indicated that typically first year reports and schedules issued under new GASB pronouncements and standards must be reviewed by the DPP, and can add up to two weeks of additional time for review, as these reviews are done in the main

New York office. KPMG is a nationwide company, and with GASB 68 affecting many audits across the nation, the DPP was inundated with reviews, of which the PERS and TRS schedules were of but two. In the future, it is not a requirement for these schedules to go through this review.

With the release of GASB No. 75 "Accounting and Financial Reporting for Postemployment Benefit Other Than Pensions", the Division will work with KPMG knowing the additional review times of the DPP for new pronouncements / standards when the Other Post-Employment Benefits allocation schedules will be prepared and issued for fiscal years ending June 30, 2018, though earlier application is encouraged.

Currently, the Division is working on the June 30, 2015, schedules for the net pension liability allocation. The intent is to issue by the end of May 2016, though issuance prior to that is the goal.

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Recommendation No. 2015-005

The DOA commissioner should improve procedures for implementing new governmental accounting standards.

The State of Alaska's FY 15 CAFR did not recognize the State as a special funder for the PERS and TRS pension plans. Failure to recognize that the State was in a special funding situation resulted in the governmental activities net pension liability being understated \$3.54 billion, deferred outflows related to pensions understated \$497.7 million, deferred inflows related to pensions understated \$386.6 million, expenses overstated \$240.6 million, and beginning net position overstated \$3.67 billion. These errors were ultimately corrected via an audit adjustment and properly reported in the FY 15 CAFR.

GASB 68 requires recognizing a special funding situation when an "entity is legally responsible for making contributions directly to a pension plan" in situations where the amount of contributions is dependent on circumstances related to the pensions.⁴ When implementing GASB 68, DOA management requested Department of Law (Law) provide an opinion on whether the State had a legal responsibility to make contributions under the State's on-behalf contribution statutes AS 39.35.280 and AS 14.25.085. Law issued a legal opinion which concluded that the on-behalf statutes do not result in a legal responsibility to contribute to the pension plans.

⁴GASB 68 paragraph 15.

However, GASB had already identified, for financial reporting purposes, that a statute was sufficient to create a “legal responsibility.”⁵ DOA incorrectly relied on Law’s legal opinion regarding GASB’s interpretation of “legal responsibility” instead of following accounting guidance provided by GASB or seeking further clarification on the application of GASB 68 from GASB staff.

We recommend the DOA commissioner improve procedures for implementing new governmental accounting standards including, when necessary, inquiring with GASB staff on proper interpretation of accounting standards.

Agency Response — Department of Administration

DOA partially agrees with the recommendation that the Department improve procedures for implementing new governmental accounting standards. The Division's concern is solely focused on the Department's recent implementation of GASB 68.

GASB 68 was issued by the Governmental Accounting Standards Board in 2012. Its primary objective was to require a uniform methodology for the computing and reporting of public employer net pension liabilities. It required that all public employer participants in a public pension plan report such liabilities on the face of their balance sheet in their audited financial statements. GASB 68 also set out that in the event of a "special funding" situation where a third party was "legally responsible" for making payments on behalf of a participating employer, the third party was required to book net pension liabilities attributable to the special funding. While we agree that improvements can always be made, DOA made meaningful efforts to engage a wide spectrum of Stakeholders throughout the process. A more complete summary is attached as Exhibit A.

A primary difficulty with the implementation of GASB 68 in Alaska's case was whether the state assistance statutes enacted in 2008 (AS 14.25.085; AS 39.35.280) created legal responsibility in the State for purposes of GASB 68. The Alaska Supreme Court has held multiple times that Alaska is nearly unique amongst states in that it has a constitutional prohibition against dedicated funds. The Court has routinely protected legislative appropriation power from encroachment, including from passage of statutes that purport to require funding for specific purposes. See Department of Law memo, Aug. 3, 2015.

The Department of Law, in reliance on these Alaska Supreme Court decisions, advised in 2013 that the Alaska Constitution essentially interdicted the enforceability of the state assistance statutes. Accordingly, these statutes could not create legal responsibility in the State for the net pension liabilities of other participating PERS and IRS employers. Also relevant was the fact that the 2008 legislation providing for state assistance abandoned an

⁵Guide to Implementation of GASB Statement 68 on Accounting and Financial Reporting for Pensions question numbers 25 and 26.

approach where the State would explicitly assume the underlying pension obligations in favor of a statutory subject to appropriation approach.

The Department of Administration has been criticized for their reliance “on Law's legal opinion regarding GASB's interpretation of ‘legal responsibility’ instead of following accounting guidance provided by GASB or seeking further clarification on the application of GASB 68 from GASB staff”. On the contrary, the Administration sought guidance from GASB staff on multiple occasions. From our perspective, the GASB rule did not take Alaska into consideration and therefore the staff position with respect to legal responsibility evolved over time.

Despite the fact that the Department of Law had consulted with GASB staff multiple times, it was not until late in the process, GASB asserted that GASB 68 did not implicate a legal obligation issue or make a determination of underlying legal obligations for pension liabilities. GASB staff conceded that with the benefit of hindsight they would have drafted the statement and guidance so that it did not implicate underlying legal obligations.

Once GASB staff dispelled the underlying concerns of the Department of Law regarding the legal implications of booking non-State employer net pension liabilities on the State's balance sheet the Department of Administration quickly booked the net pension liability attributable to state assistance on the face of its balance sheet, and disclaimed true legal obligation for it in a footnote.⁶

The Department supports improving the GASB implementation process. It offers these thoughts for consideration:

- *In complex matters such as GASB 68, the Department of Administration will consider formalizing its processes. The Department acknowledges that the entire implementation process, 2012-2015, was informal. The Department will consider issuing a formal notice and invitation to comment period. The lack of such formality may have contributed to the dearth of comment.*
- *The Division of Legislative Audit could also modify its process. Joint consultation of legislative counsel and Department of Law counsel could also have proven beneficial. For instance, collectively they could have determined in 2013 or 2014, well in advance of the reporting deadline, that GASB had defined "legal responsibility" in a different way than a legal interpretation relying on Alaska Supreme Court case law.*

⁶Until this point, there was legitimate concern that a self-appointed external governance association not familiar with Alaska law would essentially force the State to abruptly assume \$3.54 billion of liability. Particularly, where the legislative record on who is actually legally responsible for such liabilities is entirely unclear. The Departments of Administration and Law were naturally reluctant to concede this. But with GASB staff asserting that booking net pension liability was not the same as assuming true legal obligation for the net pension liabilities in question.

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Legislative Auditor's Additional Comments

We have reviewed DOA's response and nothing in the response persuaded us to revise the recommendation. We reiterate that GASB 68 implementation guidance clearly indicated a special funding situation existed from an accounting standpoint. Furthermore, when it was identified that GASB's implementation guidance conflicted with the Department of Law's legal interpretation, the department should have immediately sought clarification from GASB staff.

Recommendation No. 2015-006

The Division of Finance director should improve controls over the preparation of financial statement footnotes to ensure all footnotes are correctly prepared as required by GAAP.

Review of the draft FY 15 CAFR found several financial statement footnote errors and omissions. Several footnotes required significant revisions, while other footnote disclosures were not included as required by GAAP. In total, the errors and omissions indicate a significant internal control deficiency over preparation of the notes.

GAAP require extensive footnote disclosures accompany a government's CAFR. The footnotes are an integral part of the financial statements. DOF's lack of internal controls to ensure complete and accurate footnote disclosures resulted in the errors and omissions. Additionally, the FY 15 CAFR and footnotes were prepared under an accelerated timeline which limited staff's resources for research and review. As a result, the draft version of the FY 15 CAFR footnotes contained material errors and omissions. Once notified by audit staff, Division of Finance staff generally addressed the findings, and the final version of the FY 15 CAFR footnotes is materially accurate.

We recommend the Division of Finance director improve controls over the preparation of CAFR footnotes to ensure all footnotes are correctly prepared as required by GAAP. This may include the use of a disclosure checklist to guide DOF's preparation of the CAFR footnotes.

Agency Response — Department of Administration

The Division of Finance concurs with this recommendation to improve controls over the preparation of the financial statement footnotes. Complete and accurate disclosures are

certainly a goal when preparing the notes to the Comprehensive Annual Financial Report (CAFR).

To comply with this recommendation, the Division of Finance plans to incorporate the use of a checklist for government financial disclosures. With the increased complexity and number of required disclosure the necessity to implement a tool to assist is prudent. This checklist will be cross referenced to the actual note that includes the required disclosure, or it will include a note that the disclosure does not apply.

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Recommendation No. 2015-007

The state accountant should ensure debt-related activities are accurately reported in the CAFR.

Multiple errors were identified relating to the improper reporting of short and long term debt in the FY 15 CAFR. The significant errors were as follows:

- The defeasance of general obligation bonds was not properly reported on the fund financial statements. This error affected multiple financial statements and accounts, with the significant effects being in the non-major governmental fund statements. Total other financing sources for non-major governmental funds was understated \$116.6 million on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and other financing uses were understated \$116.3 million.

This error occurred during CAFR preparation as a result of input errors in supporting spreadsheets used by DOF staff to account for debt. According to governmental accounting standards,⁷ for current and advance refundings resulting in defeasance of general long term debt, the face amount of the new debt should be reported as an “other financing source – refunding bonds” in the governmental fund receiving the proceeds.

- The net proceeds from issuing bond anticipation notes and the associated payment to refund the prior bond anticipation notes were incorrectly reported. This error affected multiple financial statements and accounts, with the significant errors being \$10.0 million overstatement to debt service expenditures and \$9.8 million overstatement to other financing sources for non-major governmental funds on the Statement of Revenues, Expenditures, and Changes in Fund Balances. Additionally, other revenues were overstated \$9.8 million and debt service expenditures of

⁷Codification of Governmental Accounting and Financial Reporting Standards D20.109.

\$10.0 million were overstated for governmental activities Statement of Activities.

This error occurred during CAFR preparation as a result of inadequate knowledge by DOF accountants relating to proper accounting for bond anticipation notes. According to governmental accounting standards,⁸ if necessary legal steps and the ability to consummate refinancing criteria have not been met, then bond anticipation notes should be reported as a liability in the governmental fund receiving proceeds as well as in the government-wide Statement of Net Position.

- The issuance of certificates of participation (COP) debt for the Alaska Native Tribal Health Consortium was incorrectly reported. This error affected multiple financial statements and accounts, with the significant effect being an understatement of governmental activities restricted assets of \$28.6 million on the Statement of Net Position, and an understatement of \$29.5 million in other revenues in the Statement of Activities. General fund cash and investments were also understated by \$28.6 million on the Balance Sheet, and other financing sources were understated by \$35.4 million in the Statement of Revenues, Expenditures, and Changes in Fund Balances.

This error occurred during CAFR preparation as a result of DOF staff's misunderstanding of how proceeds and related COP debt should be recorded. According to governmental accounting standards,⁹ proceeds of long-term debt issues not recorded as fund liabilities normally should be reflected as "other financing sources" in the operating statement of the recipient fund.

Each of the noted errors was corrected via an audit adjustment and properly reported in the FY 15 CAFR.

We recommended the state accountant ensure debt-related activities are accurately reported in the CAFR.

Agency Response — Department of Administration

DOF concurs with the recommendation to ensure debt related activities are accurately reported in the CAFR. This recommendation includes three distinct areas of short and long term debt: general obligation bond defeasance/refunding; bond anticipation notes; and certificates of participation (COPs).

The institutional knowledge within DOF regarding long-term debt accounting has been lost due to turnover, and the lack of updated written procedures for the CAFR regarding debt accounting are contributing factors to some of the errors identified. Debt specific training in this area is difficult to find, so independent review of accounting guidance by the debt

⁸Codification of Governmental Accounting and Financial Reporting Standards B50.102.

⁹Codification of Governmental Accounting and Financial Reporting Standards 1800.124.

accountant is required. Reliance on the review of prior year workpapers has been a standard practice to complete the CAFR from year to year.

DOF will search for webinar training materials to assist in increasing our knowledge, skills and abilities related to debt accounting practices. We will also update and prepare written procedures that outline the process, accounting resources available to assist in research and provide guidance. DOF will also identify debt accountant peers in other states as another resource to contact for discussions regarding compliance questions.

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Recommendation No. 2015-008

The state accountant should ensure procedures are followed to accurately report financial activity of the Statutory Budget Reserve Fund (SBRF) and the Constitutional Budget Reserve Fund (CBRF).

While performing the annual audit of the State's FY 15 CAFR, significant reporting errors in need of adjustment were noted as follows:

- Interfund activity of \$3.0 billion relating to appropriations made from the CBRF was not accurately presented due to oversight by accounting staff.
- Calculation of the year end transfer of funds between the SBRF and the General Fund was overstated by \$50.4 million due to a formula error.
- Internal transfer activity of \$6.9 billion within the CBRF was not properly eliminated due to a lack of understanding of proper financial reporting by staff.

The above errors were corrected via audit adjustments and accurately reported in the State's CAFR.

Generally accepted accounting principles require that governmental funds be reported using the modified accrual basis of accounting, under which expenditures and transfers are recognized when measurable and when the related liability is incurred.¹⁰

We recommend the state accountant ensure procedures are followed to accurately report financial activity of the SBRF and the CBRF.

¹⁰*Codification of Governmental Accounting and Financial Reporting Standards* 1600.116.

Agency Response — Department of Administration

DOF concurs with the recommendation that procedures should be followed to accurately report the financial activity of SBRF and CBRF. The finding identified errors within interfund activity, year-end transfers and internal transfers, which are addressed below.

- *Interfund Activity — There was a total of \$3 billion appropriated from the CBRF (subfund of the General Fund) directly to the Public Employee Retirement System (PERS) and Teachers Retirement System (TRS) to reduce the unfunded pension liability within the General Fund. Since CBRF is a subfund of the General Fund, this internal activity for the due to and due from activity was not correctly eliminated on statement 3.01 by DOF within our original statements submitted to Division of Legislative Audit. In addition, we did not perform the adjustment to reclassify the remaining fund balance activity from nonspendable advances and prepaid items to be unassigned. Once the Division of Legislative audit noted these omissions, the adjustments were prepared and presented within the eliminations column on statement 3.01.*

To prevent this omission in the future, DOF has updated procedures for the CBRF and General Fund Balance Sheet to ensure future eliminations of internal balances include the reclassification of any balance in the CBRF Nonspendable Fund Balance for Advances & Prepaid Items to Unassigned Fund Balance on statement 3.01, which is presented within the Eliminations of Internal Balances column. This is because the associated balance, Due from Other Funds, is also eliminated on statement 3.01 and therefore is not reported on statement 1.11. With the inclusion of the procedure change, the recommendation has been fully implemented to ensure compliance with generally accepted accounting principles.

- *Year End Transfers — As noted in the recommendation, there was a formula error in the spreadsheet related to information from the new accounting system that was accidentally picked up twice, causing the misstatement to occur. DOF has implemented a correction to the formula on the spreadsheet that calculates the end of year transfer between funds. In addition, language will be added to the procedures to verify any new columns or rows added to the spreadsheets are incorporated into the calculations. DOF plans to accomplish this task by June 30, 2016.*
- *Internal Transfers — To ensure compliance with generally accepted accounting principles for interfund transfers, DOF has added a category of transfers to eliminate any transfers between subfunds of the CBRF (a subfund of the General Fund). This information has been added to the procedures to ensure future transfers between all of the subfunds of the General Fund are eliminated as internal transfers. With the inclusion of the procedure change, the recommendation has been fully implemented to ensure compliance with generally accepted accounting principles.*

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Recommendation No. 2015-009

The state accountant should ensure only appropriate financial activity is recorded in the CAFR.

Multiple errors were identified in the FY 15 CAFR, which were the result of including conversion activity related to the implementation of the new accounting system (IRIS). The largest of the specific errors are as follows:

- Reimbursable service agreement (RSA) transactions posted in the prior accounting system (AKSAS) strictly so they could be converted to IRIS were incorrectly included by DOF in the FY 15 CAFR RSA calculations. As a result, general fund Balance Sheet accounts receivable and governmental activities Statement of Net Position accounts receivable were overstated by \$103.6 million. Additionally, general fund expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balances and governmental activities expenses on the Statement of Activities were understated by \$103.6 million.

These errors occurred during CAFR preparation as a result of DOF staff not reversing RSA conversion transactions that should have had no financial impact on the FY 15 CAFR. According to governmental accounting standards,¹¹ during the process of aggregating data for the Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the funds should be eliminated or reclassified.

- FY 15 transactions were incorrectly identified as FY 16 transactions and removed from the FY 15 CAFR. This resulted in accounts payables and expenditures being understated by \$41.2 million on the general fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances respectively. Accounts payable and expenses were also understated by \$41.2 million for governmental activities on the Statement of Net Position and Statement of Activities respectively.

This error occurred during CAFR preparation due to DOF accountants posting erroneous information provided by Department of Health and Social Services (DHSS) staff. As a part of IRIS implementation, DOF accountants requested departments, as applicable, provide a listing of all FY 16 transactions recorded to AKSAS as FY 15 transactions. These transactions were to be tracked and provided to DOF on a predefined form. DHSS accountants were confused by this direction, and submitted to

¹¹Codification of Governmental Accounting and Financial Reporting Standards 2200.151.

DOF a financial report of all FY 15 expenditures for the period July through August 2015 of which none were FY 16 transactions. The report submitted by DHSS accountants included parameters clearly showing the report included all DHSS FY 15 expenditures for the above time frame. DOF accountants did not identify this error. According to governmental accounting standards,¹² financial statements for governmental funds should be presented using the current financial resources measurement focus and the modified accrual basis of accounting.

- FY 15 general fund expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balances and governmental activities expenses on the Statement of Activities were understated by \$29.2 million. Additionally, general fund Balance Sheet accounts payable and governmental activity Statement of Net Position accounts payable were understated by \$29.2 million.

This error occurred during CAFR preparation as a result of DOF staff erroneously including encumbrance activity in the report identifying FY 15 expenditures recorded in IRIS. The newness of IRIS and associated complexity of reporting under the new system contributed to this error. According to governmental accounting standards,¹³ the budget, accounts and financial reports are inseparable elements in the financial administration process. Terminology and classification consistency among them is essential to achieving viable accounting systems and comparable, unambiguous financial reporting. Furthermore, encumbrances outstanding at year-end do not constitute expenditures or liabilities.¹⁴

Each of the noted errors were ultimately corrected via audit adjustments and properly reported in the FY 15 CAFR.

We recommended the state accountant ensure only appropriate financial activity is recorded in the CAFR.

Agency Response — Department of Administration

DOF concurs with this recommendation. The finding specifically identified three conversion issues regarding the implementation of the new accounting system, Integrated Resource Information System (IRIS). These three areas include Reimbursable Service Agreements (RSAs), reversing entries and encumbrances. Each area is addressed below.

- *RSAs — The issue identified by the auditors is actually a one-time conversion process that will not be reoccurring. Transactions were specifically created in a unique batch to report RSA activity into IRIS. The conversion process and the impact on the*

¹²Codification of Governmental Accounting and Financial Reporting Standards 1600 (a).

¹³Codification of Governmental Accounting and Financial Reporting Standards 1800.188.

¹⁴Codification of Governmental Accounting and Financial Reporting Standards 1700.127(b).

financial transactions reported for CAFR were not fully communicated between staff. DOF strives to ensure compliance with generally accepted accounting principles for the reporting of assets, revenue and expenditures, and has created the following plan to avoid over-elimination of expenditures and overstatement of assets related to transactions that were created for conversion to the new accounting system. DOF will work with the IRIS project team to increase the CAFR staffs understanding of the entries that occurred to convert to the new accounting system. With the successful completion of the planned education, DOF anticipates the recommendation will be fully developed and implemented by June 30, 2016.

- *Reversing Entries — This error identified by the auditors was a new issue arising with the conversion from the old accounting system to IRIS. Special instructions were given to departments to assist in identifying activity reported in the old accounting system that was actually FY 16 financial activity as opposed to FY 15, as defined by when the goods and services were actually received. However, information provided by a department was not correctly reported to the CAFR accountant and additional review or analysis was not performed to identify the error. DOF always strives to ensure compliance with generally accepted accounting principles for CAFR reporting, so we have created the following plan to avoid misunderstandings related to data received from departments to be used in preparing the CAFR. DOF will work to increase the CAFR staffs understanding of the data received with additional review and analysis. Additionally, DOF will communicate with the departments to verify the understanding and the purpose of the data as well as ensuring its accuracy. With the successful completion of the planned education, DOF anticipates the recommendation will be fully developed and implemented by June 30, 2016.*
- *Encumbrances — During the preparation of the CAFR, IRIS was very new and not completely familiar to the staff preparing the CAFR. A clear understanding of the posting codes within IRIS were not fully understood, which contributed to this error. DOF always strives to ensure compliance with generally accepted accounting principles for the reporting of expenditures and created the following plan to ensure accurate data is used when reporting expenditures. DOF will work to increase the CAFR staffs understanding of the posting codes used within the new accounting system and the system's handling of those posting codes. With the successful completion of the planned education, DOF anticipates the recommendation will be fully developed and implemented by June 30, 2016.*

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Recommendation No. 2015-010

DOF's director should ensure an Alaska Data Enterprise Reporting System (ALDER) shortfall report is created to identify and monitor revenue shortfalls.

From July 2015 to February 2016, there was no tool for identifying revenue shortfalls under the State's new accounting system, IRIS, which went live in July 2015. Since there is no financial reporting function within the IRIS system, reporting for IRIS is addressed through ALDER. Due to the time requirements to implement IRIS, and the increased complexity of reporting IRIS activity in ALDER, no shortfall report was created and made available during the first half of FY 16. As of February 2016, DOF staff created a draft IRIS ALDER shortfall report; however, the report was created too late to be considered for the audit cycle.

The State Budget Act provides that if actual collections fall short of appropriated program receipts, an agency is required to reduce the budget by the estimated reduction in collections. Furthermore, the Alaska Administrative Manual¹⁵ states:

When an appropriation is funded from budgeted revenues, it means that the appropriation may be spent only to the extent that budgeted revenues are earned. If budgeted revenues (cash receipts plus valid account receivables) fall short of the amount estimated, expenditures must be reduced accordingly.

Without a shortfall report, departments have no efficient way of monitoring appropriations to identify revenue shortfalls so that corrective actions to reduce expenditures can be taken timely. Furthermore, without a shortfall report during the first half of FY 16, the Division of Legislative Audit was unable to identify and report on compliance regarding shortfalls.

We recommend DOF's director ensure an ALDER shortfall report is created to identify and monitor revenue shortfalls.

Agency Response — Department of Administration

DOF concurs with this recommendation. To ensure compliance with the Alaska Administrative Manual with regards to appropriation shortfall monitoring, DOF has created a shortfall report to ensure budgetary monitoring can occur by both departments and Legislative Audit. The report is under review and testing with Legislative Audit as of February 19, 2016. Upon successful testing of the report, DOF will distribute the report to ALDER's centralized Enterprise Reports to allow departments and the Office of Management and Budget to monitor appropriations nearing or exceeding authorization.

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¹⁵AAM 25.090.

Recommendation No. 2015-011

ETS' director and the Division of General Services' (DGS) chief procurement officer should work together to develop policies and procedures that require Type 2 Statement on Standards for Attestation Engagements 16 (SSAE 16) reports for contractors that are significant to financial reporting.

The State of Alaska outsources certain aspects of its activities to service organizations. Many of the services provided by such organizations are integral to the State's financial operations. Although services are outsourced, State management retains responsibility for the performance of processes assigned to the service organizations. Therefore, management needs to understand the controls each service organization designs, implements, and operates for the assigned process, and how the service organization's internal control system impacts the State agency's internal control system.¹⁶ It is industry best practice to require service organizations, as part of a contract, to obtain an independent review of its controls that provides assurance controls are designed appropriately and operating effectively. The State of Alaska does not require the independent internal control reviews as part of standard procurement procedures or as part of information security policies. Consequently, some contracts require independent control reviews, while others do not.

The State's information security policy (ISP) over third-party agreements¹⁷ specifies that State agencies must ensure an agreement covering relevant security requirements is in place for any third parties providing services involving accessing, processing, communicating, or managing State information or information-processing facilities. Additionally, the ISP states that management must ensure that services of third parties are monitored to verify compliance with the security requirements of agreements; however, the ISP does not specify how this should be accomplished. According to ETS management, the ISPs were initially drafted to cover a broad scope, and additional guidance for agencies was never developed due to the time required to develop more detailed guidance and limited staff resources.

According to national technology best practices,¹⁸ organizations permitting use of an external information system should verify the implementation of required security controls on the external system as specified in the organization's information security policy and security plan. Verification that required controls have been implemented can be achieved by independent third-party assessments, attestations, or other means.

SSAE 16, *Reporting on Controls at a Service Organization*, is the attestation standard established by the American Institute of Certified Public Accountants for reporting on controls at service organizations. SSAE 16 represents an industry best practice for monitoring internal controls over third-party service providers. There are three types of

¹⁶Government Accountability Office, *Standards for Internal Control in the Federal Government*, Green Book OV4.01.

¹⁷ISP-112.

¹⁸National Institute of Standards and Technology SP 800-53 revision AC-20(1).

reports which can be issued under the standards established by SSAE 16, including Service Organization Control (SOC) 1, SOC 2, and SOC 3. Each type of SOC report is designed to meet a different specific user need. SOC 1 reports cover internal controls over financial reporting; SOC 2 reports cover controls over relevant security, availability, processing integrity, confidentiality, or privacy; and SOC 3 reports cover the same material as an SOC 2 report but do not provide the same level of detail in the report, making it better suited for public distribution. SOC 1 and SOC 2 reports can either be a Type 1 or Type 2 report. Type 1 reports only cover management’s description and design of controls. Type 2 reports go further by also including testing of the controls to determine their effectiveness.

With an increased utilization of third-party service providers, these attestation reports provide a critical verification of the existence of internal controls over the services being provided by third-party vendors. Failure to effectively monitor services provided by entities outside of the state could result in undetected security breaches, noncompliance with state and federal requirements over sensitive data, and erroneous financial reporting.

The most effective way to address these best practices is by building into service organization contracts the requirement that service organizations obtain and provide the state with an independent review of the operational effectiveness of their applicable internal control structure. At a minimum, the applicable Type 2 SSAE 16 report(s) should be obtained on an annual basis from third-party service providers that provide a significant level of service to the State.

We recommend ETS’ director and DGS’ chief procurement officer work together to develop policies and procedures that require Type 2 SSAE 16 reports for contractors that are significant to financial reporting.

Agency Response — Department of Administration

Both divisions ETS and DGS concur with this recommendation. ETS' staff and the DGS' chief procurement officer worked together to develop a policy to include the language below in solicitation templates available to state procurement officers:

THIRD-PARTY SERVICE PROVIDERS

The contractor must provide, on an annual basis, a Type 2 Statement on Standards for Attestation Engagements (SSAE) [SOC 1, SOC 2, or SOC 3] report(s). Failure to provide this report may be treated as a material breach and may be a basis for a finding of default.

DGS will reach out directly to state procurement officers to provide education and training on the purpose and application of this language. This will be accomplished by notifying state procurement officers of the new language and its purpose as well as by incorporating the

language into applicable procurement training classes and materials. DGS anticipates the recommendation will be fully developed and implemented by June 30, 2016.

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DEPARTMENT OF LAW (LAW)

No recommendations were made to LAW in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2014*.

No new recommendations have been made during the FY 15 statewide single audit.

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DEPARTMENT OF REVENUE (DOR)

Four recommendations were made to DOR in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2014*. Prior year Recommendation No. 2014-003 is resolved. Prior year Recommendation Nos. 2014-004, 2014-005, and 2014-006 are not resolved and are reiterated in this report as Recommendation Nos. 2015-012, 2015-013, and 2015-014, respectively.

One new recommendation has been made during the FY 15 statewide single audit and is included as Recommendation No. 2015-015.

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Recommendation No. 2015-012

DOR's Tax Division director should improve the Tax Revenue Management System (TRMS) reporting function, ensure staff are properly trained, and implement procedures to verify TRMS report data.

Prior Finding

DOR's new tax system, TRMS, did not provide an adequate audit trail that supported FY 14 tax revenues recorded in the state accounting system (AKSAS). Specifically, due to inaccuracies, TRMS reports could not be used to support \$19.3 million in year-end revenue accruals for Tobacco, Alcoholic Beverage, Tire, Vehicle Rental, and Commercial Passenger Vessel Excise taxes. Additionally, the existing reports were summary in nature and did not allow the reconciliation of reported amounts to individual taxpayer receipts.

Moreover, the year-end Corporate Income Tax (CIT) reconciliation between TRMS and AKSAS was not performed timely. Additionally, the original TRMS report pulled to identify total CIT interest revenues was overstated by \$17 million.

Generally, the deficiencies were caused by limitations of the available TRMS reports and insufficient training of DOR personnel in using TRMS and its reporting functions. The *Codification of Governmental Accounting and Financial reporting Standards*, section 1200.102 states:

Adherence to GAAP (generally accepted accounting principles) is essential to assuring a reasonable degree of comparability amount the financial reports of state and local governmental units. Governmental accounting system thus must provide data that permits reporting on the financial status and operations of a government in conformity with GAAP.

Furthermore, the *Alaska Administrative Manual*, section 10.035, requires each state agency to maintain records sufficient for audit purposes.

Legislative Audit's Current Position

FY 15 testing found timely year-end reconciliations were completed. However, the TRMS reports supporting year-end journal entries remain deficient. Specifically, due to inaccuracies in TRMS reports the year-end accrual for the Oil and Gas Production (OGP) Tax Credits were understated by \$23.7 million and the OGP revenue accrual was overstated by \$25.4 million.

Additionally, the year-end entry to reclassify CIT interest and penalties included \$2 million of interest received in the prior year, understated CIT revenue by \$6.4 million, and overstated interest revenue by \$5.5 million and penalty revenue by \$900,000. Once identified by the audit team, DOR and DOA staff processed adjustments to correct all the errors in AKSAS.

Tax Division management cited staff turnover during the year as the cause of the errors and further noted that staff continue to struggle with learning the TRMS and its reporting capabilities.

We again recommend DOR's Tax Division director improve the TRMS reporting function and ensure staff is properly trained. We further recommend DOR's Tax Division director implement policies and procedures to verify the accuracy of data reported in TRMS reports.

Agency Response — Department of Revenue

The DOR Tax Division concurs with this recommendation and will ensure that staff is properly trained to use TRMS reports and verify TRMS report data.

During FY15, Oil and Gas Production (OGP) information relied upon a combination of existing TRMS reports, legacy information from MS Access database reports and using an Excel spreadsheet to report accruals and OGP credits. Moving forward we have established additional TRMS reports and additional requests that are in the queue to be created. In FY16, we are anticipating a less manual effort to get accurate information.

The TRMS accrual report does not identify CBRF transfers. As a result, CBRF amounts were included in the Corporate Income Tax (CIT) and OGP accruals and not identified as CBRF. In order to compensate for the TRMS accrual report, A&C will verify the TRMS accrual report against the CBRF Transfer Detail spreadsheet used to identify all CBRF transfers in order to identify and properly account for the CBRF.

We will ensure staff is trained in using TRMS reports to identify data for converted periods, including reviewing detailed level of transactions. This will ensure converted data from CIT is reviewed and accounted for in the proper fiscal year. In addition, our IRIS accounts have been setup to include separate fund accounting for tax, interest and penalty across all each tax types.

*Contact Person: Daniel DeBartolo, Director
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Recommendation No. 2015-013

DOR's Tax Division director should implement adequate internal controls to ensure Constitutional Budget Reserve Fund (CBRF) receipts are reported in the correct fund.

Prior Finding

In FY 14, five of the six CIT receipts belonging to the CBRF were not processed in accordance with State and departmental policy, and one was processed for the incorrect amount. The cumulative effect of the identified errors was approximately \$30 million. Once identified by the audit team, DOR and Department of Administration (DOA) accountants processed the adjustments to correctly report the activity. Management cited staff turnover and the manual nature of the transactions as the primary reasons for not following procedures to properly transfer the receipts.

The Alaska Constitution, Article IX, Section 17 established the CBRF to deposit all money received by the State as a result of the termination of an administrative proceeding or litigation in a state or federal court involving: mineral lease bonuses; rentals; royalties; royalty sale proceeds; federal mineral revenue sharing payments or bonuses; or taxes imposed on mineral income, production, or property. Incorrect and/or unperformed CBRF transfers result in a distorted representation of funds available for legislative appropriation.

Legislative Audit's Current Position

In FY 15, nine of 10 CBRF receipts for CIT and two of seven Oil and Gas Production Tax CBRF receipts were not transferred as required. Management cited the causes of the errors as: confusion between agency staff regarding the responsibility to start the transfer process; the manual nature of the transactions; and a pending work item with the TRMS contractor to develop a report of all receipts belonging to the CBRF. The report was not yet available, and was to be the first step in initiating a CBRF form to reallocate the funds from the general fund to the CBRF.

The cumulative effect of FY 15 errors was \$32.4 million. Once identified by the audit team, DOR and DOA staff processed the FY 15 corrections to properly record the transfers.

We again recommend DOR's Tax Division director implement adequate internal controls to ensure CBRF receipts are reported in the correct fund.

Agency Response — Department of Revenue

The DOR Tax Division concurs with this recommendation. The Division has evaluated the CBRF procedures since the prior year. Due to the complexity and ordering of the many transactions, the division is unable to develop an automated report that will positively identify only CBRF receipts. As a result, the division will continue to use our previous

written CBRF procedures and update our procedures with the existing summary level TRMS report sent to program managers on a quarterly basis to identify potential CBRF transfers for appropriate reporting. The TRMS report will identify every possible CBRF receipt but will also contain “false positives” and will therefore need to be manually reviewed by program managers.

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Recommendation No. 2015-014

DOR’s Tax Division director should implement procedures to consistently record and report interest revenues and penalty revenues for all tax types.

Prior Finding

During FY 14, interest revenues and penalty revenues received for DOR tax types other than oil and gas severance taxes were recorded in AKSAS as tax revenues rather than interest or penalty revenues. This treatment is inconsistent with how DOR records interest or penalty revenues related to oil and gas severance taxes. Interest and penalty revenues associated with oil and gas severance taxes are recorded in separate AKSAS interest and penalty accounts. There are no DOR procedures that require staff to record other tax type interest or penalty revenues in separately identified AKSAS accounts.

According to the *Codification of Governmental Accounting and Financial Reporting Standards*, section 1800.188:

The budget, the accounts, and the financial reports are inseparable elements in the financial administration process. Terminology and classification consistency among them is essential to achieving viable accounting systems and comparable, unambiguous financial reporting.

The State’s Comprehensive Annual Financial Report (CAFR) displays tax, interest, and penalty revenues as separate line items. Inconsistent classification of tax, interest, and penalty revenues in AKSAS results in ambiguous CAFR financial reporting. For FY 14 corporate income taxes, auditors identified \$10 million in net interest receipts and refunds recorded as corporate income tax revenue. Once identified by the audit team, DOR and DOA accountants processed an adjustment to correctly report the activity. The interest or penalty revenues collected or refunded for DOR’s other tax types were not determined, but were estimated to be immaterial to the financial statements.

Legislative Audit's Current Position

During FY 15, DOR continued to inconsistently classify tax, interest, and penalty revenue. In FY 15, the division developed a TRMS report to identify CIT penalty and interest which was used to support a year-end journal entry to reclassify interest and penalty revenues in the General Fund. However, the report did not contain an adequate audit trail (see Recommendation No. 2015-012) and was subsequently found to include CBRF receipts that had already been reclassified. As a result, the year-end journal entry understated CIT revenue by \$6.4 million dollars and overstated interest revenue by \$5.5 million and penalty revenue by \$900,000. Once identified by the audit team, DOR and DOA staff processed correcting entries to properly record the tax, interest, and penalty revenue.

Additionally, auditors identified \$14.5 million recorded as CIT revenue that potentially should be classified as interest revenue. Specifically, two payments totaling \$30.7 million received in FY 15 for amended corporate income tax returns were recorded as corporate income tax revenue in AKSAS. However, the taxpayer indicated the two payments included \$14.5 million in interest due on the returns. Because the returns were amending years that were prior to implementation of the TRMS, the returns could not post automatically in TRMS. Therefore revenue was recorded to a suspense account for further review and eventual allocation. According to DOR Tax Division staff, interest or penalty revenue cannot be determined or reasonably estimated until the return is examined or audited by division staff. This analysis was not completed by the end of the fiscal year.

Overall, the division continues to lack formal policies and procedures to consistently record interest and penalty revenues for all tax types.

We again recommend DOR's Tax Division director implement procedures to consistently record and report interest revenues and penalty revenues for all tax types.

Agency Response — Department of Revenue

The DOR Tax Division partially concurs with this recommendation.

The Tax Division met with Division of Finance (DOF) over Legislative Audit concerns related to consistently recording interest and penalty per the taxpayer's information that identified the allocation of tax and interest, and interpreted as measureable. The meeting resulted in DOF concurring with the Tax Division's position. Because the returns were being amended and were for years that were prior to the implementation of TRMS, the returns could not post automatically in TRMS. Revenue was recorded to a suspense account for further review and allocation. Interest and penalty cannot be determined or reasonably estimated until the return is examined and/or audited by the division staff.

Accounting and Collections plans on mitigating this issue by sending a report to the tax managers identifying material amended returns that need to be reviewed and processed prior to year-end and will become part of our year-end procedures.

With the rollout of IRIS, the Tax Division's IRIS accounts have been setup to include separate fund accounting for tax, interest and penalty for each tax type. The Tax Division has automated refunds and shared tax transactions through an interface between IRIS and TRMS. We are currently testing an additional interface for the transfer of interest and penalty that is allocated and posted to a return (see Recommendation No. 1).

*Contact Person: Daniel DeBartolo, Director
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Legislative Auditor's Additional Comments

We have reviewed DOR's response, and nothing in the response persuaded us to revise the recommendation. We reiterate that procedures should be implemented to consistently record and report interest and penalty revenues for all tax types.

Recommendation No. 2015-015

DOR's Tax Division director should address weaknesses over TRMS.

The TRMS system contains a weakness in access controls.

State security policies require executive management segregate duties and responsibilities of personnel consistent with the sensitivities of information in order to prevent intentional or unintentional disruption or exposure of information.¹⁹

We recommend DOR's Tax Division director address weaknesses in TRMS.

Auditor's Note

The details related to this control weakness are being withheld from this report to prevent the weakness from being exploited. Pertinent sensitive details have been communicated to agency management in a separate, confidential document.

Agency Response — Department of Revenue

The DOR Tax Division concurs with this recommendation in principal, and will take steps to address the issue while also being mindful of cost and industry best practices. A more detailed

¹⁹ISP-165, 5.1.3 Segregation of duties.

response was provided to the Division of Legislative Audit in a separate confidential communication.

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DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT (DEED)

One recommendation was made to DEED in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2014*. Prior year Recommendation No. 2014-007 is resolved.

Two new recommendations have been made during the FY 15 statewide single audit and are included as Recommendation Nos. 2015-016 and 2015-017.

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Recommendation No. 2015-016

DEED's administrative services director should ensure capital assets are accurately reported.

DEED's FY 15 capital asset information submitted to the Division of Finance did not include the State Library and Museum (SLAM) building. As a result, the construction in progress account in the State's FY 15 comprehensive annual financial report (CAFR) was understated by \$86.7 million. Education expenses were also overstated by the same amount. These errors were corrected via an audit adjustment and correctly reported in the FY 15 CAFR.

The misstatement of the SLAM building was due to staffing turnover and the capital asset listing not being reviewed by all necessary DEED divisions. According to governmental accounting standards,²⁰ capital assets include all tangible or intangible assets used in operations that have initial useful lives extending beyond a single reporting period.

We recommended DEED's administrative services director ensure capital assets are accurately reported.

Agency Response — Department of Education and Early Development

The department agrees with recommendation No. 2015-016. The department's policies and procedures for completing the year-end comprehensive annual financial report (CAFR) request regarding capital assets will be reviewed and updated to ensure that all appropriate divisions review the capital asset listing prior to its submittal to ensure all necessary capital assets are accurately reported.

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Recommendation No. 2015-017

DEED's School Finance director should strengthen procedures to ensure the accuracy of Maintenance of Effort (MOE) calculations for Elementary and Secondary Education Act (ESEA) programs.

DEED staff used incorrect data in determining whether local educational agencies (LEA) met the FY 15 MOE requirement for ESEA programs.²¹ According to federal guidelines, the MOE determination for FY 15 allocations should have been based on a comparison of FY 13

²⁰Codification of Governmental Accounting and Financial Reporting Standards 1400.103.

²¹ESEA programs subject to the MOE requirement include: Title I, Part A (84.010), 21st Century Community Learning Centers (84.287), Title III, Part A (84.365), and Improving Teacher Quality State Grants (84.367).

to FY 12 fiscal effort per student. DEED staff inadvertently compared FY 13 to FY 11 because an MOE spreadsheet was not updated. Review procedures were insufficient to identify the error.

Per 34 CFR 299.5, LEAs may each receive their full allocation of funds only if the State finds that either the combined fiscal effort per student or the aggregate expenditures of State and local funds²² for the preceding fiscal year was not less than 90 percent of the combined fiscal effort per student or the aggregate expenditures for the second preceding fiscal year. Erroneous MOE calculations may result in providing unallowable funds to LEAs, as amounts allocated should be reduced in the exact proportion the LEAs failed to meet the required fiscal effort.²³

We recommend the School Finance director strengthen procedures to ensure the accuracy of MOE calculations for ESEA programs.

CFDA: 84.367

Questioned Costs: None

Federal Agency: USED

Significant Deficiency

Matching, Level of Effort, Earmarking

Agency Response — Department of Education and Early Development

The department agrees with recommendation No. 2015-017. The School Finance director has strengthened the procedures to ensure the accuracy of the MOE calculations for ESEA programs. Once the MOE calculations are complete, the Internal Auditor will review the calculations using the review procedures to confirm accuracy.

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²²With respect to the provision of free public education in the LEA.

²³Per 20 USC 7901 (b)(1).

DEPARTMENT OF HEALTH AND SOCIAL SERVICES (DHSS)

Sixteen recommendations were made to DHSS in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2014*. Prior year Recommendation Nos. 2014-008 through 2014-015, 2014-018, and 2014-022 are resolved. Prior year Recommendation Nos. 2014-16, 2014-017, and 2014-019, were not a significant issue in the current year and are not reiterated in this report. The status of prior year Recommendation No. 2014-020 cannot be determined due to the reporting capabilities in the State's newly implemented financial accounting system. Prior year recommendation Nos. 2014-021 and 2014-023 are not resolved and are reiterated in this report as Recommendation Nos. 2015-019 and 2015-018 respectively.

Nine new recommendations have been made during the FY 15 statewide single audit and are included as Recommendation Nos. 2015-020 through 2015-028. Eight of these, Recommendation Nos. 2015-021 through 2015-028, are from an auditor whose report was furnished to us. A complete copy of the report may be obtained directly from DHSS.

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Recommendation No. 2015-018

DHSS' commissioner should distribute funds in accordance with State statutes and regulations.

Prior Finding

In FY 14, DHSS management directly awarded \$1,115,000 to three nonprofit organizations and one municipality without following State procurement laws or grant regulations.

DHSS management stated the distributions were not grants, but rather *sponsorships*. DHSS management further believed that the procurement code did not apply because no services were provided to the State.

Legislative Audit's Current Position

In FY 15, DHSS management awarded \$165,000 to two nonprofit organizations without following State procurement laws or grant regulations:

<u>Amount</u>	<u>Entity Name</u>	<u>Purpose</u>
\$100,000	Alaska State Fair	To support the <i>Kativik Gathering Place</i> at the Alaska State Fair in fall of 2015. Providing a greater understanding of Alaska's indigenous cultures.
\$65,000	Alaska Literacy Program	To support the IMPACT Family Literacy program.

DHSS management cited the authority granted to the department by AS 18.05.010 as the basis for issuing the above payments. While the statute allows to “*flexibly use the broad range of powers set out in [the] title,*”²⁴ nothing in the title indicates an exemption from the State Procurement Code or grant laws. Furthermore, the State Procurement Code does not include any exemptions that could apply to the above payments.

Additionally, management stated that because the funds were appropriated as unrestricted, the department was not limited in the funds' use. However, the State Procurement Code “*applies to every expenditure of state money*”²⁵ irrespective of its source.²⁶

State procurement and grant laws²⁷ are designed to provide a fair, competitive, and open procurement process. By failing to comply with these laws, DHSS did not fairly and

²⁴AS 18.15.010(b)(1).

²⁵AS 36.30.850(b).

²⁶AS 36.30.990(24).

²⁷AS 36.30, 2 AAC 12, and 7 AAC 78.

equitably disburse funds and did not provide a mechanism for monitoring the entities' use of funds.

We again recommend DHSS' commissioner distribute funds in accordance with State statutes and regulations.

Agency Response — Department of Health and Social Services

DHSS concurs that funds should be distributed in accordance with state statutes and regulations. While the department is evaluating its sponsorship program, including its procedures, DHSS continues to believe that the use of this money was, under its policy and procedures related to Sponsorships, appropriate and in accordance with Alaska statute (AS) section 18.05.010, AS 18.15.355. DHSS used the funding to ameliorate and/or raise awareness to protect and promote important public health concerns. These payments were done through collaboration with public sector partners to help meet the mission of DHSS (To Promote and Protect the Health and Well-Being of Alaskans).

*Contact Person: Sana Efird, Assistant Commissioner
Finance and Management Services
(907) 465-1630*

Legislative Auditor's Additional Comments

We have reviewed DHSS' response, and nothing in the response persuaded us to revise the recommendation. We reiterate that State funds should be distributed in accordance with applicable procurement laws or grant regulations unless payments are specifically exempted by the State Procurement Code. DHSS' "sponsorship" awards do not constitute a valid exemption.

Recommendation No. 2015-019

DHSS' commissioner should work with Xerox to correct defects in the Alaska Health Enterprise (AHE) system.

Prior Finding

On October 1, 2013, DHSS replaced its legacy Medicaid management information system that processed and paid Medicaid and Children's Health Insurance Program claims with the new AHE system. DHSS and its system development contractor, Xerox, were aware the AHE system contained 44 defects at the time it was implemented. Rather than delay implementation of the system until the defects were addressed, DHSS and Xerox developed work-around plans to manage the known system defects and proceeded with implementation.

Once implemented, the number of defects climbed to 546. While some defects were addressed during FY 14, the AHE system had an identified 451 unresolved defects as of the end of August 2014.

Because of the defects, the AHE system was not a fully operational or federally certified Medicaid system during FY 14. Due to the complexity of medical claims processing, the extent of misreporting resulting from system defects could not be determined. However, since the defects affected every area of AHE system operations and the amounts processed through the AHE system were material to the financial statements, the combination of the issues represented a material weakness in internal control and could have resulted in a material misstatement to the financial statements. The FY 14 General Fund and Governmental Activities audit opinions were qualified in recognition of the material weakness and a lack of ability to obtain adequate evidence.

Information technology best practices dictate that systems should be tested and significant defects corrected prior to implementing a new system. Specifically, the Information Security Policy (ISP) requires management to test a new information system prior to putting it into production to ensure that the system is configured correctly.²⁸ Furthermore, the National Institute of Standards and Technology special publication, *Security and Privacy Controls for Federal Information Systems*,²⁹ commonly regarded as national best practices, requires organizations to conduct an assessment of the information system, system component, or information system service prior to acceptance and update. It states:

Organizations conduct assessments to uncover unintentional vulnerabilities and intentional vulnerabilities including, for example, malicious code, malicious processes, defective software, and counterfeits.

Legislative Audit's Current Position

During FY 15, DHSS Health Care Services (HCS) continued to work with the fiscal agent Xerox on correcting system defects. Xerox developed a Corrective Action Plan (CAP) for Medicaid claim processing and HCS monitored Xerox's progress in implementing the CAP. As a result, improvements were made to the AHE system. For example, prior issues related to system interfaces and funding sources were addressed. However, due to system defects the following prior issues were not fully resolved:

- *Suspended Claims Backlog:* Between FY 14 and FY 15, the suspended claims backlog decreased from 98,736 claims totaling \$184 million to 32,225 claims totaling \$87 million. It is not possible to accurately identify the number and amount of claims suspended as a result of system defects as opposed to other non-system related reasons. Furthermore, it is not possible to determine how many of these claims will be

²⁸State of Alaska ISP-162 - System Planning and Acceptance, 5.2.2.

²⁹National Institute of Standards and Technology Special Publication 800-53 Revision 4, *Security and Privacy Controls for Federal Information Systems and Organizations*, SA-12(7).

deemed eligible and the amount paid until the claims are successfully processed by the AHE system. Since claims are not determined eligible and priced until processed by the AHE system, suspended claims result in delayed payments to providers.

- *Payment Issues:* The AHE system continued to have numerous payment related deficiencies due to incorrect system logic. For example, the inpatient and outpatient claims were understated by an estimated \$4.7 million because the system incorrectly reduced the patients' covered hospital days. The inpatient claims were also understated by approximately \$491,000 due to application of incorrect rates.³⁰ Finally, the tribal dental and behavioral health claims were overstated by approximately \$111,000 due to errors in the application of fee for services and encounter rates to claim pricing. These errors were not corrected in the FY 15 Comprehensive Annual Financial Report (CAFR), because the actual misstatement could not be calculated.
- *Check-write Issues:* Claims processed and paid through the AHE system (check-writes) should seamlessly interface with the state accounting system (AKSAS). In FY 15, the interface files still required manual adjustments to ensure they correctly interfaced AHE system activity with AKSAS. Manual adjustments increase the risk of misstatement and create inefficiencies.

According to DHSS management, above findings were not fully resolved due to lack of resources to address the large number of complex system defects.

In addition to the unresolved prior year issues, the current year testing identified a deficiency in the closed defect resolution process. AHE closed defects,³¹ change requests,³² and mass adjustments³³ were tested in FY 15 to determine if these items were closed by Xerox only after resolving the issue.³⁴ In three out of the 20 closed items reviewed, the underlying issue was not completely resolved. Specifically:

- 1) When one randomly selected defect was corrected, the necessary mass adjustment was not performed. As a result, 32 incorrectly processed claims were not adjusted. Based on additional analysis, HCS determined that only six of 32 claims currently

³⁰The largest portion of this understatement was caused by a delay in applying the federal tribal rates. The federal agency typically delays publishing regulations covering the calendar year rates. Once regulations are published, State Medicaid Agencies are required to reprocess claims based on the new rates. A portion of tribal inpatient claims have not been reprocessed due to system deficiencies causing the understatement.

³¹Defects occur when the system is not working as designed.

³²Change requests occur when the system requires modification to its design; these can be related to regular system maintenance, implementation of new federal and state regulations, and fundamental flaws with system processes requiring substantial time and effort to correct.

³³Mass adjustments are corrections of AHE claims that were inaccurately processed in the past. Mass adjustments are processed after the underlying issue is corrected and can range from no dollar effect to millions of dollars.

³⁴The total population was comprised of 510 closed items that included critical closed claim defects (182), "must have" priority claim related change requests (63) and all closed mass adjustments (286). The sample was comprised of 15 randomly selected items and five items judgmentally selected.

need reprocessing³⁵ and Xerox opened a mass adjustment for these claims. While the number of affected claims was not significant, there is a potential that other adjustments were not performed after correcting system defects.

- 2) One randomly selected defect was closed in November of 2013 without resolving the underlying issue. While a new change request was opened for the same issue in June of 2015 independent of the older closed defect, the new request does not mitigate the control deficiency that the original defect was closed without correcting the problem. This finding raises the possibility that other defects were closed without resolution.
- 3) One randomly selected mass adjustment was closed because a duplicate mass adjustment existed; however, the duplicate did not include a complete set of affected claims. As a result, the original mass adjustment was closed without ensuring that the issue was correctly and fully addressed by another adjustment.

The above defect resolution errors were caused by inadequate review in the processes for closing defects and mass adjustments. Change requests are reviewed and approved by HCS analysts before being closed, while defects and mass adjustments are typically closed by Xerox without HCS approval. HCS management reported that they were not able to implement formal approval procedures for all defects and mass adjustments due to a lack of resources. As identified above, the lack of review may result in closing defects and mass adjustments without resolving the issue and correcting all incorrectly processed claims. To compensate for this, HCS management is planning to complete a review of all the closed defects in conjunction with the AHE system federal certification process. As of August 2015, the total number of closed defects was 5,351.³⁶ Due to the number of the closed defects, it will be difficult if not impossible to perform a comprehensive review to detect issues similar to the ones reported in this recommendation.

During FY 15, the AHE system processed approximately \$1.7 billion in General Fund expenditures, which resulted in \$910 million in federal grants-in-aid revenues. Because of the complexity of medical claims processing, we could not determine the actual amount of potential misreporting resulting from unresolved system defects, change requests, and mass adjustments. However, the testing provided sufficient assurance that financial activity processed through the AHE system did not result in material misstatement to financial statements in FY 15. Thus, the AHE issues identified in this recommendation constitute a significant deficiency in internal controls, which is less severe than the material weakness reported last year.

We recommend DHSS' commissioner continue working with Xerox to correct the defects in the AHE system.

³⁵The remaining 26 of 32 claims are comprised of 21 claims that were resubmitted by providers and correctly processed and five claims that would be denied due to provider billing errors.

³⁶The reported number of closed defects includes defects opened for similar or related issues, as well as duplicates.

Agency Response — Department of Health and Social Services

DHSS concurs with the recommendation. During FY 2016 the department continues to facilitate corrective action plans for its fiscal agent, XEROX and on February 5th, 2016 requested AHE system certification by the Centers for Medicare and Medicaid Services (CMS).

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Recommendation No. 2015-020

FMS' assistant commissioner should implement procedures to ensure the Medicaid accrual is accurate.

The FY 15 year end Medicaid accrual did not include all applicable FY 15 paid claims. The error was caused by a flaw in the AHE system logic for identifying accruable expenditures at year end.

This error resulted in an understatement of the FY 15 general fund expenditures and associated federal grants in aid revenues by \$26.2 million and \$15.9 million, respectively. Once identified, the understatement was corrected and properly reported in the FY 15 CAFR.

The *Codification of Governmental Accounting and Financial Reporting Standards*, Section N50, requires entities to recognize expenses and revenues, when all applicable eligibility requirements are met. For Medicaid, the eligibility is met when the claims are processed through and priced by the AHE system. Medicaid services provided during the current year but not paid until the subsequent year are accrued to ensure correct reporting in financial statements.

We recommend FMS' assistant commissioner implement procedures to ensure the Medicaid accrual is accurate.

Agency Response — Department of Health and Social Services

DHSS concurs with the recommendation. The department is strengthening its yearend procedures for preparing the Medicaid accrual to evaluate the first check write of the new fiscal year from the Alaska Health Enterprise (AHE) system to ensure it is reported as prior year expenditures.

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Major Program Noncompliance and Significant Deficiency in Internal Controls over Compliance – Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Program: U.S. Department of Health and Human Services, Aging Cluster, Title III, Part B – Supportive Services, CFDA 93.044; Title III, Part C – Nutrition Services, CFDA 93.045; Temporary Assistance for Needy Families (TANF), CFDA 93.558; Child Care Development Fund (CCDF), CFDA 93.575/93.596

Criteria: OMB Circular A-87, Appendix B, 8.h.(3) states, “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employees.

Additionally, OMB Circular A-87, Appendix B, 8.h.(4) requires appropriate time distribution records support employee compensation charged to a Federal grant.

Condition: Required documentation necessary for the allocation of payroll costs to these awards was not maintained in all cases.

Context: Four employees coded solely to the Title III Program (Aging Cluster) did not complete semiannual payroll certifications for the first six months of the fiscal year ended June 30, 2015. Accordingly, the documentation requirement for payroll costs to be allowable for the grant was not met during the first half of the year.

9 of 25 employees reviewed for TANF did not have semi-annual payroll certifications completed during the year under audit or within the reappropriation period. The certifications completed by employees and reviewed by supervisors were completed and provided subsequent to the reappropriation period.

1 of 25 employees reviewed for the Child Care Development Fund did not have semi-annual payroll certifications completed during the year under audit or within the re-appropriation period. The certification was completed by the employee, reviewed by a supervisor, and provided subsequent to the re-appropriation period.

One employee was charged to a code that was assigned to TANF, even though the employee did not work on TANF activities during the year.

Cause: The semi-annual payroll certifications are not only required for employees coded 100% to a single federal grant, but also employees coded 100% to a single cost objective.

The cost objective associated with the Title III program included both federal and general fund match, which was not clear to program staff. SDS management identified the issue midyear and requested staff complete the certification forms for the second half of the fiscal year 2015.

Personnel turn-over and lack of sufficient training for DPA employees contributed to the lack of certifications by individuals charged to CCDF and TANF.

Lack of review of data entry for initial employee set up enabled charges for other federal grants to be assigned and reimbursed by TANF funds.

Effect: Payroll expenditures during the first half of the fiscal year coded to the Aging Cluster and the entire year for the CCDF and TANF programs did not meet the requirement for semiannual certifications and the grantor could request a portion of the grant be returned. Costs were also charged to TANF for time not actually spent working on or benefiting the program objectives.

Questioned Costs: Payroll expenditures of \$221,215, CFDA 93.045, coded to the Aging Cluster for the first half of State Fiscal Year 2015.

Payroll expenditures of \$961,240 coded to TANF, CFDA 93.558, and \$41,274, CFDA 93.596, coded to CCDF.

Recommendation: Management should ensure that all employees complete appropriate time records as required by federal grant regulations. Employees that work on one federal grant or one cost objective should complete semi-annual payroll certifications.

Management should also implement processes and procedures that ensure proper data entry occurs to ensure employee efforts are assigned to the correct federal funding.

CFDA: 93.045	Federal Agency: USDHHS
Questioned Costs: \$221,215	Significant Deficiency, Noncompliance Activities Allowed or Unallowed, Allowable Costs

CFDA: 93.558	Federal Agency: USDHHS
Questioned Costs: \$961,240	Significant Deficiency, Noncompliance Activities Allowed or Unallowed, Allowable Costs

CFDA: 93.596	Federal Agency: USDHHS
Questioned Costs: \$41,274	Significant Deficiency, Noncompliance Activities Allowed or Unallowed, Allowable Costs

Agency Response — Department of Health and Social Services

DHSS concurs with the recommendation. The department will continue to provide training to program managers and administrative staff on the federal requirements for semi-annual certification forms. Additionally, DPA has strengthened its internal procedures by assigning an administrative position to verify all payroll coding and monitor the completion of the semi-annual certification forms.

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Recommendation No. 2015-022

Major Program Noncompliance and Significant Deficiency in Internal Controls over Compliance – Reporting

Program: U.S. Department of Health and Human Services, Aging Cluster, Title III, Part B – Supportive Services, CFDA 93.044; Title III, Part C – Nutrition Services, CFDA 93.045; Nutrition Services Incentive Program, CFDA 93.053; Temporary Assistance for Needy Families (TANF), CFDA 93.558

Criteria: Federal SF-425 reports are due semi-annually for each grant award within 30 days of the end of the reporting period for the Aging Cluster.

Federal ACH-196R reports are due quarterly within 30 days of the end of the reporting period for TANF.

Condition: Reports due for the period ended September 30, 2014 were not submitted timely.

Context: The four Aging Cluster SF-425 reports due for the period ended September 30, 2014 were not submitted timely. These reports, as well as the reports for the period ended March 31, 2015, were submitted late in June 2015.

The quarterly ACH-196R reports due for TANF for the period ended June 30, 2015 was not submitted timely.

Cause: The Aging Cluster federal reports were not submitted in the required timeframe due to training issues.

Revisions to the reporting format by the revenue unit and program employees took longer than expected and the TANF reports were filed one week late.

Effect: The grantor could consider the State of Alaska Department of Health and Social Services noncompliant, and take corrective action.

Questioned Costs: There are no questioned costs associated with this finding.

Recommendation: The revenue unit has a system to track grant report due dates and submissions. We recommend program personnel coordinate with the revenue unit to submit grant reports timely.

CFDA: 93.044, 93.045, 93.053
Questioned Costs: None

Federal Agency: USDHHS
Significant Deficiency, Noncompliance
Reporting

CFDA: 93.558
Questioned Costs: None

Federal Agency: USDHHS
Significant Deficiency, Noncompliance
Reporting

Agency Response — Department of Health and Social Services

DHSS concurs with the recommendation. The department is developing a corrective action plan to ensure staff is aware of reporting due dates and files reports timely.

Contact Person: Linnea Osborne, Accountant V
Department of Health and Social Services
(907) 465-6333

Recommendation No. 2015-023

Significant Deficiency in Internal Controls over Compliance – Reporting

Program: U.S. Department of Health and Human Services, Children’s Health Insurance Program (CHIP), CFDA 93.767

Criteria: The State of Alaska is required to prepare a schedule of expenditures of federal awards under OMB Circular A-133. Circular A-133, Subpart .310(b) states “At a minimum, the schedule shall: (3) Provide total Federal awards expended for each individual Federal program ...”

OMB Circular A-110 requires nonfederal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include

procedures to ensure that an accurate schedule of expenditures of Federal awards (SEFA) is prepared.

Condition: DHSS uses grant revenue as the basis for amounts reported on the SEFA. Grant revenue and expenditures are not reconciled as part of the SEFA preparation process.

Context: Un-reconciled differences between amounts reported on the SEFA compared to amounts reported to the federal granting agency throughout the year totaled approximately \$798,000 for CHIP.

Cause: Management uses grant revenue amounts when preparing the SEFA, assuming grant revenue equals grant expenditures in combination with timing differentials. Grant revenue did not equal grant expenditures in prior years, which resulted in SEFA amounts being adjusted in fiscal year 2015.

Effect: Due to adjustments noted amounts reported on the SEFA may differ from fiscal year 2015 program expenditures recorded in the general ledger and reported on the quarterly expenditure reports to the Federal agency.

Questioned Costs: There are no questioned costs associated with this finding.

Recommendation: Management should reconcile program revenue and expenditures as part of the SEFA preparation process to ensure amounts reported are based on current year eligible expenditures and all reconciling items are clearly identified and documented.

CFDA: 93.767

Questioned Costs: None

Federal Agency: USDHHS

Significant Deficiency

Reporting

Agency Response — Department of Health and Social Services

DHSS concurs with the recommendation. The department anticipates the reported amounts for SEFA will be based on expenditures instead of revenues due to new reporting functionality available through the Integrated Resource Information System (IRIS) which replaced the Alaska State Accounting System (AKSAS) in SFY 2016.

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Recommendation No. 2015-024

Major Program Noncompliance and Significant Deficiency in Internal Controls over Compliance – Cash Management

Program: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention Public Health Emergency Preparedness (PHEP), CFDA 93.069

Criteria: The requirements for cash management are contained in the A-102 Common Rule (§__.21), OMB Circular A-110 (2 CFR section 215.22), Treasury regulations at 31 CFR part 205, program legislation, Federal awarding agency regulations, and the terms and conditions of the award. When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested. Advance payments must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and their disbursement.

Condition: The State of Alaska requested draws in excess of expenditures incurred for the program.

Context: The prior year PHEP grant, ending during State Fiscal Year (SFY) 2014, had claims in excess of expenditures of approximately \$137,000 during SFY15.

Cause: A claim, of approximately \$247,000, filed in December of 2014 was prepared erroneously. The December 31st quarterly grant reconciliation, which showed the over claim and additional expenses not previously included in the reconciliation process, was not completed timely. The excess claim amount was not brought to the supervisor's attention for correction when the reconciliation was prepared due to confusion on how to correct in the new accounting system.

Effect: \$136,760 of cash receipts was not supported by eligible expenditures and beyond the immediate needs for the grant. The grantor could request a portion of the grant funds be returned.

Questioned Costs: Cash receipts of \$136,760 coded to the PHEP revenue account in State Fiscal Year 2015.

Recommendation: Management should ensure that revenue and expenditure reconciliations for prior year grants, with activity in the current year, are completed timely. Additionally, adjustments between fiscal years and the final reconciliation for closed grants should be reviewed and approved by the Revenue Unit Supervisor in a timely manner.

CFDA: 93.069

Questioned Costs: \$136,760

Federal Agency: USDHHS
Significant Deficiency, Noncompliance
Cash Management

Agency Response — Department of Health and Social Services

DHSS concurs with the recommendation. The department is developing a corrective action plan to ensure that revenue and expenditures are properly reconciled and implementing procedures for correcting errors discovered from prior quarters.

*Contact Person: Linnea Osborne, Accountant V
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Recommendation No. 2015-025

Major Program Noncompliance – Allowable Costs

Program: U.S. Department of Health and Human Services, Medicaid, CFDA 93.778; Children’s Health Insurance Program (CHIP), CFDA 93.767

Criteria: Per the provisions of 7 AAC 145.020, the Department will pay a provider for a covered service at the lowest of the specified payment rate established in 7 AAC 105 – 7 AAC 160; providers billed charges, or provider’s lowest charge that is advertised, quoted, posted, billed, or discounted for that unit of service and provided on the same date.

Condition: Due to the complexity of the rules and variables associated with claims processing, a majority of claims are automatically processed through the Alaska Health Enterprise (AHE) system. On October 1, 2013, DHSS replaced its legacy Medicaid management information system that processed and paid Medicaid and CHIP claims with the new AHE system. DHSS and its system development contractor, XEROX, were aware the system contained defects at the time it was implemented. Due to these defects, providers were paid at rates that differed from the allowed amount for claims related to a claim processing lab fees.

Context: During claims test work, BDO identified 1 of 40 claims tested for the Children’s Health Insurance Program that had been paid at a rate higher than what supporting schedules and regulations permitted because of system defects with the MMIS claims processing systems. Additionally, risk analysis procedures were performed as a result of prior year findings regarding durable medical equipment (DME). Due to this process we expanded our sample for these specific claims. During further test work over these specific claim types, 2 of 13 Medicaid claims were identified as having been paid at rates differing from what supporting schedules and regulations permitted.

Cause: These items were priced incorrectly as a result of the SFY2013 MMIS claims processing systems conversion. The Department’s subcontractor that maintains the system, XEROX, is currently under Corrective Action Plan with regards to the MMIS system.

Effect: Providers were paid amounts that did not agree to allowable amounts/limits.

Questioned Costs: Known questioned costs of \$101 for Medicaid, CFDA 93.778 and \$1 for CHIP, CFDA 93.767. Likely questioned costs are indeterminate, however; they are estimated to exceed \$10,000.

Recommendation: DHSS should continue to facilitate the XEROX corrective action plan to address system defects and revising for new deficiencies as they are identified.

CFDA: 93.778
Questioned Costs: \$101

Federal Agency: USDHHS
Noncompliance
Allowable Costs

CFDA: 93.767
Questioned Costs: \$1

Federal Agency: USDHHS
Noncompliance
Allowable Costs

Agency Response — Department of Health and Social Services

DHSS concurs with the recommendation. The department is in the process of certification of the Alaska Health Enterprise system during FY 2016. Questioned costs are continuing to be processed by the fiscal agent through mass system adjustments following the correction of the defects.

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Recommendation No. 2015-026

Major Program Noncompliance and Significant Deficiency in Internal Controls over Compliance – Eligibility

Program: U.S. Department of Health and Human Services, Children’s Health Insurance Program (CHIP), CFDA 93.767, Medical Assistance Program (Medicaid; Title XIX), CFDA 93.778

Criteria: In order to receive Medicaid and CHIP benefits eligibility determinations and redeterminations must be made according to the requirements within 42 CFR Chapter IV Subchapter C Part 435 Subpart J.

Condition: Eligibility re-determinations were not made within required timelines.

Context: Applicants are enrolled into Medicaid and CHIP after eligibility is determined in accordance with 42 CFR Chapter IV Subchapter C Part 435 Subpart J. Benefits may not be disallowed until a recipient is found ineligible, according to 42 CFR Chapter IV Subchapter C Part 435 Subpart J 435.930.

Cause: Eligibility Information System conversion and implementing new federal Medicaid Policy.

Effect: Failure to re-determine eligibility in a timely manner may lead to ineligible recipients receiving benefits paid for by Medicaid and CHIP. Additionally, failure to determine initial eligibility in a timely manner may delay recipients from receiving benefits they may be entitled to.

Questioned Costs: There are no questioned costs associated with this finding.

Recommendation: DHSS should update its policies and procedures to more clearly define a “timely” redetermination of Medicaid eligibility. DHSS should also strengthen controls around their application processing procedures to ensure all initial applications are processed within the required time frame.

CFDA: 93.767

Questioned Costs: None

Federal Agency: USDHHS

Significant Deficiency, Noncompliance
Eligibility

CFDA: 93.778

Questioned Costs: None

Federal Agency: USDHHS

Significant Deficiency, Noncompliance
Eligibility

Agency Response — Department of Health and Social Services

DHSS concurs with the recommendation. The department has hired a contractor to complete a business process redesign and anticipates when Alaska's Resource for Integrated Eligibility Services (ARIES) is completely implemented in FY 2017, the system efficiencies will resolve this issue. Additionally, the Division of Public Assistance (DPA) is reviewing its procedures to define more clearly the standards for timely redetermination.

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Recommendation No. 2015-027

Major Program Noncompliance – Allowable Costs – Uncashed Warrants

Program: Medical Assistance Program (Medicaid; Title XIX), CFDA 93.778

Criteria: The State is required to credit the Medicaid program for State warrants that are canceled and uncashed checks beyond 180 days of issuance.

Condition It does not appear that the State is crediting the Medicaid program for canceled warrants and uncashed checks timely.

Context: While testing for this requirement we noted that 30 of the 64 cancelled or uncashed warrants tested were not credited back to the Medicaid program within the 180 day time period.

Cause: This appears to be part of the known issues being worked through the Alaska Medicaid Management Information System, Receipt Backlog Corrective Action Plan.

Effect: The Department is not in compliance with this requirement and has reported and drawn the federal share of these warrants as claims against the federal award.

Questioned Costs: \$14,377

Recommendation: DHSS should ensure that uncashed State warrants are credited to the Medicaid program within the required time line.

CFDA: 93.778

Questioned Costs: \$14,377

Federal Agency: USDHHS
Noncompliance
Allowable Costs

Agency Response — Department of Health and Social Services

DHSS concurs with the recommendation. This defect in the Alaska Health Enterprise (AHE) system resulted in XEROX being placed under another corrective action plan in August of 2015. Significant progress has been made during FY 2016 to correct this defect.

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Major Program Noncompliance – Allowable Costs

Program: U.S. Department of Health and Human Services, Medicaid, CFDA 93.778; Children’s Health Insurance Program (CHIP), CFDA 93.767

Criteria: Per the provisions of 7 AAC 145.020, the Department will pay a provider for a covered service at the lowest of the specified payment rate established in 7 AAC 105 – 7 AAC 160; providers billed charges, or provider’s lowest charge that is advertised, quoted, posted, billed, or discounted for that unit of service and provided on the same date.

Condition: Occasionally claims cannot be automatically processed through the AHE system. In those cases, claims are manually priced. The practice of manually pricing claims was temporarily used by the fiscal agent, XEROX, after converting to the AHE system, to price Alaska claims from the durable medical equipment providers. During manual calculation of claims prices for certain categories of claim types, providers were paid at rates that differed from the allowed amount for services provided.

Context: During claims test work, BDO identified 1 of 40 claims tested for the Children’s Health Insurance Program that had been paid at a rate higher than what supporting schedules and regulations permitted. Additionally, risk analysis procedures were performed as a result of prior year findings regarding durable medical equipment (DME). Due to this process we expanded our sample for these specific claims. During further test work over this specific claim type, 5 of 13 Medicaid claims were identified as having been paid at rates differing from what supporting schedules and regulations permitted.

Cause: These items were priced incorrectly as a result of errors that occurred during manual calculation of claims prices for certain categories of claim types.

Effect: Providers were paid amounts that did not agree to allowable amounts/limits.

Questioned Costs: Known questioned costs of \$64, for Medicaid, CFDA 93.778 and \$7 for CHIP, CFDA 93.767. Likely questioned costs are indeterminate, however; they are estimated to exceed \$10,000.

Recommendation: DHSS should implement/enhance procedures that allow for review of manually priced claims.

CFDA: 93.778
Questioned Costs: \$64

Federal Agency: USDHHS
Noncompliance
Allowable Costs

CFDA: 93.767
Questioned Costs: \$7

Federal Agency: USDHHS
Noncompliance
Allowable Costs

Agency Response — Department of Health and Social Services

DHSS concurs with the recommendation. The practice of manually pricing claims was temporarily used by the fiscal agent, XEROX, after converting to the Alaska Health Enterprise (AHE) system, and they relied on out-of-state staff to price Alaska claims to get the DME providers paid. While this practice was briefly implemented to address an emergent situation, the department took corrective action by disallowing it in August of 2015 due to insufficient training and guidance of the out-of-state staff.

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(907) 465-6333*

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT (DLWD)

One recommendation was made to DLWD in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2014*. Prior year Recommendation No. 2014-024 is not resolved and is reiterated in this report as Recommendation No. 2015-029.

One new recommendation has been made during the FY 15 statewide single audit and is included as Recommendation No. 2015-030.

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Recommendation No. 2015-029

The Division of Administrative Services' (DAS) director should ensure uncollectible accounts receivable in the Unemployment Compensation Fund (UCF) are reported in accordance with generally accepted accounting principles.

Prior Finding

DLWD staff failed to record uncollectible accounts receivable from FY 09 through FY 14. DLWD management is responsible for ensuring internal controls over financial accounting for the UCF are adequate for proper reporting. Generally accepted accounting principles³⁷ require that losses (accounts receivable that will not be recovered) be recognized and reported. Although there is a year-end procedure to estimate uncollectible accounts, DLWD revenue accountants mistakenly estimated that all contribution accounts receivable were collectible. A lack of understanding of accounting principles contributed to the error.

Legislative Audit's Current Position

During FY 15, DLWD staff attempted to calculate an allowance for the uncollectible benefit overpayments receivable account. Upon review, DLWD's methodology utilized to establish the allowance account was determined to be flawed and the unsupported allowance was removed via an audit adjustment. Therefore, accounts receivable at the end of FY 15 were overstated as a result of not recognizing a fully supported allowance. Additionally, because accounts receivable include both tax contribution receivable and overpayments receivable, the failure to recognize uncollectible accounts resulted in overstating revenues and understating expenditures by unknown amounts.

We again recommend DAS' director ensure uncollectible accounts receivable in the UCF are reported in accordance with generally accepted accounting principles.

Agency Response — Department of Labor and Workforce Development

DLWD concurs with the recommendation. The department adopted a policy and procedure for purposes of recording an allowance for uncollectible accounts receivable in the UCF in FY 15 based on information available in the system. The department shared the policy with the United States Department of Labor and they accepted the corrective actions as sufficient to address this finding. As articulated in the policy, the department will review the methods for estimating an allowance for doubtful accounts during FY 16 and each subsequent year, as a wider range of data becomes available.

The department considers this finding corrected.

³⁷Codification of Governmental Accounting and Financial Reporting Standards 1600.131 and N50.113.

Contact Person: Paloma Harbour, Director
Division of Administrative Services
(907) 465-5984

Recommendation No. 2015-030

DLWD's DAS' director should work with the department's finance office to improve accounting for UCF activity.

In addition to the finding described above in Recommendation No. 2015-029, the FY 15 audit of UCF activity identified the following deficiencies in the accounting for UCF activity. Specifically:

- Assessed fraud penalties were recorded as a reduction to expenses rather than revenue of the fund. Additionally, the portion of fraud penalties assessed but not collected attributable to the UCF were not recognized as revenue and reported as accounts receivable. This is inconsistent with generally accepted accounting principles.³⁸

A statutory change effective FY 14 eliminated the requirement that all fraud penalties assessed on UCF contributions be paid to the State's general fund. Rather, revised statutes stipulated that a minimum of 30 percent of the penalties received be deposited in the UCF. DLWD accounting staff was aware that 30 percent of the fraud penalties received remained in the UCF and appropriately transferred 70 percent of fraud penalty receipts to the general fund in FY 15. However, the UCF subsystem was not changed to ensure the 30 percent retained in the UCF was recognized as revenue. Additionally, DLWD accounting staff removed the entire fraud penalty receivable as a year-end adjustment rather than the general fund's respective share of 70 percent. This resulted in an understatement of revenues, expenses, and accounts receivable. The error was corrected by an audit adjustment and fraud penalties were accurately reported in the FY 15 CAFR.

- No year-end transaction was processed by DLWD staff to allocate \$375,000 of activity recorded in the UCF Suspense Receipts Account (liability account) to the correct accounts. The oversight by DLWD's accounting staff overstated the liability account and misstated other accounts by unknown amounts. The reporting of the suspense amounts is not consistent with generally accepted accounting principles. DLWD staff was unable to provide support to allow for an audit adjustment, so the error was not corrected and the activity was inaccurately reported in the FY 15 CAFR. The error was caused by general oversight.

We recommend DAS' director work with the finance office to improve accounting for UCF activity.

³⁸Codification of Governmental Accounting and Financial Reporting Standards N50.104(b) and N50.114.

Agency Response — Department of Labor and Workforce Development

DLWD concurs with the recommendation. The department is bringing on board a specialized accounting resource to review current UCF accounting activities, identify improvements, and ensure compliance with generally accepted accounting principles.

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DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT
(DCCED)

No recommendations were made to DCCED in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2014*.

Two new recommendations have been made during the FY 15 statewide single audit and are included as Recommendation Nos. 2015-031 and 2015-032.

(Intentionally left blank)

Recommendation No. 2015-031

DCCED's Division of Administrative Services (DAS) and Division of Community and Regional Affairs (DCRA) directors should work together to improve procedures to ensure all federal receipts deposited into the National Petroleum Reserve Alaska (NPR) special revenue fund (fund) are made available for NPR impact mitigation program grants.

Federal receipts totaling \$2,762,619 deposited into the NPR fund in FY 14 were not made available for NPR impact mitigation grants as required by state and federal law.

Per 42 U.S. Code 6506a(l), half of all NPR rent and royalty receipts collected by the federal government are distributed to the State for construction, maintenance, and operation of essential public facilities. In the allocation of funds, the State must give priority to use by municipalities most directly impacted by oil and gas development in the NPR. Furthermore, per AS 37.05.530(d), it is the intent of the legislature that each year all NPR funds be made available for impact mitigation program grant appropriation.

In FY 14, receipts totaling \$6,768,240 were deposited into the NPR fund. FY 15 NPR impact mitigation grant requests totaled \$8,581,934. Due to a lack of communication between DAS and DCRA staff, DCRA program staff was not aware of the full amount of the available funding until after the FY 15 grant award process had been completed. As a result, DCRA staff believed only \$4,005,621 was available and made FY 15 grant funding recommendations for that amount.

Alaska Statute 37.05.530(d) indicates that additional funds should be made available if the need for impact grants is greater than initially anticipated and that funding to meet those needs be made through supplemental appropriations. Rather than seek a supplemental appropriation, approximately \$2.8 million of NPR funds were transferred by DAS accounting staff to the Alaska Permanent Fund and Public School Trust Fund in accordance with AS 37.05.530(g).³⁹

We recommend DCCED's DAS and DCRA directors work together to improve procedures to ensure all federal receipts deposited into the NPR fund are made available for NPR impact mitigation program grants. We further recommend the commissioner of DCCED seek legal guidance on whether the funds transferred from the NPR fund in FY 15 should be redeposited to the NPR fund and made available for grants to eligible entities.

CFDA: 15.227

Questioned Costs: None

Federal Agency: USDOJ

Material Weakness, Material Noncompliance
Activities Allowed or Unallowed

³⁹Alaska Statute 37.05.530(g) requires that amounts received but not appropriated for grants be deposited at the end of the year to the principal of the Alaska Permanent Fund and the Public School Trust fund.

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

The Department concurs with this recommendation and is in the process of implementing procedures to ensure all federal receipts deposited into the NPR fund are made available for NPR grants per AS 37.05.530(d). This will include written notification of available funding from DAS to the DCRA Director, the DCCED Commissioner, and the DCCED budget manager in the fall of each year. Timely notification will ensure that supplemental appropriations for additional NPR grants may be requested prior to available funds lapsing.

The Department has requested legal guidance from the Department of Law on whether the funds transferred from the NPR fund in FY15 can be redeposited to the NPR fund and made available for grants to eligible entities. Legislative action would be necessary to appropriate funds to the NPRA fund.

*Contact Person: Catherine Reardon, Director
Division of Administrative Services
(907) 465-2506*

Recommendation No. 2015-32

DCCED's DCRA director should develop and implement procedures to ensure compliance with federal suspension and debarment requirements.

For six of six tested NPR impact mitigation program grants, DCRA staff did not verify the subrecipients were not suspended or debarred from receiving grant awards. Additionally, alternative methods to satisfy the suspension or debarment requirements were not utilized by grant staff in all six awards tested.

Per 2 CFR 180.300, participants in covered transactions must verify that the entity with whom they intend to do business is not suspended or debarred. This may be accomplished by:

- Checking System for Award Management exclusions;
- Collecting a certification from the entity; or
- Adding a clause or condition to the covered transaction with the entity.

DCRA grant staff was unaware that government entities could be excluded or disqualified from participating in federal award programs. By not performing verification procedures, DCRA staff increases the risk of awarding grants to suspended or debarred entities.

We recommend DCCED's DCRA director develop and implement procedures to ensure compliance with federal suspension and debarment requirements.

CFDA: 15.227
Questioned Costs: None

Federal Agency: USDOJ
Material Weakness, Material Noncompliance
Procurement and Suspension and Debarment

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

The Division of Community and Regional Affairs has addressed this finding by implementing procedures to ensure compliance with federal suspension and debarment requirements. Specifically, the division has included the following question on the threshold review checklist which division staff complete at the time they receive applications: “Is the municipality compliant with federal suspension and debarment requirement as documented on www.sam.gov?”

*Contact Person: Catherine Reardon, Director
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(907) 465-2506*

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DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS (DMVA)

Two recommendations were made to DMVA in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2014*. Prior year Recommendation Nos. 2014-025 and 2014-026 are resolved.

One new recommendation has been made during the FY 15 statewide single audit and is included as Recommendation No. 2015-033.

(Intentionally left blank)

Recommendation No. 2015-033

DMVA's Army Guard Facilities Maintenance Division (ARNG FMD) operations manager and administrative services director (ASD) should provide for the training and monitoring of staff to ensure personal service expenditures are accurately charged to federal programs.

In testing 40 timesheets, six errors were identified for employees working on the National Guard Operations and Maintenance Projects program. Specifically:

1. One employee had a portion of his time incorrectly entered in the Alaska Statewide Payroll System (AKPAY). The employee's supplemental timesheet indicated hours were spent working on facilities that had a federal participation rate of 75 percent. However, the employee's time was charged to accounting codes that were 100 percent federally reimbursable.
2. Five employee timesheets included hours that were not charged in accordance with DMVA's federally approved internal distribution plan. All five were charged to default labor distributions in AKPAY that were updated based on the prior year federally approved plan. This is a systemic problem, and all hours that were distributed using the default percentages were allocated incorrectly.

These errors were due to insufficient review of accounting codes supporting federal reimbursement rates and resulted in known questioned costs of \$1,273. However, the costs have not been drawn down as of January 25, 2016. Based on the nature of the errors, likely questioned costs exceed \$10,000.

Per the *United States Office of Management and Budget Circular A-87*, Appendix B, Section 8.h.(4) requires, in part, that when employees work on multiple activities or cost objectives, a distribution of their salaries or wages must be supported by personnel activity reports or other federally approved system.

We recommend DMVA's ARNG FMD operations manager and the ASD provide for training and monitoring of staff to ensure personal service expenditures are accurately charged to federal programs.

CFDA: 12.401

Questioned Costs: \$1,273

Federal Agency: USDOD

Significant Deficiency, Noncompliance

Allowable Costs

Agency Response — Department of Military and Veterans' Affairs

DMVA concurs with the recommendation. The Army Guard Facilities Maintenance Division Operations Manager will write and implement procedures and train and monitor Army Guard Facilities Maintenance staff to ensure personal services expenditures are accurately

charged to federal programs. The Administrative Services Director will facilitate the training and monitoring of Division of Administrative Services (DAS) staff to ensure personal services expenditures are accurately charged to federal programs.

*Contact Person: Susan Colligan, Director
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DEPARTMENT OF NATURAL RESOURCES (DNR)

No recommendations were made to DNR in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2014*.

No new recommendations have been made during the FY 15 statewide single audit.

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DEPARTMENT OF FISH AND GAME (DFG)

No recommendations were made to DFG in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2014*.

No new recommendations have been made during the FY 15 statewide single audit.

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DEPARTMENT OF PUBLIC SAFETY (DPS)

One recommendation was made to DPS in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2014*. The status of prior year Recommendation No. 2014-027 cannot be determined due to the reporting capabilities in the State's newly implemented financial accounting system.

No new recommendations have been made during the FY 15 statewide single audit.

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DEPARTMENT OF ENVIRONMENTAL CONSERVATION (DEC)

Two recommendations were made to DEC in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2014*. Prior year Recommendation Nos. 2014-028 and 2014-029 are resolved.

No new recommendations have been made during the FY 15 statewide single audit.

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DEPARTMENT OF CORRECTIONS (DOC)

One recommendation was made to DOC in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2014*. The status of prior year Recommendation No. 2014-030 cannot be determined due to the reporting capabilities in the State's newly implemented financial accounting system.

No new recommendations have been made during the FY 15 statewide single audit.

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DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES (DOTPF)

Nine recommendations were made to DOTPF in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2014*. Prior year Recommendation Nos. 2014-034, 2014-035, and 2014-037 are resolved. Prior year Recommendation No. 2014-031 is not a significant issue in the current year and is not reiterated in this report. Prior year Recommendation Nos. 2014-032, 2014-033, 2014-036, 2014-038, and 2014-039 are not resolved and are reiterated in this report as Recommendation Nos. 2015-036, 2015-037, 2015-038, 2015-039, and 2015-040, respectively.

Four new recommendations have been made during the FY 15 statewide single audit and are included as Recommendation Nos. 2015-034, 2015-035, 2015-041, and 2015-042.

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Recommendation No. 2015-034

DOTPF's administrative services director should ensure financial transactions are properly coded to the correct fiscal year in the accounting system.

Starting mid-July through August of 2015, DOTPF staff erroneously recorded all FY 15 capital appropriation expenditures to FY 16. This resulted in FY 15 expenditures being understated by \$34.7 million in the general fund and \$5.9 million in capital project funds. Furthermore, associated revenues, earned but unbilled, of \$21.6 million were not reported in FY 15. These errors were ultimately corrected via an audit adjustment and properly reported in the FY 15 Comprehensive Annual Financial Report (CAFR).

On July 6, 2015, the State of Alaska replaced the legacy state accounting system (AKSAS) with a new accounting system (IRIS). Capital appropriations were converted to IRIS on July 16, 2015. After conversion, transactions relating to capital appropriations could only be processed in IRIS. Special coding was made available in IRIS to ensure FY 15 transactions could be tracked and reported in the appropriate fiscal year. According to DOTPF management, instructions concerning the use of special coding were initially unclear. After DOTPF management obtained clarification, a determination was made that resources were not available to adjust previously recorded transactions and that any remaining FY 15 expenditures input into IRIS as FY 16 would be immaterial.

According to governmental accounting standards,⁴⁰ most expenditures are measurable and should be reported when the liability is incurred. All transactions identified as being in error were for goods or services received (liability incurred) during FY 15.

We recommend DOTPF's administrative services director ensure financial transactions are properly coded to the correct fiscal year in the accounting system.

Agency Response — Department of Transportation and Public Facilities

The department concurs with this recommendation. This issue for FY15, related to the IRIS conversion and unclear instructions related to the treatment of these transactions. The department will work to ensure that future transactions are properly coded to the correct fiscal year.

*Contact Person: Mary Siroky, Director
Division of Administrative Services
(907) 465-3911*

⁴⁰*Codification of Governmental Accounting and Financial Reporting Standards 1600.116.*

Recommendation No. 2015-035

DOTPF's administrative services director should ensure necessary revenue accruals are recorded at fiscal year-end.

DOTPF accounting staff did not perform the FY 15 year-end accounting entry to record earned but unbilled revenues. This resulted in an understatement of \$152.9 million in unavailable revenue and receivables in FY 15. This error was ultimately corrected via an adjustment and properly reported in the FY 15 CAFR.

On July 6, 2015, the State of Alaska implemented a new accounting system, IRIS. The implementation of IRIS resulted in additional work for DOTPF accounting staff to ensure information was properly converted from the previous accounting system, AKSAS. According to DOTPF, instructions relating to the conversion of capital appropriations were unclear. Additionally, accounting staff did not understand the impact on the CAFR of not performing their year-end revenue accrual, and instead focused their efforts on IRIS conversion.

Governmental accounting standards⁴¹ state that on either basis of accounting (modified accrual or full accrual), recognition of non-exchange transactions in the financial statements is required unless the transactions are not measureable or are not probable of collection.

We recommend DOTPF's administrative services director ensure necessary revenue accruals are recorded at fiscal year-end.

Agency Response — Department of Transportation and Public Facilities

The department concurs with this recommendation. This issue for FY15, related to the IRIS conversion and unclear responsibilities related to the conversion of Third Party Billing. The department will work with Department of Administration to develop new procedures to record the necessary revenue accruals in IRIS.

*Contact Person: Mary Siroky, Director
Division of Administrative Services
(907) 465-3911*

⁴¹Codification of Governmental Accounting and Financial Reporting Standards N50.108.

Recommendation No. 2015-036

DOTPF's program development director should develop and implement procedures to ensure accurate federal reporting.

Prior Finding

In FY 13, DOTPF staff filed inaccurate financial data on two types of annual reports: RU-20 special reports and SF-425 financial reports. Two of four tested RU-20 special reports did not accurately report total annual operating expenditures. Additionally, the federal share of cumulative expenditures was not supported by the accounting records for two of four tested SF-425 financial reports. Inaccurate reporting resulted from a lack of procedures requiring review by transit office staff prior to submitting the federally required reports. In FY 14, total annual operating and capital expenditures were overstated for one of three RU-20 special reports tested. The erred reporting was again due to the lack of procedures.

Per 49 USC 5311(b)(4), annually filing RU-20 special reports is mandatory. Additionally, 2 CFR 200.327 requires periodic filing of financial status reports. Funding calculations may be affected by incorrect special reports. Furthermore, inaccurate financial reports may impair the federal agency's ability to effectively oversee the program.

Legislative Audit's Current Position

In FY 15, total capital expenditures were understated by \$12,417 for one of three RR-20 special reports⁴² tested. Additionally, amounts reported as local operating assistance were unsupported for two of three reports tested.⁴³ The errors were caused by a lack of written procedures over RR-20 report preparation.

Additionally, one of five tested SF-425 financial reports filed during FY 15 was not supported by the accounting records. The annual report for one grant⁴⁴ incorrectly omitted \$86,972 from the Federal Share of Expenditures. According to DOTPF staff, reporting procedures were inconsistently applied in FY 15, thereby causing the error.

We again recommend DOTPF's program development director develop and implement procedures to ensure accurate federal reporting.

CFDA: 20.509

Questioned Costs: None

Federal Agency: USDOT
Significant Deficiency, Noncompliance
Reporting

⁴²The special report title changed from RU-20 to RR-20 during the audit period.

⁴³FAIN: AK-18-X079-00.

⁴⁴FAIN: AK-18-X042-00.

Agency Response — Department of Transportation and Public Facilities

The department concurs with this recommendation. Procedures for filing the RU-20 reports were updated August 28, 2015 and were submitted to the auditor on September 2, 2015. These procedures have been updated to include a checklist provided by NTD.

The department concurs with one of the inaccuracies found in the filing of the SF-425 reports. The report filed matched the backup ALDER report but on further investigation the ALDER report was pulled prior to the end of the filing period. Procedures for reviewing the SF-425 will be updated to confirm the dates of the backup ALDER reports.

*Contact Person: Mary Siroky, Director
Division of Administrative Services
(907) 465-3911*

Recommendation No. 2015-037

DOTPF's program development director should strengthen procedures to ensure subrecipients are informed of required federal award information.

Prior Finding

In FY 13, DOTPF staff did not inform subrecipients of the Federal Award Identification Number (FAIN) and award name for all 12 subawards issued during FY 13. The standard grant award agreement form did not include all required pre-award information, as program staff was not aware of all the required notifications.

In FY 14, DOTPF staff did not provide the required *Catalog of Federal Domestic Assistance* (CFDA) title or federal awarding agency name to 3 of 14 Formula Grants for Rural Areas subrecipients tested. Due to an oversight by DOTPF staff, the updated standard grant award agreement form used in FY 14 did not include a field for this required information.

Per the *United States Office of Management and Budget Circular A-133*, section 400(d)(1), a pass-through entity must inform each subrecipient of the federal award information (i.e. the CFDA title and number, and award name and number) and applicable compliance requirements. Failure to provide required federal award information may reduce subrecipients' ability to accurately track and report activities by federal funding source.

Legislative Audit's Current Position

DOTPF staff did not provide the CFDA title to 3 of 14 subrecipients tested in FY 15⁴⁵ because staff had not updated the standard grant award agreement form to include a field for

⁴⁵FAINs: AK-18-X042-00, AK-18-X051-01, AK-18-X053-01, AK-18-X065-02, AK-18-X081-00.

this required information. This is a systematic error affecting all 14 subawards issued during FY 15.

We again recommend DOTPF's program development director strengthen procedures to ensure subrecipients are informed of required federal award information.

CFDA: 20.509

Questioned Costs: None

Federal Agency: USDOT
Noncompliance
Subrecipient Monitoring

Agency Response — Department of Transportation and Public Facilities

The department concurs with this recommendation. The SFY2016 agreements were updated to include the Catalogue of Federal Domestic Assistance (CFDA) title as required under the United States Office of Management and Budget Circular A-133.

*Contact Person: Mary Siroky, Director
Division of Administrative Services
(907) 465-3911*

Recommendation No. 2015-038

DOTPF's program development director should maintain documentation that supports required federal reporting.

Prior Finding

In FY 14, Highway Safety Office staff submitted the required HS-217 cost summary report as part of the State's Annual Highway Safety plan. However, much of the reported data lacked supporting documentation. Staff responsible for preparing the report was unaware of the requirement to retain supporting documentation.

According to 2 CFR 200.333, state records must be retained for three years from the date a program's final expenditure report is submitted. Without adequate supporting documentation, compliance with HS-217 reporting requirements could not be determined.

Legislative Audit's Current Position

No documentation supporting the HS-217 report submitted in FY 15 was retained. The FY 15 HS-217 report was completed and submitted by DOTPF staff prior to being notified of the FY 14 finding. Therefore, staff was unaware of the requirement to retain support. According to management, written procedures to require support were developed in July 2015.

We again recommend DOTPF's program development director maintain documentation that supports required federal reporting.

CFDA: 20.600, 20.601, 20.602, 20.610, 20.613, 20.616
Questioned Costs: None

Federal Agency: USDOT
Noncompliance
Reporting

Agency Response — Department of Transportation and Public Facilities

The department concurs with this recommendation. Alaska Highway Safety Office staff will follow the recently established written procedures for retaining documentation, including screen prints and estimation methodology for each number in the HS-217 cost summary report, which is a part of the State's annual highway safety plan. This documentation will be retained in accordance with 2 CFR 200.333.

*Contact Person: Mary Siroky, Director
Division of Administrative Services
(907) 465-3911*

Recommendation No. 2015-039

DOTPF's statewide design and engineering services director should ensure that the *Alaska Construction Manual* (ACM) complies with federal record retention policies.

Prior Finding

In FY 14, eight of 25 tested certified payroll records had been destroyed: two Denali Commission, one Airport Improvement Program, and five Highway Planning and Construction Cluster (HPCC). Federal regulations require all financial records be retained for three years.⁴⁶ Records were inappropriately destroyed because ACM 16.15 directed DOTPF staff to destroy personnel records and certified payrolls once a project closed. As a result, DOTPF staff could not demonstrate certified payrolls were received for projects where certified payrolls have been destroyed.

Legislative Audit's Current Position

DOTPF staff revised ACM 16.15 to comply with federal record retention policies. However, the revisions were approved July 30, 2015, and therefore were not effective until FY 16. Six of 22 tested FY 15 certified payroll documents⁴⁷ for HPCC had been destroyed.

⁴⁶CFDA 20.205, 23 CFR 635.118; CFDA 20.106, 14 CFR 151.53(a); CFDA 90.100, 15 CFR 24.42(b)(1).

⁴⁷FAINs: 0920(24), HHE-0932(48), 0A41(12), MGS-000S(490), HHE-000S(452), 0550(15).

We again recommend DOTPF's statewide design and engineering services director ensure that the ACM complies with federal record retention policies.

CFDA: 20.205
Questioned Costs: None

Federal Agency: USDOT
Significant Deficiency, Noncompliance
Special Tests and Provisions

Agency Response — Department of Transportation and Public Facilities

The department concurs with this recommendation. The Alaska Construction Manual (ACM) revision was completed and issued effective July 30, 2015. Until the revision modifying the records retention practice was in place on July 30, 2015, DOTPF staff was expected to continue to follow the previous (in place) procedural requirements. The July 30, 2015 revision in the ACM complies with federal record retention requirements.

*Contact Person: Mary Siroky, Director
Division of Administrative Services
(907) 465-3911*

Recommendation No. 2015-040

DOTPF's administrative services director should ensure personal service expenditures charged to federal programs comply with federal cost principles.

Prior Finding

DOTPF staff use a time and equipment (T&E) subsystem to charge personal service costs to federal and state funded projects. T&E journal entries capture an employee's current pay rate rather than the rate in effect at the time the underlying activity occurred. Untimely processing of T&E journal entries may result in overcharging federal programs due to salary increases and promotions.

In FY 14, T&E journal entries were not made timely, resulting in \$20,190 in questioned costs, of which \$16,981 was charged to HPCC. Because the error affected all DOTPF federal programs whose personal service expenditures were processed with T&E transactions, additional questioned costs were likely.

Per *OMB Circular A-87, Attachment A, section E.2.a*, direct costs chargeable to federal awards include compensation of employees for time devoted and identified specifically to the performance of those federal awards. Expenditures charged due to incorrect pay rates are not an allowable cost to a federal program.

Legislative Audit's Current Position

Review of FY 15 T&E journal entries processed after mass salary increases identified \$54,749 in questioned costs, of which \$42,557 was charged to HPCC. The error affected all DOTPF federal programs whose personal service expenditures were processed with T&E transactions. Additional questioned costs are likely.

We again recommend DOTPF's Administrative Services director ensure personal service expenditures charged to federal programs comply with federal cost principles.

CFDA: 20.205

Questioned Costs: \$42,557

Federal Agency: USDOT

Significant Deficiency, Noncompliance

Allowable Costs

Agency Response — Department of Transportation and Public Facilities

The department partially concurs with this recommendation. The effect of a delay in the processing of T&E transactions is corrected at the start of FY16 with the implementation of the State's new accounting system IRIS. The new T&E system has effective to and from date tables so if older transactions are entered or adjusted, they will process with the pay rates in effect during the time period of the transaction.

An additional mitigating circumstance to this issue is that DOTPF negotiates their labor rates annually with FHWA for the next Fiscal year. Part of the Labor rate calculation and development includes a calculation to adjust the labor rate for the over or under collection of actual costs. If more actual costs are charged to the holding account than are recovered through hours charged out through the T&E system then a percentage increase is added to the next year's labor rates in addition to the percentages calculated for benefits, leave, and insurance costs. Conversely, if fewer actual costs are charged to the holding account than are recovered through hours charged out through the T&E system then a percentage decrease is deducted from the next year's labor rates for the percentages calculated for benefits, leave, and insurance costs.

It is the department's position that the financial effect of the delayed processing T&E transactions in years FY15 and earlier is accounted for and reconciled to our federal funding partners through the over/under calculation, which would adjust for these difference as well as any other differences between actual and recovered costs for benefits, leave, and insurance rates.

*Contact Person: Mary Siroky, Director
Division of Administrative Services
(907) 465-3911*

Legislative Auditor’s Additional Comments

We have reviewed DOTPF’s response, and nothing contained in the response persuaded us to revise the recommendation. DOTPF states the annual labor rate development includes a calculation to adjust the labor rate for the over or under collection of actual costs. This could not be confirmed, as evidence supporting this statement was not provided during the course of the audit. We reaffirm our recommendation that DOTPF’s administrative services director should ensure personal service expenditures charged to federal programs comply with federal cost principles.

Recommendation No. 2015-041

DOTPF’s administrative services director should ensure personal service expenditures charged to federal programs comply with federal cost principles.

FY 15 personal service testing identified one of 26 timesheets incorrectly charged \$488 in State costs to a federally reimbursable project.⁴⁸ DOTPF staff inadvertently used incorrect coding when entering timesheet information into the T&E transaction. T&E processing procedures did not prevent or detect this error. Projecting this error identified likely questioned costs greater than \$10,000 for HPCC.

Per *OMB Circular A-87*, Attachment A, section E.2.a, direct costs chargeable to federal awards include compensation of employees for time devoted and identified specifically to the performance of those federal awards. Expenditures charged due to incorrect data input do not constitute an allowable direct cost to a federal program.

We recommend DOTPF’s administrative services director ensure personal service expenditures charged to federal programs comply with federal cost principles.

CFDA: 20.205
Questioned Costs: \$488

Federal Agency: USDOT
Noncompliance
Allowable Costs

Agency Response — Department of Transportation and Public Facilities

The department concurs with this recommendation. With the implementation of the State’s new accounting system IRIS, DOTPF’s new T&E system requires a second review and approval designed to catch data entry errors as the one noted here in this recommendation. The department expects this to reduce data entry errors and comply with OMB Circular A-87. The department does not concur with the method of extrapolation, as with data entry errors it would be expected that there will be offsetting errors. For example costs charged to a state funded

⁴⁸FAIN: 0525(17).

project that should have gone to a federal project. Nothing in this data entry error suggests a systematic over charging to federal projects, but simply a keying error.

*Contact Person: Mary Siroky, Director
Division of Administrative Services
(907) 465-3911*

Legislative Auditor's Additional Comments

We have reviewed DOTPF's response, and nothing contained in the response persuaded us to revise the recommendation. The error was projected in accordance with audit standards. We reaffirm our recommendation that DOTPF's administrative services director should ensure personal service expenditures charged to federal programs comply with federal cost principles.

Recommendation No. 2015-042

DOTPF's statewide design and engineering services director should ensure certified payroll records are signed as required by federal law.

Six of 22 HPCC funded projects tested in FY 15 lacked a signed statement of compliance certifying the payroll submitted by the contractor met federal wage rate requirements.⁴⁹

Federal law⁵⁰ requires that all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 be paid wages not less than the prevailing wage rates established by the U.S. Department of Labor. For each week in which any work is performed, contractors or subcontractors are required to submit a copy of the payroll and a statement of compliance.

Per 29 CFR 5.5(a)(3)(ii)(B), the statement of compliance must be signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract. The signed statement of compliance certifies that the payroll contains all information required under federal regulations, each laborer employed has been paid the full weekly wages earned, and that the laborer has not been paid less than the applicable wage rates.

DOTPF staff was not aware that the statement of compliance accompanying the payroll records must be signed to certify the payroll. Lack of complete certified payrolls hinder the State's ability to prove prevailing wages were paid as required.

⁴⁹FAINs: STP-0001(452), 0211(56), 0A24(21), STP-0970(4), 0927(007), 0211(62).

⁵⁰Title 40 U.S. Code 3141-3148.

We recommend DOTPF’s statewide design and engineering services director ensure certified payroll records are signed as required by federal law.

CFDA: 20.205

Questioned Costs: None

Federal Agency: USDOT
Significant Deficiency, Noncompliance
Special Tests and Provisions

Agency Response — Department of Transportation and Public Facilities

The department concurs with this recommendation. The Alaska Standard Specifications for Airport Construction and Alaska Standard Specifications for Highway Construction both require the payroll be certified. And, our “Required Contract Provisions for Federal-Aid Construction Contracts” (FAA, FHWA, and FTA versions) is included in each federal-aid projects let by the department. Part IV for the FHWA and FAA versions and Part XVII for the FTA version of the required contract provisions includes the statement, “Each payroll submitted shall be accompanied by a “Statement of Compliance,” signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract and shall certify...” Additionally, the ACM identifies the requirement for the contractor (and subcontractors) to submit certified payrolls.

*Contact Person: Mary Siroky, Director
Division of Administrative Services
(907) 465-3911*

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ALASKA COURT SYSTEM (ACS)

No recommendations were made to ACS in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2014*.

No new recommendations have been made during the FY 15 statewide single audit.

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COMPONENT UNITS

Four recommendations were made to Component Units in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2014*. Prior year Recommendation Nos. 2014-0040 through 2014-042, directed to the Alaska Housing Finance Corporation (AHFC), and 2014-043, directed to the University of Alaska (UA), are resolved.

Two new recommendations have been made during the FY 15 statewide single audit and are included as Recommendation Nos. 2015-043, directed to AHFC, and 2015-044, directed to UA. Both recommendations are from other auditors whose reports were furnished to us. A complete copy of the AHFC and the UA reports may be obtained directly from those entities.

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Recommendation No. 2015-043 (AHFC)

Internal Control Over Compliance – Reporting
Reporting on Schedule of Expenditures of Federal Awards

Program: Mortgage Insurance Homes, Indian Loan Guarantee Program

Criteria: OMB A-133 requires that the Schedule of Expenditures of Federal Awards (SEFA) be complete and accurate.

Condition: Loan guarantee amounts initially reported on the SEFA subject to audit were overstated by \$142,366,866.

Questioned Costs: None identified.

Context: While reconciling the loan population from the financial statements to the amounts reported on the SEFA, we noted that there was an overstatement of loan guarantees.

Effect: The Corporation overstated loan guarantees on the SEFA, which required audit adjustment.

Cause: During the preparation of the SEFA there was a formula error in the spreadsheet used to calculate the loan guarantee amount, which went undetected by management.

Recommendation: We recommend that management review spreadsheet formulas used in preparing the SEFA and reconcile guarantees to loans outstanding reported in the basic financial statements.

CFDA: 14.117
Questioned Costs: None

Federal Agency: USHUD
Material Weakness
Reporting

CFDA: 14.865
Questioned Costs: None

Federal Agency: USHUD
Material Weakness
Reporting

Agency Response — Alaska Housing Finance Corporation

AHFC management considers this finding resolved as of October 1, 2015. Management has added an additional layer of review to the procedures for preparation of the Schedule of Expenditures of Federal Awards. In addition, the process that included the erroneous formula has been amended so that the formulas are no longer required.

Contact Person: Cynthia Weiser, Controller
Accounting
(907) 330-8338, cweiser@ahfc.us

Recommendation No. 2015-044 (UA)

Special Tests and Provisions: Enrollment Reporting – Significant Deficiency in Internal Controls

Program: CFDA 84.268 Federal Direct Loans

Criteria: For changes in student status, University of Alaska (University) must make updates for changes in student status, report the date the enrollment status was effective and submit the changes electronically through the National Student Loan Database System (NSLDS) website. Institutions are responsible for timely reporting, whether they report directly or via a third-party servicer.

Condition: The University did not have procedures in place to adequately report student status changes timely.

Context: During our testing of 40 students, 15 students who were unofficial withdrawals were not timely reported to NSLDS as having a status change.

Effect: NSLDS does not have the correct information for these students, which could result in future issues for a student in need of federal aid or for an institution in need of awarding aid to a student.

Cause: The University did not have controls in place to ensure NSLDS reporting was completed timely for students determined to be unofficial withdrawals.

Recommendation: We recommend the University implement a process to ensure all student enrollment changes are reported timely.

CFDA: 84.268
Questioned Costs: None

Federal Agency: USED
Significant Deficiency
Special Tests and Provisions

Agency Response — University of Alaska

The University of Alaska concurs with the finding and recommendation: 2015-044 (UA) Special Tests and Provisions: Enrollment Reporting – Significant Deficiency in Internal Controls. Procedures and controls have been implemented to identify and timely report enrollment status changes to NSLDS for students who have unofficially withdrawn.

*Contact Person: Wei Guo, Financial Accounting Manager
University of Alaska
(907) 450-8063*

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State of Alaska Division of Legislative Audit
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended June 30, 2015

Part I – Summary of Auditor’s Results

- a) An unmodified opinion was issued on the basic financial statements of the State of Alaska.
- b) Significant deficiencies and material weaknesses in internal controls over financial reporting were disclosed by the audit of the basic financial statements.
- c) There were no instances of noncompliance which were material to the basic financial statements.
- d) Material weaknesses in internal controls over the Distribution of Receipts to State and Local Governments Program, the Mortgage Insurance_Homes Program and the Public and Indian Housing_Indian Loan Guarantee Program were disclosed by the audit. Additionally, significant deficiencies in internal controls over other 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 unmodified opinion on all programs except for the Distribution of Receipts to State and Local Governments Program which received a qualified opinion.
- f) There were several audit findings that were required to be reported under Section 510(a) of *United States 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 28 major federal programs for the fiscal year ended June 30, 2015 as follows:

<u>CFDA or Other Identifying Number</u>	<u>Federal Program Title</u>
10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster
12.401	National Guard Military Operations and Maintenance (O&M) Projects
14.117	Mortgage Insurance_Homes
14.239	Home Investment Partnerships Program
14.865	Public and Indian Housing_Indian Loan Guarantee Program

State of Alaska Division of Legislative Audit
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended June 30, 2015

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

<u>CFDA or Other Identifying Number</u>	<u>Federal Program Title</u>
15.227	Distribution of Receipts to State and Local Governments
15.605, 15.611	Fish and Wildlife Cluster
20.205, 20.219	Highway Planning and Construction Cluster
20.500, 20.507, 20.525	Federal Transit Cluster
20.509	Formula Grants for Rural Areas
20.600, 20.601, 20.602, 20.610, 20.613, 20.616	Highway Safety Cluster
66.458	Clean Water State Revolving Funds Cluster
66.468	Drinking Water State Revolving Funds Cluster
84.007, 84.033, 84.063, 84.268 84.379, 84.408	Student Financial Assistance Cluster
84.027, 84.173	Special Education Cluster (IDEA)
84.032L	Federal Family Education Loans (Lenders)
84.367	Improving Teacher Quality State Grants
90.100	Denali Commission Program
93.044, 93.045, 93.053	Aging Cluster
93.069	Public Health Emergency Preparedness
93.558	Temporary Assistance for Needy Families Cluster
93.575, 93.596	Child Care and Development Fund Cluster
93.767	Children’s Health Insurance Program (CHIP)
93.775, 93.777, 93.778	Medicaid Cluster
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)
97.039	Hazard Mitigation Grant Program
97.067	Homeland Security Grant Program
Various	ARRA – Research and Development Cluster

- h) A threshold of \$9,290,808 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, 2015

Part II – Findings related to the Basic Financial Statements

Material Weaknesses

<u>State Department</u>	<u>Recommendation Number</u>
Administration	2015-003, 2015-005

Significant Deficiencies

<u>State Department</u>	<u>Recommendation Number</u>
Administration	2015-002, 2015-006, 2015-007, 2015-008, 2015-009
Revenue	2015-012
Education	2015-016
Health and Social Services	2015-019, 2015-020
Labor and Workforce Development	2015-029, 2015-030
Transportation and Public Facilities	2015-034, 2015-035

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>
USDOD 2015-033	\$1,273	Significant Deficiency, Noncompliance
USED 2015-017	None	Significant Deficiency
2015-044	None	Significant Deficiency
USDHHS 2015-021	\$1,267,415	Significant Deficiency, Noncompliance
2015-022	None	Significant Deficiency, Noncompliance
2015-023	None	Significant Deficiency
2015-024	\$136,760	Significant Deficiency, Noncompliance
2015-025	\$101	Noncompliance

State of Alaska Division of Legislative Audit
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended June 30, 2015

<u>Federal Agency/ Recommendation Number</u>	<u>Questioned Costs</u>	<u>Comments</u>
2015-026	None	Significant Deficiency, Noncompliance
2015-027	\$14,377	Noncompliance
2015-028	\$71	Noncompliance
USHUD		
2015-043	None	Material Weakness
USDOJ		
2015-031	None	Material Weakness, Material Noncompliance
2015-032	None	Material Weakness, Material Noncompliance
USDOT		
2015-036	None	Significant Deficiency, Noncompliance
2015-037	None	Noncompliance
2015-038	None	Noncompliance
2015-039	None	Significant Deficiency, Noncompliance
2015-040	\$42,557	Significant Deficiency, Noncompliance
2015-041	\$488	Noncompliance
2015-042	None	Significant Deficiency, Noncompliance

SECTION III – INTERNAL CONTROL AND COMPLIANCE REPORTS
AND SUPPLEMENTARY INFORMATION

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance With *Government Auditing
Standards*

Independent Auditor's Report

Members of the Legislative Budget
and Audit Committee:

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information of the State of Alaska as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the State of Alaska's basic financial statements, and have issued our report thereon dated January 27, 2016, except for Note 14 which is dated February 2, 2017.

Our report includes a reference to other auditors who audited the financial statements of the: Alaska Permanent Fund, International Airports Fund, University of Alaska, Alaska Housing Finance Corporation, Alaska Industrial Development and Export Authority, Alaska Railroad Corporation, Alaska Energy Authority, Alaska Municipal Bond Bank Authority, Alaska Housing Capital Corporation, Alaska Clean Water Fund, Alaska Drinking Water Fund, Pension and Other Employee Benefit Trust Funds, and Invested Assets Under the Investment Authority of the Commissioner of the Department of Revenue as described in our report on the State of Alaska's financial statements in Section I. This report does not include the results of the 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 Municipal Bond Bank Authority (a

discretely presented component unit), the Alaska Housing Capital Corporation (a blended component unit), the Pension and Other Employee Benefit Trust Funds (fiduciary funds) and Invested Assets Under the Investment Authority of the Commissioner of the Department of Revenue (certain cash and investment accounts).

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Alaska's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Alaska's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Alaska's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in Section II – Recommendations and Questions Costs, Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 a 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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs in Recommendations Nos. 2015-003 and 2015-005 to be a material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs in Recommendations Nos. 2015-002, 2015-006, 2015-007, 2015-008, 2015-009, 2015-012, 2015-016, 2015-019, 2015-020, 2015-029, 2015-030, 2015-034, and 2015-035 to be significant deficiencies.

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 table under *Other State Issues*.

State of Alaska's Response to Findings

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 in the succeeding Section IV – Appendices. The state agencies' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kris Curtis, CPA, CISA
Legislative Auditor

Juneau, Alaska

January 27, 2016, except for Note 14 which is dated February 2, 2017.

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ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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Report on Compliance for Each Major Federal Program and
Report on Internal Control over Compliance
Required by OMB Circular A-133

Independent Auditor's Report

Members of the Legislative Budget
and Audit Committee:

Report on Compliance for Each Major Federal Program

We have audited the State of Alaska's compliance with the types of compliance requirements described in the *United States Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2015. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the State of Alaska's major federal programs based on our audit of the types of compliance requirements referred to above. We did not audit the federal programs of the Department of Health and Social Services, University of Alaska, Alaska Housing Finance Corporation, Alaska Railroad Corporation, Alaska Energy Authority, Alaska Clean Water Fund, Alaska Drinking Water Fund, and Alaska Student Loan Corporation. As shown in the table on the following page, the audits of those entities and funds reflect the following percent of major federal program expenditures.

CFDA	Federal Program Title	Percent of Major Federal Program Expenditures
14.117	Mortgage Insurance_Homes	100%
14.239	Home Investment Partnerships Program	100%
14.865	Public and Indian Housing_Indian Loan Guarantee Program	100%
66.458	Clean Water State Revolving Funds Cluster	100%
66.468	Drinking Water State Revolving Funds Cluster	100%
84.032L	Federal Family Education Loans (Lenders)	100%
90.100	Denali Commission	87%
93.069	Public Health Emergency Preparedness	100%
93.558	Temporary Assistance for Needy Families Cluster	100%
93.767	Children's Health Insurance Program	100%
Various	Child Care and Development Fund Cluster	100%
Various	Medicaid Cluster	100%
Various	Aging Cluster	100%
Various	Federal Transit Cluster	99%
Various	Student Financial Assistance Cluster	99%
Various	ARRA - Research and Development Cluster	100%

The above federal programs were audited by other auditors whose reports were furnished to us, and our opinion, insofar as it relates to the compliance requirements applicable to those programs, is based solely on the report of the other auditors.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial audits contained in *Government Auditing Standards*,¹ 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 a 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the State of Alaska's compliance.

¹The standards applicable to financial audits are in chapters 1-4 of *Government Auditing Standards*.

Basis for Qualified Opinion on Distribution of Receipts to State and Local Governments (CFDA 15.227)

As described in Recommendation Nos. 2015-031 and 2015-032 in the preceding Schedule of Findings and Questioned Costs, the State of Alaska did not comply with the Activities Allowed or Unallowed (Recommendation No. 2015-031) and Procurement and Suspension and Debarment (Recommendation No. 2015-032) requirements applicable to the Distribution of Receipts to State and Local Governments program (CFDA 15.227). Compliance with such requirements is necessary, in our opinion, for the State of Alaska to comply with the requirements applicable to the program.

Qualified Opinion on Distribution of Receipts to State and Local Governments (CFDA 15.227)

In our opinion, except for the noncompliance described in the “*Basis for Qualified Opinion*” paragraph, the State of Alaska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Distribution of Receipts to State and Local Governments program (CFDA 15.227) for the fiscal year ended June 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the State of Alaska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs for the fiscal year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with *OMB Circular A-133*. These instances are listed in the accompanying Summary of Recommendations table and Schedule of Findings and Questioned Costs and described in detail in Section II – Recommendations and Questioned Costs. Our opinion on each major federal program is not modified with respect to these matters. State agencies’ responses to the noncompliance findings identified in our audit are included in Section II – Recommendations and Questioned Costs as well as in Section IV – Appendices. State agencies’ responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

This report has been reissued to reflect changes to Recommendation Nos. 2015-021 through 2015-028 in Section II to discretely identify a condition for each finding. Recommendation Nos. 2015-021 through 2015-028 in Section II were revised by an other auditor whose reissued report was furnished to us.

Report on Internal Control over Compliance

Management of the State of Alaska is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State of Alaska's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, 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's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency or combination of deficiencies in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs in Recommendation Nos. 2015-031, 2015-032, and 2015-043 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency or a combination of deficiencies in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. With the exception of the deficiencies described in Recommendation Nos. 2015-031, 2015-032, and 2015-043, which are material weaknesses, we consider the deficiencies in internal controls over compliance described in Part III of the accompanying Schedule of Findings and Questioned Costs and described in detail in Section II – Recommendations and Questioned Costs to be significant deficiencies.

State agencies' responses to the internal control over compliance findings identified in our audit are included in Section II – Recommendations and Questioned Costs as well as Section IV – Appendices. State agencies' responses were not subject to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Kris Curtis". The signature is fluid and cursive, with a prominent "K" and "C".

Kris Curtis, CPA, CISA
Legislative Auditor

Juneau, Alaska

March 15, 2016, except for the Medicaid Cluster, Children's Health Insurance Program, Temporary Assistance for Needy Families Cluster, Child Care Development Fund Cluster, Public Health Emergency Preparedness and Aging Cluster changes noted in the above Other Matters paragraph dated March 1, 2018.

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**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015
By Federal Agency**

Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
U.S. DEPARTMENT OF AGRICULTURE						
Community Facilities Loans and Grants Cluster						
Community Facilities Loans and Grants	DCCED		10.766	Rural Broadband Internet	2,501	
Total for Community Facilities Loans and Grants Cluster					2,501	-
Child Nutrition Cluster						
School Breakfast Program	DEED		10.553	17131	11,073,357	10,781,393
School Breakfast Program	DMVA		10.553	RSA 0550117	(133,405)	
School Breakfast Program	DHSS		10.553		158,559	
National School Lunch Program	DEED		10.555	17132	34,304,415	33,757,467
National School Lunch Program	UofA		10.555	550098	14,386	
National School Lunch Program	DMVA		10.555	RSA 0550117	(227,804)	
National School Lunch Program	DHSS		10.555		319,144	
National School Lunch Program (Food Commodities)	DEED		10.555	17132	2,526,458	2,526,458
Special Milk Program for Children	DEED		10.556	17133	2,209	2,209
Summer Food Service Program for Children	DEED		10.559	17137	1,765,903	1,656,602
Summer Food Service Program for Children (Food Commodities)	DEED		10.559	17137	4,974	4,974
Total for Child Nutrition Cluster					49,808,196	48,729,103
Food Distribution Cluster						
Commodity Supplemental Food Program	DHSS		10.565		646,154	631,829
Emergency Food Assistance Program (Administrative Costs)	DEED		10.568	17138	139,949	129,780
Emergency Food Assistance Program (Food Commodities)	DEED		10.569		952,418	971,225
Total for Food Distribution Cluster					1,738,521	1,732,834
Forest Service Schools and Roads Cluster						
Schools and Roads - Grants to States	DCCED		10.665	National Forest Receipts	11,668,053	11,668,053
Schools and Roads - Grants to States	DNR		10.665		28,497	
Total for Forest Service Schools and Roads Cluster					11,696,550	11,668,053
Supplemental Nutrition Assistance Program Cluster						
Supplemental Nutrition Assistance Program	DHSS		10.551		168,789,614	
State Administrative Matching Grants for the Supplemental Nutrition Assistance	UofA		10.561		251,776	
State Administrative Matching Grants for the Supplemental Nutrition Assistance	DHSS		10.561		10,881,483	
Total for Supplemental Nutrition Assistance Program Cluster					179,922,873	-
Water and Waste Program Cluster						
Water and Waste Disposal Systems for Rural Communities	DEC		10.760		5,672,886	454,035
Total for Water and Waste Program Cluster					5,672,886	454,035
Plant and Animal Disease, Pest Control, and Animal Care	DNR		10.025		126,930	
Plant and Animal Disease, Pest Control, and Animal Care	DEC		10.025		171,243	
Inspection Grading and Standardization	DNR		10.162		16,576	
Market Protection and Promotion	DNR		10.163		46,637	
Specialty Crop Block Grant Program - Farm Bill	DNR		10.170		223,637	74,621
1890 Institution Capacity Building Grants (Pass-through University of Delaware)	UofA		10.216	11-007JNA	10,786	
Higher Education - Institution Challenge Grants Program (Pass-through University of Missouri)	UofA		10.217	C00041710-3	43,618	
Secondary and Two-Year Postsecondary Agriculture Education Challenge Grants	UofA		10.226		31,667	
Alaska Native Serving and Native Hawaiian Serving Institutions Education Grants	UofA		10.228		1,619,068	90,338
Homeland Security_Agricultural (Pass-through University of California)	UofA		10.304	201223902-05	11,541	
Crop Protection and Pest Management Competitive Grants Program	UofA		10.329		70,222	
Very Low to Moderate Income Housing Loans	AHFC		10.410		151,076	
Cooperative Extension Service	UofA		10.500		2,302,014	
Cooperative Extension Service (Pass-through Kansas State University)	UofA		10.500	S14105	19,905	
Cooperative Extension Service (Pass-through Kansas State University)	UofA		10.500	S14182	7,865	
Cooperative Extension Service (Pass-through Kansas State University)	UofA		10.500	S15031	10,550	
Cooperative Extension Service (Pass-through Kansas State University)	UofA		10.500	S15096	3,046	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015
By Federal Agency**

Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Cooperative Extension Service (Pass-through Kansas State University)	UofA		10.500	S15143	10,792	
Cooperative Extension Service (Pass-through Pennsylvania State University)	UofA		10.500	5136-2628	4,171	
Cooperative Extension Service (Pass-through University of Missouri)	UofA		10.500	C00048589-5	2,514	
Cooperative Extension Service (Pass-through Utah State University)	UofA		10.500	100906004	14,120	
Cooperative Extension Service (Pass-through Washington State University)	UofA		10.500	108815	47,652	
Special Supplemental Nutrition Program for Women, Infants, and Children	UofA		10.557	651413	47,199	
Special Supplemental Nutrition Program for Women, Infants, and Children	DHSS		10.557		20,853,989	5,642,461
Child and Adult Care Food Program	DEED		10.558	17134	9,961,619	9,849,958
Child and Adult Care Food Program (Food Commodities)	DEED		10.558	17134	20,775	2,075
State Administrative Expenses for Child Nutrition	DEED		10.560	17135	908,556	
WIC Farmers' Market Nutrition Program (FMNP)	DHSS		10.572		135,038	
Team Nutrition Grants	DEED		10.574	17400	86,757	14,208
Farm to School Grant Program	DNR		10.575		25,000	1,623
Senior Farmers Market Nutrition Program	DHSS		10.576		70,700	76,972
SNAP Partnership Grant (Pass-through State of Oklahoma)	UofA		10.577	3409018697	17,052	
ARRA-WIC Grants To States (WGS)	DHSS	ARRA	10.578	WISA-09-AK-01	6,523	
Child Nutrition Discretionary Grants Limited Availability	DEED		10.579	17169	122,111	84,678
Fresh Fruit and Vegetable Program	DEED		10.582	17166	1,742,165	1,688,018
Market Access Program	ASMI		10.601		4,046,626	
Cooperative Forestry Assistance	DNR		10.664		3,588,397	268,968
Rural Development, Forestry, and Communities	AEA		10.672	DG 1110016	74,059	
Urban and Community Forestry Program	UofA		10.675		11,348	
Forest Legacy Program	DNR		10.676		24,579	
Forest Health Protection	UofA		10.680		180,693	
Forest Health Protection	DNR		10.680		223,261	
National Fish and Wildlife Foundation (Pass-through from National Fish and Wildlife Foundation)	DFG		10.683	0801.12.032829	6,963	
National Fish and Wildlife Foundation (Pass-through from National Fish and Wildlife Foundation)	DFG		10.683	0801.13.041134	27,732	8,671
Rural Business Enterprise Grants	UofA		10.769		70,081	
Rural Cooperative Development Grants	UofA		10.771		112,126	
Rural Business Opportunity Grants	UofA		10.773		50,937	
Soil and Water Conservation	DNR		10.902		5,000	
Plant Materials for Conservation	DNR		10.905		39,725	
Alaska Coastal Rainforest Center Director Support	UofA		10.Unknown	G00008142	24,146	
ARC Turner River Collection Inventory	UofA		10.Unknown	G00009702	22,585	
FY15 Military 4-H Club Grant (Pass-through Kansas State University)	UofA		10.Unknown	G00009880	21,523	
Hotshot Crew	DNR		10.Unknown	12PA11100100009	60,560	
Ketchikan Airport Bridge and Geotech	DOTPF		10.Unknown	06RO-11100100-129	4,373	
Miscellaneous US Forest Service-Fisheries Research	DFG		10.Unknown	AG-0109-C-14-0002	99,555	
Miscellaneous US Forest Service-Fisheries Research	DFG		10.Unknown	AG-0109-C-14-0013	6,789	
Miscellaneous US Forest Service-Wildlife Research	DFG		10.Unknown	14-CS-11100400-021	5,244	
Miscellaneous US Forest Service-Wildlife Research	DFG		10.Unknown	AG-0116-C-09-0054	101,453	
Miscellaneous US Forest Service-Wildlife Research	DFG		10.Unknown	AG-0116-C-09-0056	11,194	
Renewable Wood Energy	DNR		10.Unknown	14-JV-11261935-070	14,661	
University of Alaska-SE GIS Library & the Southeast Alaska Hydrography Database	UofA		10.Unknown	G00007725	60,964	
USFS Contract - Fish passageways on Mitkof, Hydaburg, and Yakutat Highways	DOTPF		10.Unknown	USFS 07-RO-11100100-076	462,207	
USFS Fire Suppression (AKDF070002)	DNR		10.Unknown	10FI11100100040	9,097,710	
Total For U.S. DEPARTMENT OF AGRICULTURE					306,239,132	80,386,616
U.S. DEPARTMENT OF COMMERCE						
Economic Development Cluster						
Investments for Public Works and Economic Development Facilities	DLWD		11.300	805	136,559	
Economic Adjustment Assistance	DCCED		11.307	SBED	7,175,150	
Total for Economic Development Cluster					7,311,709	-
NOAA Mission-Related Education Awards	UofA		11.008		70,182	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015
By Federal Agency**

Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Economic Development_Technical Assistance	UofA		11.303		117,896	
Interjurisdictional Fisheries Act of 1986	DFG		11.407		116,844	
Sea Grant Support	UofA		11.417		832,735	31,874
Coastal Zone Management Estuarine Research Reserves	DFG		11.420		548,459	
Pacific Fisheries Data Program	DFG		11.437		2,570,504	
Pacific Fisheries Data Program (Pass-through from Pacific States Marine Fisheries Commission)	DFG		11.437	14-17	2,204	
Pacific Fisheries Data Program (Pass-through from Pacific States Marine Fisheries Commission)	DFG		11.437	15-50G	2,067,028	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	DCCED		11.438	NA10NMF4380355	1,535,840	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	ARRC		11.438	NA11NMF4380268	189,902	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	DFG		11.438		11,384,230	3,033,857
Marine Mammal Data Program	DFG		11.439		1,600,132	
Regional Fishery Management Councils	DFG		11.441		20,234	
Regional Fishery Management Councils (Pass-through from North Pacific Fishery Management Council)	DFG		11.441	2013-2	5,693	
Regional Fishery Management Councils (Pass-through from North Pacific Fishery Management Council)	DFG		11.441	2015-2	2,138	
Regional Fishery Management Councils (Pass-through from Pacific Fishery Management Council)	DFG		11.441	01-15	14,080	
Meteorologic and Hydrologic Modernization Development	DMVA		11.467	35457	672,001	1,656
Unallied Science Program	DFG		11.472		345,214	
Unallied Science Program (Pass-through from North Pacific Research Board)	DFG		11.472	1108	33,311	
Unallied Science Program (Pass-through from North Pacific Research Board)	DFG		11.472	1111	242	
Unallied Science Program (Pass-through from North Pacific Research Board)	DFG		11.472	1412	28,925	
Unallied Science Program (Pass-through from North Pacific Research Board)	DFG		11.472	1422	52	
Unallied Science Program (Pass-through from Prince William Sound Science Center)	DFG		11.472	13-81-02	3,743	
State and Local Implementation Grant Program	DPS		11.549		8,496	
ARRA-Broadband Technology Opportunities Program (BTOP)	DEED	ARRA	11.557	17353	563,436	223,207
ARRA-State Broadband Data and Development Grant Program (Pass-through from Connected Nation, Inc.)	DCCED	ARRA	11.558	02-50-M09071	75,737	
Manufacturing Extension Partnership	UofA		11.611		77,482	
Japanese Tsunami Marine Debris	DEC		11.Unknown	MOA-2013-005-8626	1,592,655	
Miscellaneous NOAA (Pass-through from ECS Federal, Inc.)	DFG		11.Unknown	207115	10,652	
Miscellaneous NOAA-Fisheries Research	DFG		11.Unknown	WE-133F-14-SE-2811	6,515	
Miscellaneous NOAA-Fisheries Research	DFG		11.Unknown	WE-133F-14-SE-3116	52,818	
Miscellaneous NOAA-Marine Mammal Research	DFG		11.Unknown	HA-133F-12-SE-2199	2,384	
Miscellaneous NOAA-Marine Mammal Research	DFG		11.Unknown	WE-133F-14-SE-3963	6,144	
Miscellaneous NOAA-Marine Mammal Research	DFG		11.Unknown	WE-133F-14-SE-4018	544	
National Marine Fisheries Joint Enforcement Agreement	DPS		11.Unknown	11.04 and NMF5-JEA	1,154,218	
NOAA Pribilof Island Restoration	DEC		11.Unknown	RA133013SE1880	686	
Total For U.S. DEPARTMENT OF COMMERCE					33,025,065	3,290,594
U.S. DEPARTMENT OF DEFENSE						
Procurement Technical Assistance For Business Firms	UofA		12.002		357,413	
State Memorandum of Agreement Program for the Reimbursement of Technical	DEC		12.113		2,569,294	
Military Construction, National Guard	DMVA		12.400	35400	5,826	
National Guard Military Operations and Maintenance (O&M) Projects	DMVA		12.401	35401	15,022,314	
National Guard ChalleNGe Program	DMVA		12.404	35404	3,842,209	
Information Security Grant	UofA		12.902		177,655	
2014 OMK thru Army	UofA		12.Unknown	G00009083	79,614	
Adak Airport Operations Agreement	DOTPF		12.Unknown	N6871104MDC4010	601,935	
King Salmon Airport Contract to Maintain USAF Safety	DOTPF		12.Unknown	12.F65501-96C0006	581,539	
Miscellaneous Army-Wildlife Research	DFG		12.Unknown	W911KB-11-P-0037	1,473	
Miscellaneous Army-Wildlife Research	DFG		12.Unknown	W9DO-11-D-003	42,420	
OHA Wake Island	DNR		12.Unknown	F1W6CC3262M001	1,679	
Total For U.S. DEPARTMENT OF DEFENSE					23,283,371	-

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015
By Federal Agency**

Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT						
Housing Voucher Cluster						
Section 8 Housing Choice Vouchers	AHFC		14.871		1,784,186	
Total for Housing Voucher Cluster					1,784,186	-
Section 8 Project-Based Cluster						
Section 8 Housing Assistance Payments Program	AHFC		14.195		2,167,690	
Section 8 Moderate Rehabilitation Single Room Occupancy	AHFC		14.249		501,437	427,371
Total for Section 8 Project-Based Cluster					2,669,127	427,371
Mortgage Insurance_Homes	AHFC		14.117		4,698,526	
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	DCCED		14.228	B13DC020001, B12DC020001, B11DC020001, B10DC020001	2,307,967	2,105,996
Emergency Solutions Grant Program	AHFC		14.231		282,393	235,296
Home Investment Partnerships Program	AHFC		14.239		4,179,251	4,179,251
Housing Opportunities for Persons with AIDS	AHFC		14.241		595,736	535,143
Continuum of Care Program	AHFC		14.267		1,159,349	1,033,111
Alaska Native/Native Hawaiian Institutions Assisting Communities	UofA		14.515		90,464	
Public and Indian Housing_Indian Loan Guarantee Program	AHFC		14.865		664,836	
Public Housing Family Self-Sufficiency under Resident Opportunity and Supportive Moving to Work Demonstration Program	AHFC		14.877		191,459	
Partners in Growth	AHFC		14.881		49,585,075	
	UofA		14.Unknown	G00008210	105,437	
Total For U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT					68,313,806	8,516,168
U.S. DEPARTMENT OF THE INTERIOR						
Fish and Wildlife Cluster						
Sport Fish Restoration Program	DFG		15.605		15,665,468	814,578
Wildlife Restoration and Basic Hunter Education	DFG		15.611		19,509,209	
Total for Fish and Wildlife Cluster					35,174,677	814,578
Indian Adult Education	UofA		15.026		21,617	
Cultural Resource Management	DNR		15.224		16,614	
Cultural Resource Management	UofA		15.224		1,048,780	
Recreation Resource Management	DFG		15.225		2,321	
Payments in Lieu of Taxes	DCCED		15.226	Payments in Lieu of Taxes	10,370,998	10,370,998
Distribution of Receipts to State and Local Governments	DCCED		15.227	National Petroleum Reserve Alaska Impact Mitigation	10,926,892	10,926,892
Fish, Wildlife and Plant Conservation Resource Management	DNR		15.231		57,582	
Fish, Wildlife and Plant Conservation Resource Management	DFG		15.231		128,067	
Fish, Wildlife and Plant Conservation Resource Management	UofA		15.231		243,935	
Fish, Wildlife and Plant Conservation Resource Management (Pass-through from National Fish and Wildlife Foundation)	DFG		15.231	0801.13.041134	13,866	4,335
Fish, Wildlife and Plant Conservation Resource Management (Pass-through National Fish & Wildlife Foundation)	UofA		15.231	2100.12.030840	50,415	
Environmental Quality and Protection Resource Management	DNR		15.236		68,367	
Challenge Cost Share	DFG		15.238		31,141	
Challenge Cost Share	UofA		15.238		41,033	
Management Initiatives	DNR		15.239		19,471	
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	DNR		15.250		352,421	
Abandoned Mine Land Reclamation (AMLR) Program	DNR		15.252		1,746,419	
Alaska Coastal Marine Institute	UofA		15.421		15,012	
Federal Oil and Gas Royalty Management State and Tribal Coordination	DNR		15.427		122,602	
Fish and Wildlife Management Assistance	DFG		15.608		534,741	
Cooperative Endangered Species Conservation Fund	DFG		15.615		136,528	
Clean Vessel Act Program	DFG		15.616		49,394	12,637
Enhanced Hunter Education and Safety Program	DFG		15.626		86,044	
Multistate Conservation Grant Program (Pass-through from National Fish Habitat Partnership)	DFG		15.628	COOP-13-084	776	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
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Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
State Wildlife Grants	DFG		15.634		2,770,650	
Alaska Subsistence Management	DFG		15.636		1,396,761	
Alaska Migratory Bird Co-Management Council	DFG		15.643		85,169	
Service Training and Technical Assistance (Generic Training)	DFG		15.649		3,084	
Service Training and Technical Assistance (Generic Training)	UofA		15.649		44,885	
Migratory Bird Monitoring, Assessment and Conservation	DFG		15.655		57,374	
National Fish and Wildlife Foundation (Pass-through from National Fish and Wildlife Foundation)	DFG		15.663	0801.13.041134	38,131	11,922
Coastal Impact Assistance Program	DCCED		15.668	Various	4,364,958	4,652,223
Coastal Impact Assistance Program	DEC		15.668		795,195	
Coastal Impact Assistance Program	DFG		15.668		1,405,165	122,168
Coastal Impact Assistance Program	DNR		15.668		1,923,459	
Coastal Impact Assistance Program	UofA		15.668	1021200	261,721	
Coastal Impact Assistance Program	UofA		15.668	10-CIAP-021	58,679	
Cooperative Landscape Conservation	DNR		15.669		2,314	
Cooperative Landscape Conservation	UofA		15.669		37,963	
Adaptive Science	DFG		15.670		5,555	
U.S. Geological Survey_Research and Data Collection	DNR		15.808		434,154	
National Cooperative Geologic Mapping Program	DNR		15.810		127,694	
National Geological and Geophysical Data Preservation Program	DNR		15.814	G13AP00073	15,687	
ARRA-Volcano Hazards Program Research and Monitoring	DNR	ARRA	15.818		374,782	
Energy Cooperatives to Support the National Coal Resources Data System (NCRDS)	DNR		15.819		11	
Historic Preservation Fund Grants-In-Aid	DNR		15.904		880,840	
Outdoor Recreation_Acquisition, Development and Planning	DNR		15.916		198,316	65,057
Cooperative Research and Training Programs_Resources of the National Park System	DFG		15.945		111,885	
Cultural Resources Management	UofA		15.946		12,400	
National Park Service Conservation, Protection, Outreach, and Education	UofA		15.954		755	
2014 Farm Bill Producer Education	UofA		15.Unknown	G00009834	10,004	
BIA-Sand Point School Loop Road	DOTPF		15.Unknown	FRH53637	25,000	
BLM Fire Suppression	DNR		15.Unknown	AK-2010-0001	13,874,813	
Bureau of Land Management Oversight	DEC		15.Unknown	L11PA00032	43,378	
Bureau of Land Management SOA Congress Project	DEC		15.Unknown	L15PA00071	2,160	
Herbarium Study of Plant Samples from the Arctic Network of National Parks	UofA		15.Unknown	G00006445	(292)	
Miscellaneous BLM - Wildlife Research-Mountain Goats	DFG		15.Unknown	L10AC20287	11,992	
Miscellaneous Bureau of Safety and Environmental Enforcement - Marine Mammal Research - Seal	DFG		15.Unknown	M13PC00015	294,515	
Miscellaneous Bureau of Safety and Environmental Enforcement - Marine Mammal Research - Whale	DFG		15.Unknown	M12PC00005	487,527	
Miscellaneous Minerals Management Service - Marine Mammal Research-Walrus	DFG		15.Unknown	M09PC00027	457,062	
Miscellaneous National Park Service - Fisheries Research	DFG		15.Unknown	P13PX02489	3,400	
Miscellaneous United State Geological Survey	DFG		15.Unknown	G15AC00012	26,814	
Miscellaneous US Fish & Wildlife Service - Adak Oil Spill Response	DFG		15.Unknown	FPNJ10009	2,965	
Miscellaneous US Fish & Wildlife Service - Limno Sample Analysis	DFG		15.Unknown	F15PX00434	10,940	
RWO214: Bacterial Infection as a Possible Source of Embryo Mortality in Greater White-fronted Geese	UofA		15.Unknown	G00009434	14,484	
Total For U.S. DEPARTMENT OF THE INTERIOR					91,932,062	26,980,810
U.S. DEPARTMENT OF JUSTICE						
Sexual Assault Services Formula Program	DPS		16.017		166,432	161,926
Juvenile Accountability Block Grants	DHSS		16.523		214,345	
Supervised Visitation, Safe Havens for Children	DPS		16.527		100,930	98,760
Juvenile Justice and Delinquency Prevention_Allocation to States	DHSS		16.540		544,292	199,910
Missing Children's Assistance (Pass-through from Municipality of Anchorage, Police Department)	DPS		16.543	2010-MC-CX-K031 & 2013-MC-FX-K011	59,202	
National Criminal History Improvement Program (NCHIP)	DPS		16.554		353,891	
Crime Victim Assistance	DPS		16.575		901,318	890,000

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
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Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Crime Victim Compensation	DOA		16.576	2012VCGX0065,2013VCGX001 3,2014VCGX0030	876,541	
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	DPS		16.580		43,889	
Drug Court Discretionary Grant Program	DOTPF		16.585		140,662	
Violence Against Women Formula Grants	DPS		16.588		905,603	280,300
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	DPS		16.590		161,145	144,145
Residential Substance Abuse Treatment for State Prisoners	DOC		16.593	2014-R-BX-0021	49,683	
Residential Substance Abuse Treatment for State Prisoners	DPS		16.593		4,328	
State Criminal Alien Assistance Program	DOC		16.606	2015-H1169-AK-AP	124,286	
Public Safety Partnership and Community Policing Grants	DPS		16.710		6,464	
Juvenile Mentoring Program	DOA		16.726	AK10900130615F2,AK10900- 13-0614F1	19,524	
Juvenile Mentoring Program (Pass-through National 4H Council)	UofA		16.726	4-H NMP 5	151,975	
Enforcing Underage Drinking Laws Program	DHSS		16.727		127,465	2,808
Edward Byrne Memorial Justice Assistance Grant Program	DPS		16.738		804,246	278,052
DNA Backlog Reduction Program	DPS		16.741		317,367	
Paul Coverdell Forensic Sciences Improvement Grant Program	DPS		16.742		50,084	
Edward Byrne Memorial Competitive Grant Program	DPS		16.751		7,574	
Court Appointed Special Advocates	DOA		16.756	AK10900-13-1013S, AK10900141014S	38,653	
NICS Act Record Improvement Program	DPS		16.813		58,725	
John R. Justice Prosecutors and Defenders Incentive Act	DOA		16.816	2014RJBX0030	27,500	
Swift, Certain, and Fair Sanctions Program: Replicating the Concepts behind Project Equitable Sharing Program	DOC		16.828	2014-MU-BX-K007	32,484	
Equitable Sharing Program	DPS		16.922		632,484	
Counterdrug Support Program-Asset Forfeiture	DMVA		16.Unknown	35160/AKQNGCDO	4	
Domestic Cannabis Eradication/Suppression Program	DPS		16.Unknown	2013-2 & 2014-2	6,868	
Federal Equitable Sharing UAFPD	UofA		16.Unknown	G00006407	8,614	
Total For U.S. DEPARTMENT OF JUSTICE					6,936,578	2,055,901
U.S. DEPARTMENT OF LABOR						
Employment Service Cluster						
Employment Service/Wagner-Peyser Funded Activities	DLWD		17.207	858	7,000,289	
Disabled Veterans' Outreach Program (DVOP)	DLWD		17.801	893	562,081	
Local Veterans' Employment Representative Program	DLWD		17.804	895	120,929	
Total for Employment Service Cluster					7,683,299	-
Workforce Investment Act Cluster						
WIA/WIOA Adult Program	DLWD		17.258	881/922/923	2,225,336	
WIA/WIOA Youth Activities	UofA		17.259	756104	70,484	
WIA/WIOA Youth Activities	DLWD		17.259	882/952 (RSA756101, EN756104)	2,137,711	876,701
WIA/WIOA Youth Activities	DHSS		17.259		189,396	
WIA/WIOA Dislocated Worker Formula Grants	DLWD		17.278	886/932/933/937/998/938/939	1,892,864	
Total for Workforce Investment Act Cluster					6,515,791	876,701
Labor Force Statistics	DLWD		17.002	850	531,605	
Compensation and Working Conditions	DLWD		17.005	853	108,671	
Unemployment Insurance	DLWD		17.225	864	171,121,509	
Senior Community Service Employment Program	DLWD		17.235	867/EN 755589	1,938,677	1,034,670
Trade Adjustment Assistance	DLWD		17.245	871	92,265	
Work Opportunity Tax Credit Program (WOTC)	DLWD		17.271	898	66,000	
Temporary Labor Certification for Foreign Workers	DLWD		17.273	856	64,569	
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	DLWD		17.277	896	322,808	
Trade Adjustment Assistance Community College and Career Training (TAACCCT)	UofA		17.282		2,294,362	
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants (Pass-through Tyler Junior College)	UofA		17.282	4172013	329,433	

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**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Occupational Safety and Health_State Program	DLWD		17.503	887	1,370,419	
Consultation Agreements	DLWD		17.504	888	688,680	
Mine Health and Safety Grants	UofA		17.600		50,378	
Total For U.S. DEPARTMENT OF LABOR					193,178,466	1,911,371
U.S. DEPARTMENT OF STATE						
Fulbright Arctic Initiative	UofA		19.Unknown	G00009792	8,653	
Total For U.S. DEPARTMENT OF STATE					8,653	-
U.S. DEPARTMENT OF TRANSPORTATION						
Federal Transit Cluster						
Federal Transit_Capital Investment Grants	ARRC		20.500	AK-05-0019	92,974	
Federal Transit_Capital Investment Grants	ARRC		20.500	AK-05-0021	754,706	
Federal Transit_Capital Investment Grants	AIDEA		20.500	AK-55-0001-02	25,383	
Federal Transit_Capital Investment Grants	DOTPF		20.500		404,446	92,800
Federal Transit_Capital Investment Grants (Pass-through from the Federal Transit Administration)	ARRC		20.500	AK-55-0003	331,337	
Federal Transit-Formula Grants	ARRC		20.507	AK-90-X062-00	21,056	
Federal Transit-Formula Grants	ARRC		20.507	AK-90-X068-00	94,734	
Federal Transit-Formula Grants	ARRC		20.507	AK-90-X072-00	2,346,217	
Federal Transit-Formula Grants	ARRC		20.507	AK-90-X073-00	3,679,197	
Federal Transit-Formula Grants	ARRC		20.507	AK-90-X073-00	4,475,000	
Federal Transit-Formula Grants	ARRC		20.507	AK-95-X013-00	335,727	
State of Good Repair Grants Program	ARRC		20.525	AK-54-0002	105,017	
State of Good Repair Grants Program	ARRC		20.525	AK-54-0003	8,839,990	
State of Good Repair Grants Program	ARRC		20.525	AK-54-0004	9,205,090	
Total for Federal Transit Cluster					30,710,874	92,800
Highway Planning and Construction Cluster						
Highway Planning and Construction	DOTPF		20.205	WFL-DTFH70-09-E-00002	11,867,761	
Highway Planning and Construction	DHSS		20.205		19,817	
Highway Planning and Construction	DOTPF		20.205		536,159,024	4,077,926
Highway Planning and Construction	UofA		20.205	2558041	10,773	
Highway Planning and Construction	UofA		20.205	2558049	3,738	
Recreational Trails Program	DNR		20.219		1,320,822	551,945
Total for Highway Planning and Construction Cluster					549,381,935	4,629,871
Highway Safety Cluster						
State and Community Highway Safety	DHSS		20.600		1,831	
State and Community Highway Safety	DOTPF		20.600		795,377	300,491
Alcohol Impaired Driving Countermeasures Incentive Grants I	DOTPF		20.601		127,873	
Occupant Protection Incentive Grants	DOTPF		20.602		446,084	261,796
State Traffic Safety Information System Improvement Grants	DHSS		20.610		60,883	
State Traffic Safety Information System Improvement Grants	DOTPF		20.610		119,711	52,125
Child Safety and Child Booster Seats Incentive Grants	DOTPF		20.613		11,839	11,839
National Priority Safety Programs	DOTPF		20.616		161,697	
Total for Highway Safety Cluster					1,725,295	626,251
Transit Services Programs Cluster						
Enhanced Mobility of Seniors and Individuals with Disabilities	DOTPF		20.513		494,013	517,567
Job Access and Reverse Commute Program	DOTPF		20.516		391,756	369,908
New Freedom Program	DOTPF		20.521		10,146	7,048
Total for Transit Services Programs Cluster					895,915	894,523
Airport Improvement Program	DOTPF		20.106		166,381,186	
National Motor Carrier Safety	DOTPF		20.218		1,024,495	
Performance and Registration Information Systems Management	DOTPF		20.231		45,133	
Commercial Driver's License Program Improvement Grant	DOA		20.232	FMCDL0106120100	40,614	
Border Enforcement Grants	DOTPF		20.233		267,283	

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Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Safety Data Improvement Program	DOTPF		20.234		72,331	
Commercial Motor Vehicle Operator Training Grants	DOTPF		20.235		8,852	
Commercial Vehicle Information Systems and Networks	DOTPF		20.237		132,849	
Rail Line Relocation and Improvement	ARRC		20.320	FR-LRI-0038-12-01-00	20,654	
Rail Line Relocation and Improvement	ARRC		20.320	FR-LRI-0039-12-01-00	513,804	
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	DOTPF		20.505		118,147	407,206
Formula Grants for Rural Areas	DOTPF		20.509		6,966,557	6,451,652
Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions	ARRC		20.523	AK-88-0001	410,379	
Alcohol Open Container Requirements	DOTPF		20.607		194,368	192,680
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	DOTPF		20.608		903,497	222,689
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	DOTPF		20.614		37,259	
University Transportation Centers Program (Pass-through University of Washington)	UofA		20.701	739439	10,811	
Interagency Hazardous Materials Public Sector Training and Planning Grants	DMVA		20.703	35703	83,717	
Clean-up Contaminated Sites in Alaska	DEC		20.Unknown	DTFAAL-04X-80007	81,344	
Clean-up Contaminated Sites in Alaska	DEC		20.Unknown	DTFAWN-15-A-80000	111,814	
Davis Dome Wayside Imp - Federal Lands Reimbursement	DOTPF		20.Unknown	AK DOT 252500(1)	3,911	
Deadhorse AARF-FAA for prorated share of utilities and repair costs	DOTPF		20.Unknown	FAA/DOT DTFA-04-98-L-16606	63,746	
Denali Park Road Drilling - Federal Lands Reimbursement	DOTPF		20.Unknown	AK PRA AKRO ES(3) & AK PRA DENA 19(35)	100,625	
Dillingham A/P Flight Service Station	DOTPF		20.Unknown	DTFAWN-14-A80003	84,649	
Forest Highway Project Agreement	DOTPF		20.Unknown	AK PFH 40-1(1) & AK PFH	32	
Galena - Western Federal Lands	DOTPF		20.Unknown	AK-BIA-ERFO131-0801	2,366,007	
Glen Highway Cultural Resource Survey	DNR		20.Unknown	DTHF70-13-E-00026	91,372	
Gustavus Electrical Cables	DOTPF		20.Unknown	DTFAWN-14-A80003	48,210	
Kotzebue & Nome AARF-FAA for prorated share of utilities and repair costs	DOTPF		20.Unknown	FAA/DOT DTFA-04-98-L-16606	92,020	
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	DOTPF		20.Unknown	HSTS02-08-H-CAN402	3,225	
Snug Harbor Road	DOTPF		20.Unknown	DTFH70-13-E-00018	213,725	
Taylor Highway - Federal Lands Access Programs	DOTPF		20.Unknown	AK DOT 250(1)	4,365	
Unstable Slope Management	DOTPF		20.Unknown	DTFH70-11-E-00067	43,038	
US Creek Road - Federal Lands Access Programs	DOTPF		20.Unknown	AK DOT 152055(1)	8,556	
Total For U.S. DEPARTMENT OF TRANSPORTATION					763,262,594	13,517,672
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION						
Employment Discrimination - State and Local Fair Employment Practices Agency	OG		30.002		204,755	
Total For EQUAL EMPLOYMENT OPPORTUNITY COMMISSION					204,755	-
GENERAL SERVICES ADMINISTRATION						
Donation of Federal Surplus Personal Property	DOA		39.003		6,557,529	
Total For GENERAL SERVICES ADMINISTRATION					6,557,529	-
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION						
Science	UofA		43.001		15,207	
Space Operations	UofA		43.007		84,228	
Total For NATIONAL AERONAUTICS AND SPACE ADMINISTRATION					99,435	-
INSTITUTE OF MUSEUM AND LIBRARY SERVICES						
Museums for America	DEED		45.301	17357	5,998	
Museums for America	UofA		45.301		32,226	
Grants to States	DEED		45.310	17336	922,053	586,112
Grants to States	UofA		45.310	41432	(373)	
Grants to States	UofA		45.310	550407	282,273	
Grants to States	UofA		45.310	13-0002-13	23,349	

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Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Grants to States	UofA		45.310	15-157-122	22,954	
Grants to States	UofA		45.310	15-157-123	14,464	
Total For INSTITUTE OF MUSEUM AND LIBRARY SERVICES					1,302,944	586,112
NATIONAL ENDOWMENT FOR THE ARTS						
Promotion of the Arts_Partnership Agreements	DEED		45.025	17335	637,177	286,411
Promotion of the Arts_Partnership Agreements	UofA		45.025	FY14CAD0015	750	
Promotion of the Humanities_Division of Preservation and Access	UofA		45.149		130	
Total For NATIONAL ENDOWMENT FOR THE ARTS					638,057	286,411
SMALL BUSINESS ADMINISTRATION						
8(a) Business Development Program	UofA		59.006		17,815	
Small Business Development Centers	UofA		59.037		415,469	
Federal and State Technology Partnership Program	UofA		59.058		61,855	
Total For SMALL BUSINESS ADMINISTRATION					495,139	-
U.S. DEPARTMENT OF VETERANS AFFAIRS						
Veterans Transportation Project	DMVA		64.035	34438	139,109	89,272
Veterans Housing_Guaranteed and Insured Loans	AHFC		64.114		4,197,268	
VHA-ORH Rural Provider Education: A collaborative Approach with the Area Health Education Centers	UofA		64.Unknown	G00009278	36,724	
Total For U.S. DEPARTMENT OF VETERANS AFFAIRS					4,373,101	89,272
ENVIRONMENTAL PROTECTION AGENCY						
Clean Water State Revolving Fund Cluster						
Capitalization Grants for Clean Water State Revolving Funds	DEC		66.458	CS-02000110	8,367	8,367
Capitalization Grants for Clean Water State Revolving Funds	DEC		66.458	CS-02000111	21,544	21,544
Capitalization Grants for Clean Water State Revolving Funds	DEC		66.458	CS-02000112	1,770,054	1,736,990
Capitalization Grants for Clean Water State Revolving Funds	DEC		66.458	CS-02000113	1,779,357	1,679,906
Capitalization Grants for Clean Water State Revolving Funds	DEC		66.458	CS-02000114	6,930,957	6,496,458
Total for Clean Water State Revolving Fund Cluster					10,510,279	9,943,265
Drinking Water State Revolving Fund Cluster						
Capitalization Grants for Drinking Water State Revolving Funds	DEC		66.468	FS-98005810	1,361,100	1,361,100
Capitalization Grants for Drinking Water State Revolving Funds	DEC		66.468	FS-98005811	7,122	7,122
Capitalization Grants for Drinking Water State Revolving Funds	DEC		66.468	FS-98005812	66,210	66,210
Capitalization Grants for Drinking Water State Revolving Funds	DEC		66.468	FS-98005813	3,422,693	2,618,874
Capitalization Grants for Drinking Water State Revolving Funds	DEC		66.468	FS-98005814	5,646,176	4,334,050
Total for Drinking Water State Revolving Fund Cluster					10,503,301	8,387,356
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	DEC		66.034		206,267	36,846
Congressionally Mandated Projects	DCCED		66.202	XP00J76501	1,371,545	82,959
Congressionally Mandated Projects	DEC		66.202		9,497,022	1,521,819
Water Pollution Control State, Interstate, and Tribal Program Support	DEC		66.419		258,080	
State Public Water System Supervision	DEC		66.432		2,372,462	
State Underground Water Source Protection	DOA		66.433	G00J693020	128,000	
Water Quality Management Planning	DEC		66.454		106,684	
Regional Wetland Program Development Grants	DEC		66.461		60,960	
Beach Monitoring and Notification Program Implementation Grants	DEC		66.472		178,500	121,012
Performance Partnership Grants	DEC		66.605		4,366,048	222,561
Environmental Information Exchange Network Grant Program and Related Assistance	DEC		66.608		29,602	
Pollution Prevention Grants Program	DEC		66.708		90,994	
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	DEC		66.802		104,768	
Underground Storage Tank Prevention, Detection and Compliance Program	DEC		66.804		288,782	
Leaking Underground Storage Tank Trust Fund Corrective Action Program	DEC		66.805		470,553	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
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Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Superfund State and Indian Tribe Core Program Cooperative Agreements	DEC		66.809		112,500	
State and Tribal Response Program Grants	DEC		66.817		856,801	
LUST Trust Cost Recovery	DEC		66.Unknown	LUST Trust Cost Recovery	309,454	
Remote Sensing Tests with Oil in Ice (Pass-through Prince William Sound Science	UofA		66.Unknown	G00009278	17,782	
Total For ENVIRONMENTAL PROTECTION AGENCY					41,840,384	20,315,818
U.S. DEPARTMENT OF ENERGY						
State Energy Program	AEA		81.041	DE-EE0004057	340,479	
State Energy Program	AHFC		81.041		109,947	
Weatherization Assistance for Low-Income Persons	AHFC		81.042		1,275,192	1,178,678
Renewable Energy Research and Development	AEA		81.087	DE-FG36-05GO85038	69,856	
ARRA-Stewardship Science Grant Program (Pass-through from Western Governor's Association)	DFG	ARRA	81.112	30-232-AK	590	
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance (Pass-through from Washington State	AEA		81.117	DE-EE0006283	25,569	
State Energy Program Special Projects	AHFC		81.119		190,079	
ARRA-Electricity Delivery and Energy Reliability, Research, Development and Amchitka Oversight Monitoring	DCCED	ARRA	81.122	DE-OE0000170	123,094	
	DEC		81.Unknown	DE-LM0000402	71,920	
Total For U.S. DEPARTMENT OF ENERGY					2,206,726	1,178,678
U.S. DEPARTMENT OF EDUCATION						
Special Education Cluster (IDEA)						
Special Education_Grants to States	DEED		84.027	17232	37,318,914	34,264,056
Special Education_Grants to States	DHSS		84.027		170,000	
Special Education_Preschool Grants	DEED		84.173	17242	1,366,068	1,084,521
Special Education_Preschool Grants	DHSS		84.173		100,000	
Total for Special Education Cluster (IDEA)					38,954,982	35,348,577
Student Financial Assistance Programs Cluster						
Federal Supplemental Educational Opportunity Grants	UofA		84.007		593,909	
Federal Work-Study Program	UofA		84.033		566,264	
Federal Pell Grant Program	DLWD		84.063	815	330,820	
Federal Pell Grant Program	UofA		84.063		23,923,311	
Federal Direct Student Loans	DLWD		84.268	837/87465	295,401	
Federal Direct Student Loans	UofA		84.268		62,008,741	
Teacher Education Assistance for College and Higher Education Grants (TEACH	UofA		84.379		51,170	
Postsecondary Education Scholarships for Veteran's Dependents	UofA		84.408		2,149	
Total for Student Financial Assistance Programs Cluster					87,771,765	-
School Improvement Grants Cluster						
School Improvement Grants	DEED		84.377	17165	192,858	121,631
Total for School Improvement Grants Cluster					192,858	121,631
TRIO Cluster						
TRIO_Student Support Services	UofA		84.042		459,748	
TRIO_Talent Search	UofA		84.044		330,912	
TRIO_Upward Bound	UofA		84.047		694,442	75,091
TRIO_Educational Opportunity Centers	UofA		84.066		229,677	
Total for TRIO Cluster					1,714,779	75,091
Adult Education - Basic Grants to States	UofA		84.002	755600	53,118	
Adult Education - Basic Grants to States	UofA		84.002	755601	31,656	
Adult Education - Basic Grants to States	UofA		84.002	755602	24,476	
Adult Education - Basic Grants to States	UofA		84.002	755603	35,849	
Adult Education - Basic Grants to States	DLWD		84.002	813 RS755604; EN 755600, 755601, 755602, 755603	992,288	641,025
Title I Grants to Local Educational Agencies	DEED		84.010	17126	43,842,842	43,426,836
Migrant Education_State Grant Program	DEED		84.011	17127	8,413,295	7,727,341

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Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Title I State Agency Program for Neglected and Delinquent Children and Youth	DEED		84.013	17129	301,865	299,498
Title I State Agency Program for Neglected and Delinquent Children and Youth	UofA		84.013		265,598	
Higher Education_Institutional Aid	UofA		84.031		7,876,323	
Federal Family Education Loans (Lenders)	ASLC		84.032L		(3,638,141)	
Impact Aid	DEED		84.041	17238	43,049,659	
Career and Technical Education - Basic Grants to States	DEED		84.048	17244	4,793,514	3,454,323
Career and Technical Education - Basic Grants to States	UofA		84.048	550080	149,101	22,972
Career and Technical Education - Basic Grants to States	UofA		84.048	550081	36,223	
Career and Technical Education - Basic Grants to States	UofA		84.048	550082	132,296	
Career and Technical Education - Basic Grants to States	UofA		84.048	550093	122,729	
Indian Education_Grants to Local Educational Agencies	DEED		84.060	17372	134,174	134,174
Career and Technical Education - Grants to Native Americans and Alaska Natives (Pass-through Cook Inlet Tribal Council)	UofA		84.101	04/25/2014	79,191	
Rehabilitation Services_Vocational Rehabilitation Grants to States	DLWD		84.126	819	11,168,943	133,977
Rehabilitation Services_Client Assistance Program	DEED		84.161	17152	132,426	
Independent Living_State Grants	DLWD		84.169	823	229,590	291,124
Rehabilitation Services_Independent Living Services for Older Individuals Who are	DLWD		84.177	827	222,017	213,844
Special Education-Grants for Infants and Families	DHSS		84.181		2,094,685	1,240,046
Safe and Drug-Free Schools and Communities_National Programs	DEED		84.184	17220	7,103	
Supported Employment Services for Individuals with the Most Significant Disabilities	DLWD		84.187	830	294,980	
Education for Homeless Children and Youth	DEED		84.196	17257	123,232	99,013
Assistive Technology	DLWD		84.224	834	286,160	281,662
Rehabilitation Training_State Vocational Rehabilitation Unit In-Service Training	DLWD		84.265	836	17,506	
Twenty-First Century Community Learning Centers	DEED		84.287	17271	5,666,678	5,485,768
Indian Education_Special Programs for Indian Children	UofA		84.299		77,011	
Special Education - State Personnel Development	DEED		84.323	17159	537,672	172,356
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	DEED		84.330	17122	22,506	
Alaska Native Educational Programs	UofA		84.356		2,577,974	
Alaska Native Educational Programs (Pass-through Alaska Humanities Forum)	UofA		84.356	05/04/2012	1,857	
Alaska Native Educational Programs (Pass-through Project GRAD Kenai Peninsula)	UofA		84.356	13&14 MOA	18,532	
Rural Education	DEED		84.358	17373	131,586	95,483
English Language Acquisition State Grants	DEED		84.365	17175	1,325,199	1,183,260
English Language Acquisition State Grants	UofA		84.365		284,060	
Mathematics and Science Partnerships	DEED		84.366	17252	697,281	680,798
Improving Teacher Quality State Grants	DEED		84.367	17172	11,506,502	11,039,683
Improving Teacher Quality State Grants (Pass-through National Writing Project	UofA		84.367	SEED2014	1,517	
Grants for State Assessments and Related Activities	DEED		84.369	17171	3,886,408	
Statewide Longitudinal Data Systems	DEED		84.372	17274	1,820,269	
College Access Challenge Grant Program	ACPE		84.378A		1,542,330	
Strengthening Minority-Serving Institutions	UofA		84.382		271,917	
Transition Programs for Students with Intellectual Disabilities into Higher Education	UofA		84.407		350,595	
Investing in Innovation (i3) Fund	UofA		84.411		3,426,976	1,714,459
Consolidated Programs IASA Admin	DEED		84.Unknown	17300	592,189	
Total For U.S. DEPARTMENT OF EDUCATION					284,646,141	113,882,941
NATIONAL ARCHIVES AND RECORDS ADMINISTRATION						
National Historical Publications and Records Grants	DEED		89.003	17141	8,888	
Total For NATIONAL ARCHIVES AND RECORDS ADMINISTRATION					8,888	-
DENALI COMMISSION						
Denali Commission Program	AEA		90.100	366	4,223,616	3,519,539
Denali Commission Program	DLWD		90.100	842	14,900	
Denali Commission Program	UofA		90.100	EN 746114	(3,500)	
Denali Commission Program	UofA		90.100		98,769	

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Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Denali Commission Program	DOTPF		90.100		502,409	
Total For DENALI COMMISSION					4,836,194	3,519,539
ELECTION ASSISTANCE COMMISSION						
Help America Vote Act Requirements Payments	OG		90.401		680,535	
Total For ELECTION ASSISTANCE COMMISSION					680,535	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Aging Cluster						
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	DHSS		93.044		1,808,450	1,583,554
Special Programs for the Aging - Title III, Part C - Nutrition Services	DHSS		93.045		3,247,955	2,624,292
Nutrition Services Incentive Program	DHSS		93.053		561,825	
Total for Aging Cluster					5,618,230	4,207,846
Child Care and Development Fund Cluster						
Child Care and Development Block Grant	DHSS		93.575		12,479,039	6,890,017
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	DHSS		93.596		7,940,167	
Total for Child Care and Development Fund Cluster					20,419,206	6,890,017
Health Centers Cluster						
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	DHSS		93.224		204,349	
Total for Health Centers Cluster					204,349	-
Medicaid Cluster						
State Medicaid Fraud Control Units	LAW		93.775		914,216	
State Survey and Certification of Health Care Providers and Suppliers (Title XV/III)	DHSS		93.777		412,949	
Medical Assistance Program	DHSS		93.778		882,418,613	
Total for Medicaid Cluster					883,745,778	-
TANF Cluster						
Temporary Assistance for Needy Families	DHSS		93.558		40,281,078	
Total for TANF Cluster					40,281,078	-
Special Programs for the Aging - Title VII, Chapter 3- Programs for Prevention of Elder Abuse, Neglect, and Exploitation	DHSS		93.041		23,832	
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	DHSS		93.042		79,315	
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	DHSS		93.043		91,232	91,232
Special Programs for the Aging - Title IV and Title II - Discretionary Projects	DHSS		93.048		326,174	137,515
National Family Caregiver Support, Title III, Part E	DHSS		93.052		805,152	735,703
Public Health Emergency Preparedness	DHSS		93.069		3,808,385	555,909
Medicare Enrollment Assistance Program	DHSS		93.071		41,381	22,264
Birth Defects and Developmental Disabilities - Prevention and Surveillance	UofA		93.073		362,963	
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	DHSS		93.079		61,023	
Guardianship Assistance	DHSS		93.090		265,415	
Affordable Care Act (ACA) Personal Responsibility Education Program	DHSS		93.092		217,653	
Food and Drug Administration-Research	DEC		93.103		642,213	
Area Health Education Centers Point of Service Maintenance and Enhancement	UofA		93.107		788,566	646,814
Area Health Education Centers Point of Service Maintenance and Enhancement Awards (Pass-through University of Connecticut Health Center)	UofA		93.107	UCHC6-57130818	2,934	
Maternal and Child Health Federal Consolidated Programs	DHSS		93.110		370,113	
Maternal and Child Health Federal Consolidated Programs	UofA		93.110		487,400	23,120
Environmental Health	UofA		93.113		365,384	147,948

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Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	DHSS		93.116		565,229	
Emergency Medical Services for Children	DHSS		93.127		326,963	
Injury Prevention and Control Research and State and Community Based Programs	DHSS		93.136		369,837	141,666
Projects for Assistance in Transition from Homelessness (PATH)	DHSS		93.150		300,000	300,000
Rural Health Research Centers	DHSS		93.155		27,523	
Grants to States for Loan Repayment Program	DHSS		93.165		391,687	
Disabilities Prevention	DHSS		93.184		328,499	
Urban Indian Health Services	DHSS		93.193		2,104	
Tribal Self-Governance Program: IHS Compacts/Funding Agreements (Pass-through from ANTHC)	DEC		93.210	MOU dated 05/09/2006	5,217,751	
Family Planning_Services	DHSS		93.217		599,622	127,540
Traumatic Brain Injury State Demonstration Grant Program	DHSS		93.234		127,373	79,401
Grants to States to Support Oral Health Workforce Activities	DHSS		93.236		182,248	
State Capacity Building	DHSS		93.240		417,723	
State Rural Hospital Flexibility Program	DHSS		93.241		509,865	252,206
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	DEED		93.243	17370	243,132	45,048
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	UofA		93.243		13,084	
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	DHSS		93.243		3,660,415	2,478,160
Substance Abuse and Mental Health Services_Projects of Regional and National Significance (Pass-through Northwest Indian College)	UofA		93.243	24218	144,587	
Universal Newborn Hearing Screening	DHSS		93.251		256,991	35,000
Immunization Cooperative Agreements	DHSS		93.268		14,098,327	
Adult Viral Hepatitis Prevention and Control	DHSS		93.270		86,586	
Centers for Disease Control and Prevention_Investigations and Technical Assistance	DHSS		93.283		156,933	
Centers for Disease Control and Prevention_Investigations and Technical Assistance	DHSS		93.283		4,249,636	
Teenage Pregnancy Prevention Program	DHSS		93.297		702,528	308,252
Small Rural Hospital Improvement Grant Program	DHSS		93.301		126,619	
National State Based Tobacco Control Programs	DHSS		93.305		152,101	
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	DHSS		93.323		562,047	
State Health Insurance Assistance Program	DHSS		93.324		238,901	35,500
Behavioral Risk Factor Surveillance System	DHSS		93.336		14,871	
Advanced Education Nursing Traineeships	UofA		93.358		326,015	
ACL Independent Living State Grants	DLWD		93.369	823	77,331	12,173
ACL Assistive Technology	DLWD		93.464	834	130,783	128,238
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting	DHSS		93.505		1,048,016	
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting	UofA		93.505	651587	18,275	
ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers	DHSS		93.506		5,359	
PPHF National Public Health Improvement Initiative	DHSS		93.507		123,094	
Affordable Care Act (ACA) Public Health Training Centers Program (Pass-through University of Washington)	UofA		93.516	UWSC8209	19,471	
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC)and Emerging Infections Program (EIP) Cooperative Agreement; PPHF	DHSS		93.521		1,052,438	
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	DHSS		93.539		276,598	
Promoting Safe and Stable Families	DHSS		93.556		348,022	303,755
Child Support Enforcement	DOR		93.563		20,211,762	
Low-Income Home Energy Assistance	DHSS		93.568		10,875,508	
Community Services Block Grant	DCCED		93.569	G13B1AKCOSR, G14B1AKCOSR, G15B1AKCOSR	2,444,465	2,106,500

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Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
State Court Improvement Program	COURT		93.586	1301 AKSCIP	38,036	
State Court Improvement Program	COURT		93.586	1301AKSCID	4,759	
State Court Improvement Program	COURT		93.586	1301AKSCIT	52,345	
State Court Improvement Program	COURT		93.586	1401AKSCID	57,506	
State Court Improvement Program	COURT		93.586	1401AKSCIP	52,411	
State Court Improvement Program	COURT		93.586	1401AKSCIT	64,749	
Community-Based Child Abuse Prevention Grants	DHSS		93.590		414,771	
Grants to States for Access and Visitation Programs	COURT		93.597	1302AKSAVP	1,500	
Grants to States for Access and Visitation Programs	COURT		93.597	1401AKSAVP	49,885	
Chafee Education and Training Vouchers Program (ETV)	DHSS		93.599		208,224	
Head Start	DEED		93.600	17330	84,996	
Adoption and Legal Guardianship Incentive Payments	DHSS		93.603		344,715	
Voting Access for Individuals with Disabilities_Grants to States	OG		93.617		81,600	
Developmental Disabilities Basic Support and Advocacy Grants	DHSS		93.630		393,371	
Developmental Disabilities Projects of National Significance	DHSS		93.631		349,129	
Children's Justice Grants to States	DHSS		93.643		99,358	
Stephanie Tubbs Jones Child Welfare Services Program	DHSS		93.645		96,200	97,500
Foster Care - Title IV-E	DHSS		93.658		20,396,405	
Adoption Assistance	DHSS		93.659		13,272,063	
Social Services Block Grant	DHSS		93.667		8,156,677	573,851
Child Abuse and Neglect State Grants	DHSS		93.669		51,545	
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	DPS		93.671		962,537	957,000
Chafee Foster Care Independence Program	DHSS		93.674		690,208	436,570
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by the Prevention and Public Health Fund (PPHF)	DHSS		93.733		640,698	
State Public Health Approaches for Ensuring Quitline Capacity – Funded in part by Prevention and Public Health Funds (PPHF)	DHSS		93.735		42,228	
PPHF: Health Care Surveillance/Health Statistics-Surveillance Program	DHSS		93.745		194,841	
Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Funds (PPHF)						
Elder Abuse Prevention Interventions Program	DHSS		93.747		356,421	
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	DHSS		93.757		665,968	
Children's Health Insurance Program	DHSS		93.767		16,158,784	
Medicare_Hospital Insurance	DHSS		93.773		1,125,082	
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	DHSS		93.779		20,354	85,000
Alternatives to Psychiatric Residential Treatment Facilities for Children	DHSS		93.789		58,570	
Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	DHSS		93.815		21,612	
Area Health Education Centers Infrastructure Development Awards	UofA		93.824		39,679	29,621
National Bioterrorism Hospital Preparedness Program	DHSS		93.889		782,835	
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	DHSS		93.912		212,293	132,460
Grants to States for Operation of Offices of Rural Health	DHSS		93.913		161,751	
HIV Care Formula Grants	DHSS		93.917		2,002,266	933,346
Healthy Start Initiative	DHSS		93.926		419,726	303,456
Demonstration Projects for Indian Health (Pass-through Alaska Native Tribal Health Consortium)	UofA		93.933	34569 YR4	119,362	26,916
HIV Prevention Activities_Health Department Based	DHSS		93.940		894,370	286,888
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	DHSS		93.944		144,781	
Assistance Programs for Chronic Disease Prevention and Control	DHSS		93.945		142,320	
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	DHSS		93.946		127,508	
Block Grants for Community Mental Health Services	DHSS		93.958		863,470	804,006

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Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Block Grants for Prevention and Treatment of Substance Abuse	DHSS		93.959		4,792,730	4,367,852
Preventive Health Services_Sexually Transmitted Diseases Control Grants	DHSS		93.977		430,835	
Preventive Health and Health Services Block Grant	DHSS		93.991		479,702	
Maternal and Child Health Services Block Grant to the States	DHSS		93.994		1,201,888	21,000
Adult Lead Surveillance Data	DHSS		93.Unknown	030178D4D-CDC	183,725	
FDA Food Inspections	DEC		93.Unknown	HHSF223201310149C	735,336	
Mammography Inspection	DHSS		93.Unknown	223-03-4401	108,339	
NCHS Contract	DHSS		93.Unknown	200-2000-07201	101,290	
NIOSH Center for Disease Control & Prevention	DHSS		93.Unknown	214-2008-M-26751	25,000	
NIOSH Trauma Register	DHSS		93.Unknown	243-03-1045	25,000	
Outreach in the Last Frontier, Year 3 (Pass-through University of Washington)	UofA		93.Unknown	G00008739	29,272	
US Consumer Product Safety Commission	DHSS		93.Unknown	431013045	1,620	
Total For U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					1,109,270,741	28,867,273
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE						
State Commissions	DCCED		94.003	13CAHAK001	194,753	14,029
AmeriCorps	DCCED		94.006	10ACHAK001, 12FXHAK002, 12ESHAK001, 13ACHAK001	951,128	951,128
Volunteers in Service to America	UofA		94.013		17,641	
Total For CORPORATION FOR NATIONAL AND COMMUNITY SERVICE					1,163,522	965,157
SOCIAL SECURITY ADMINISTRATION						
Disability Insurance/SSI Cluster						
Social Security-Disability Insurance	DLWD		96.001	844	4,801,112	
Supplemental Security Income	DLWD		96.006	845	939,216	
Total for Disability Insurance/SSI Cluster					5,740,328	-
Social Security - Work Incentives Planning and Assistance Program	DLWD		96.008	846	94,100	
Social Security - Work Incentives Planning and Assistance Program	UofA		96.008		81,071	
Incentive Payment Agreement (IPMOU) between SSA and DOC	DOC		96.Unknown	IPMOU	78,800	
Total For SOCIAL SECURITY ADMINISTRATION					5,994,299	-
U.S. DEPARTMENT OF HOMELAND SECURITY						
Boating Safety Financial Assistance	DNR		97.012		970,583	
State Access to the Oil Spill Liability Trust Fund	DNR		97.013		2,613	
Community Assistance Program State Support Services Element (CAP-SSSE)	DCCED		97.023	EMS-2014-CA-0001	161,050	26,098
Emergency Management Institute Training Assistance	DMVA		97.026	34052	4,972	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	DMVA		97.036	35036	14,263,873	11,494,389
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	ARRC		97.036	4094-DR-AK	43,308	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	DOTPF		97.036		633,242	
Hazard Mitigation Grant	DMVA		97.039	35039	6,404,804	
National Dam Safety Program	DNR		97.041		49,203	
Emergency Management Performance Grants	DMVA		97.042	35915	3,047,426	766,541
State Fire Training Systems Grants	DPS		97.043		19,186	
Assistance to Firefighters Grant	DPS		97.044		434,680	
Cooperating Technical Partners	DCCED		97.045	EMS-2013-CA-0009, EMW-2014-CA-00182	84,266	
Fire Management Assistance Grant	DNR		97.046		5,375,728	
Pre-Disaster Mitigation	DMVA		97.047	34064	582,070	
Pre-Disaster Mitigation	ARRC		97.047	12PDM-GR34055	324,745	
Port Security Grant Program	ARRC		97.056	EMW-2011-PU-00291-S01	236,533	
Port Security Grant Program	ARRC		97.056	EMW-2013-PU-00508	11,922	
Port Security Grant Program	ARRC		97.056	EMW-2013-PU-00510	11,922	
Port Security Grant Program	ARRC		97.056	EMW-2013-PU-00514	26,186	
Port Security Grant Program	ARRC		97.056	EMW-2014-PU-00108	839	
Homeland Security Grant Program	DMVA		97.067	34050	2,510,685	1,667,224
Homeland Security Grant Program	ARRC		97.067	RSA-942039	5,320	
Homeland Security Grant Program	DOTPF		97.067		378,803	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
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Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Driver's License Security Grant Program	DOA		97.089	EMW2011DL0036S01	40,000	
Miscellaneous Homeland Security - M/V Selendang Oil Spill Response	DFG		97.Unknown	FPNJ05003	1,926	
National Explosives Detection Canine Team Program	DOTPF		97.Unknown	BAC-000S(511)	60,444	
U.S. Coast Guard Oversight - Juneau	DEC		97.Unknown	HSCG8713NPXA503	33,755	
U.S. Coast Guard Oversight - Kodiak	DEC		97.Unknown	HSCG8714QPXAS12	4,239	
Total For U.S. DEPARTMENT OF HOMELAND SECURITY					35,724,323	13,954,252

R&D Cluster for U.S. DEPARTMENT OF AGRICULTURE

Plant and Animal Disease, Pest Control, and Animal Care	UofA		10.025		5,801	
Cooperative Forestry Research	UofA		10.202		622,456	
Payments to Agricultural Experiment Stations Under the Hatch Act	UofA		10.203		1,265,686	
Sustainable Agriculture Research and Education (Pass-through Utah State University)	UofA		10.215	120833030	7,074	
Sustainable Agriculture Research and Education (Pass-through Utah State University)	UofA		10.215	120833033	17,480	
1890 Institution Capacity Building Grants	UofA		10.216		13,057	
Higher Education - Institution Challenge Grants Program (Pass-through Purdue)	UofA		10.217	8000064676	22,681	
Alaska Native Serving and Native Hawaiian Serving Institutions Education Grants	UofA		10.228		103,029	17,689
Agriculture and Food Research Initiative (AFRI)	UofA		10.310		223,282	
Agriculture and Food Research Initiative (AFRI) (Pass-through Desert Research)	UofA		10.310	626.5501.03	8,657	
Agriculture and Food Research Initiative (AFRI) (Pass-through University of Hawaii)	UofA		10.310	6102193	3,528	
Agriculture and Food Research Initiative (AFRI) (Pass-through University of Hawaii)	UofA		10.310	MA110010	657,380	42,990
Technical Assistance for Specialty Crops Program	UofA		10.604		266	
Forestry Research	UofA		10.652		23,575	
Forest Health Protection	UofA		10.680		112,623	
Soil Survey	UofA		10.903		47,768	
A characterization of the specialty wood products market in Southeast Alaska	UofA		10.Unknown	G00008916	26,312	
AKEPIC Upgrades	UofA		10.Unknown	G00009667	14,985	
Chukchi Sea SHELFZ CTD Data Processing and Analysis	UofA		10.Unknown	G00009253	533	
Determining the Magnitude and Socia	UofA		10.Unknown	G00008908	44,146	
Flux and fate of carbon in terrestrial and aquatic ecosystem at the ocean margin of the Alaskan perhumid coastal temperate rainforest	UofA		10.Unknown	G00008893	78,441	
Proposed Project Review and Analysis (Pass-through NatureServe)	UofA		10.Unknown	G00009458	11,730	
Review and Upload of Forest Inventory & Analysis Records to AKEPIC Database	UofA		10.Unknown	G00009681	4,997	
Soil Contributions Watershed Functions: Soil Hydrology and Biogeochemistry	UofA		10.Unknown	G00005873	10,050	
Tongass Rare Plant Species Assessment	UofA		10.Unknown	G00009709	20,242	
Where Culture & Ecology Meet: Merging Key Cultural Functions, Plants & Animals, Habitat Ecology in SEAK	UofA		10.Unknown	G00008170	3,010	
Total for R&D Cluster for U.S. DEPARTMENT OF AGRICULTURE					3,348,789	60,679

R&D Cluster for U.S. DEPARTMENT OF COMMERCE

NOAA Mission-Related Education Awards	UofA		11.008		68,911	
Ocean Exploration	UofA		11.011		55,791	
Integrated Ocean Observing System (IOOS)	UofA		11.012		90,356	
Integrated Ocean Observing System (IOOS) (Pass-through AK Ocean Observing)	UofA		11.012	H2300-50	2,851	
Integrated Ocean Observing System (IOOS) (Pass-through AK Ocean Observing)	UofA		11.012	H2300-51	126,992	
Integrated Ocean Observing System (IOOS) (Pass-through AK Ocean Observing)	UofA		11.012	H2300-52	108,454	
Integrated Ocean Observing System (IOOS) (Pass-through AK Ocean Observing)	UofA		11.012	H2300-59	89,822	
Integrated Ocean Observing System (IOOS) (Pass-through AK Ocean Observing)	UofA		11.012	H2300-64	122,002	
Integrated Ocean Observing System (IOOS) (Pass-through AK Ocean Observing)	UofA		11.012	H2300-65	11,016	
Integrated Ocean Observing System (IOOS) (Pass-through AK Ocean Observing)	UofA		11.012	H2300-66	11,359	
Integrated Ocean Observing System (IOOS) (Pass-through University of Washington)	UofA		11.012	758303	18,922	
Sea Grant Support	UofA		11.417		956,713	177,778
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	UofA		11.427		59,055	
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program (Pass-through University of Minnesota)	UofA		11.427	H003990004	14,824	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
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Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Undersea Research	UofA		11.430		188,248	120,375
Climate and Atmospheric Research	UofA		11.431		648,620	
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	UofA		11.432		1,814,120	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	UofA		11.438	1125959	30,687	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	UofA		11.438	1145953	61,638	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	UofA		11.438	1145955	87,629	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	UofA		11.438	1145956	7,271	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	UofA		11.438	1155952	14,411	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program (Pass-through Pacific States Marine Fisheries)	UofA		11.438	14-104	55,180	
Marine Mammal Data Program	UofA		11.439		356,636	
Special Oceanic and Atmospheric Projects	UofA		11.460		248,808	
Unallied Science Program	UofA		11.472	Project G85	88,819	
Unallied Science Program	UofA		11.472		109,420	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1008	(8,300)	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1008B	18,492	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1012	9,331	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1106B	7,776	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1201	(945)	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1206	16,049	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1215	852	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1219	58,974	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1221	23,408	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1227	7,672	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1229	1,337	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1302	38,992	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1303	67,348	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1307	41,468	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1309	67,507	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1316	27,310	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1323	84,397	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1409	91	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1410	25,146	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1415	48,552	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1420	44,476	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1421	24,102	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1426	19,310	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1427	137,574	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project G81	27,059	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project G83	(984)	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project G84	137,710	
Unallied Science Program (Pass-through Prince William Sound Science Center)	UofA		11.472	12-81-03	62,243	
Unallied Science Program (Pass-through Prince William Sound Science Center)	UofA		11.472	12-81-06	73,291	4,686
Unallied Science Program (Pass-through Prince William Sound Science Center)	UofA		11.472	12-81-07	68,149	
Office for Coastal Management (Pass-through Alaska Ocean Observing System)	UofA		11.473	H2301-51	(638)	
NOAA Programs for Disaster Relief Appropriations Act - Non-construction and	UofA		11.483		1,149,341	12,322
ARRA-State Broadband Data and Development Grant Program (Pass-through Connected National Inc.)	UofA	ARRA	11.558	M09071	59,201	
Total for R&D Cluster for U.S. DEPARTMENT OF COMMERCE					7,784,846	315,161
R&D Cluster for U.S. DEPARTMENT OF DEFENSE						
Protection, Clearing and Straightening Channels	UofA		12.109		96,744	
Basic and Applied Scientific Research	UofA		12.300		280,821	
Basic and Applied Scientific Research (Pass-through Woods Hole Oceanographic Institution)	UofA		12.300	A101021	115,245	
Invitational Grants for Military-Connected Schools (Pass-through Anchorage School	UofA		12.557	11-1401	12,659	
Basic, Applied, and Advanced Research in Science and Engineering	UofA		12.630		439,537	52,453
Air Force Defense Research Sciences Program	UofA		12.800		3,933,164	

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Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Research and Technology Development (Pass-through University of Florida)	UofA		12.910	1205022	5,834	
Human Lifting Simulation Using New Predictive Dynamics Code (Pass-through University of Iowa)	UofA		12.Unknown	G00009691	19,398	
Identifying Mechanisms of State Change and Forecasting Future Vulnerability (Pass-through University of Florida)	UofA		12.Unknown	G00007315	185,298	
Lead and Antimony Speciation in Shooting Range Soils: Molecular Scale Analysis, Temporal Trends and Mobility	UofA		12.Unknown	G00006854	186,346	
Stickleback Biomarkers of Aquatic Pollution in Ship Creek, Alaska (Pass-through Land Grant Trust)	UofA		12.Unknown	G00008157	5,952	
Total for R&D Cluster for U.S. DEPARTMENT OF DEFENSE					5,280,998	52,453
R&D Cluster for U.S. DEPARTMENT OF THE INTERIOR						
Cultural Resource Management	UofA		15.224		19,619	
Recreation Resource Management	UofA		15.225		508,420	
Invasive and Noxious Plant Management	UofA		15.230		23,004	
Fish, Wildlife and Plant Conservation Resource Management	UofA		15.231		947,083	
Wildland Fire Research and Studies Program	UofA		15.232		205,102	
Environmental Quality and Protection Resource Management	UofA		15.236		178,792	
Rangeland Resource Management	UofA		15.237		8,088	
Alaska Coastal Marine Institute	UofA		15.421		2,253,423	252,510
Alaska Coastal Marine Institute (Pass-through University of Texas at Austin)	UofA		15.421	UTA12-000603	3,510	
Bureau of Ocean Energy Management (BOEM) Environmental Studies Program (ESP)	UofA		15.423		1,391,481	24,942
Bureau of Ocean Energy Management (BOEM) Environmental Studies Program (ESP) (Pass-through University of Texas-Austin)	UofA		15.423	UTA11-000873	35,417	
Bureau of Ocean Energy Management (BOEM) Environmental Studies Program (ESP) (Pass-through University of Texas-Austin)	UofA		15.423	UTA11-000973	58,807	
Fish and Wildlife Management Assistance	UofA		15.608		54,329	
Fish and Wildlife Management Assistance (Pass-through National Fish & Wildlife Foundation)	UofA		15.608	2100.12.030840	96,558	
Alaska Subsistence Management	UofA		15.636		80,858	
Service Training and Technical Assistance (Generic Training)	UofA		15.649		49,000	
Research Grants (Generic)	UofA		15.650		111,269	
Migratory Bird Monitoring, Assessment and Conservation	UofA		15.655		97,480	
National Fish and Wildlife Foundation	UofA		15.663		83,394	
Coastal Impact Assistance Program	UofA		15.668	821192	12,774	
Coastal Impact Assistance Program	UofA		15.668	830721	207,900	
Coastal Impact Assistance Program	UofA		15.668	831535	4,312	
Coastal Impact Assistance Program	UofA		15.668	1135209	37,848	
Coastal Impact Assistance Program	UofA		15.668	1850019	125,079	
Coastal Impact Assistance Program	UofA		15.668	830722	524,586	49,953
Cooperative Landscape Conservation	UofA		15.669		454,847	2,427
Adaptive Science	UofA		15.670		172,863	
Assistance to State Water Resources Research Institutes	UofA		15.805		82,728	12,269
Earthquake Hazards Research Grant	UofA		15.807		366,526	
U.S. Geological Survey_Research and Data Collection	UofA		15.808		1,671,479	
Cooperative Research Units Program	UofA		15.812		1,947,143	
National Geospatial Program: Building The National Map	UofA		15.817		105,027	
Volcano Hazards Program Research and Monitoring	UofA		15.818		527,109	
National Climate Change and Wildlife Science Center	UofA		15.820		50,659	
Cooperative Research and Training Programs_Resources of the National Park System	UofA		15.945		1,434,926	3,600
Consequences of a Changing Climate for Alaska's Boreal Forests (A Continuation of the Bonanza Creek Long-Term Ecological Research Program)	UofA		15.Unknown	G00007288	155,851	
Inventory, Identify and Database NPS Butterfly and Moth Specimens from the Kenelm Philip Lepidoptera Collection	UofA		15.Unknown	G00009423	24,675	
St. Matthews Island Invertebrates ID's	UofA		15.Unknown	G00009092	(1,722)	
USGS AVO Near-real time satellite support for volcano monitoring - Follow on order	UofA		15.Unknown	G00009562	37,494	
Total for R&D Cluster for U.S. DEPARTMENT OF THE INTERIOR					14,147,738	345,701

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Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
R&D Cluster for U.S. DEPARTMENT OF JUSTICE						
National Institute of Justice Research, Evaluation, and Development Project Grants	UofA		16.560		190,415	
Crime Victim Assistance/Discretionary Grants (Pass-through Alaska Immigration Justice Project)	UofA		16.582	GX-K023	37,168	
The Alaska Arctic Observatory & Knowledge Hub (AAOKH): A framework for integration of long-term environmental observations and knowledge sharing	UofA		16.Unknown	G00009912	1,515	
Total for R&D Cluster for U.S. DEPARTMENT OF JUSTICE					229,098	-
R&D Cluster for U.S. DEPARTMENT OF TRANSPORTATION						
Highway Research and Development Program	UofA		20.200	2558042	4,254	
Highway Research and Development Program	UofA		20.200		240,453	
University Transportation Centers Program	UofA		20.701		781,690	124,979
University Transportation Centers Program (Pass-through University of Washington)	UofA		20.701	739439	177,979	
Transportation Planning, Research and Education	UofA		20.931		318,301	
Transportation Planning, Research and Education (Pass-through University of Massachusetts Lowell)	UofA		20.931	21356	38,978	
Sustainable Geotechnical Asset Management Along the Transportation Infrastructure Environment Using Remote Sensing (Pass-through Michigan Technological University)	UofA		20.Unknown	G00009281	44,419	
UAF Support for FHWA Efforts in Assessing Impacts of Climate Change on Transportation in Alaska	UofA		20.Unknown	G00009050	20,805	
Total for R&D Cluster for U.S. DEPARTMENT OF TRANSPORTATION					1,626,879	124,979
R&D Cluster for NATIONAL AERONAUTICS AND SPACE ADMINISTRATION						
Science	UofA		43.001		12,637,397	231,229
Science (Pass-through Dartmouth College)	UofA		43.001	1460R123	63,643	
Science (Pass-through Jet Propulsion Laboratory)	UofA		43.001	1485171	109,360	
Science (Pass-through Prince William Sound Science Center)	UofA		43.001	10-65-10	(2,105)	
Science (Pass-through Southwest Research Institute)	UofA		43.001	F99009DB	17,992	
Science (Pass-through University of Maryland)	UofA		43.001	Z675801	16,560	
Science (Pass-through University of Pittsburgh)	UofA		43.001	0020157	14,183	
Science (Pass-through University of Texas Arlington)	UofA		43.001	2612013261	12,574	
Science (Pass-through University of Texas Austin)	UofA		43.001	000234	54,127	
Science (Pass-through Woods Hole Oceanographic Institution)	UofA		43.001	A101135	761	
Education	UofA		43.008		538,504	
International collaboration within ACE to improve predictive capabilities for Arctic Sea Ice (Pass-through Von Braun Center for Science & Innovation, Inc.)	UofA		43.Unknown	G00007719	2,475	
Total for R&D Cluster for NATIONAL AERONAUTICS AND SPACE ADMINISTRATION					13,465,471	231,229
R&D Cluster for NATIONAL SCIENCE FOUNDATION						
Engineering Grants	UofA		47.041		67,154	
Engineering Grants (Pass-through University of Kansas)	UofA		47.041	FY2013-029	51,627	
Mathematical and Physical Sciences	UofA		47.049		333,893	
Geosciences	UofA		47.050		19,623,854	
Geosciences (Pass-through Cornell University)	UofA		47.050	62144	13,688	
Geosciences (Pass-through Cornell University)	UofA		47.050	70413	17,119	
Geosciences (Pass-through Incorporated Research Institution for Seismology)	UofA		47.050	06-SAGE	503,479	231,202
Geosciences (Pass-through Research Foundation SUNY)	UofA		47.050	R890450	39,378	
Geosciences (Pass-through Rutgers University)	UofA		47.050	S1409651	27,864	
Geosciences (Pass-through SRI International)	UofA		47.050	000221	444,576	
Geosciences (Pass-through University of Hawaii)	UofA		47.050	MA140020	11,837	
Geosciences (Pass-through University of Illinois at Champaign)	UofA		47.050	06510-01	37,174	
Geosciences (Pass-through University of Southern California)	UofA		47.050	149701	286,131	
Geosciences (Pass-through University of Southern California)	UofA		47.050	158854	3,055	
Geosciences (Pass-through University of Southern California)	UofA		47.050	53896469	14,711	
Geosciences (Pass-through University of Washington)	UofA		47.050	740876	7,284	

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Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Geosciences (Pass-through Utah Valley University)	UofA		47.050	Sub grant	(128)	
Computer and Information Science and Engineering	UofA		47.070		33,758	
Computer and Information Science and Engineering (Pass-through State University of	UofA		47.070	R875772	45,026	
Biological Sciences	UofA		47.074		2,390,561	42,509
Social, Behavioral, and Economic Sciences	UofA		47.075		192,654	
Education and Human Resources	UofA		47.076		2,270,280	181,836
Education and Human Resources (Pass-through Columbia University)	UofA		47.076	4(GG009026)	122,254	
Polar Programs	UofA		47.078		10,816,751	67,261
Polar Programs (Pass-through University of Maryland, UMCES)	UofA		47.078	075256790	9,414	
Polar Programs (Pass-through Woods Hole Oceanographic Institution)	UofA		47.078	A100869	10,188	
Office of International Science and Engineering	UofA		47.079		237,952	
Office of Cyberinfrastructure	UofA		47.080		3,924,977	36,790
ARRA-Trans-NSF Recovery Act Research Support	UofA	ARRA	47.082		9,151,048	62,324
GeoNetwork Integration with DataONE (Pass-through University of New Mexico)	UofA		47.Unknown	G00009533	30,766	
NSF Intergovernmental Personnel Act Assignment: NSF Program Director for the	UofA		47.Unknown	G00007461	145,012	
Integrative Graduate Education and Research Traineeship (IGERT) Program						
Total for R&D Cluster for NATIONAL SCIENCE FOUNDATION					50,863,337	621,922
R&D Cluster for ENVIRONMENTAL PROTECTION AGENCY						
Water Pollution Control State, Interstate, and Tribal Program Support	UofA		66.419	RS 1850138	5,824	
Regional Wetland Program Development Grants (Pass-through State of Nevada)	UofA		66.461	DEP-S 12-039	(431)	
Science To Achieve Results (STAR) Research Program (Pass-through Arizona State	UofA		66.509	12-866	24,287	
University)						
Science To Achieve Results (STAR) Research Program (Pass-through University of	UofA		66.509	1000397392	27,123	
Colorado, Boulder)						
Science To Achieve Results (STAR) Fellowship Program	UofA		66.514		12,576	
Remote Sensing Tests with Oil in Ice (Pass-through Prince William Sound Science	UofA		66.Unknown	G00009318	104,177	
Total for R&D Cluster for ENVIRONMENTAL PROTECTION AGENCY					173,556	-
R&D Cluster for U.S. DEPARTMENT OF ENERGY						
Office of Science Financial Assistance Program	UofA		81.049		863,793	
Office of Science Financial Assistance Program (Pass-through Alliance for	UofA		81.049	40876-01	39,337	
Sustainable Energy)						
Office of Science Financial Assistance Program (Pass-through Battelle Oak Ridge	UofA		81.049	4000116073	947,096	
National Laboratory)						
Office of Science Financial Assistance Program (Pass-through Battelle Oak Ridge	UofA		81.049	4000118242	29,133	
National Laboratory)						
Office of Science Financial Assistance Program (Pass-through University of Illinois)	UofA		81.049	SC0006607	39,319	
Office of Scientific and Technical Information	UofA		81.064		11,325	
Conservation Research and Development	UofA		81.086		4,141	
Renewable Energy Research and Development	UofA		81.087		239,877	
Renewable Energy Research and Development (Pass-through Oregon State	UofA		81.087	G0152A-A	50,924	
Fossil Energy Research and Development	UofA		81.089		142,561	
Fossil Energy Research and Development (Pass-through Argonne National	UofA		81.089	13F-32021	2,120	
Fossil Energy Research and Development (Pass-through Argonne National	UofA		81.089	3F-31801	40,567	
Fossil Energy Research and Development (Pass-through Argonne National	UofA		81.089	4F-30641	6,500	
Fossil Energy Research and Development (Pass-through Argonne National	UofA		81.089	4F-31522	143,896	
Defense Nuclear Nonproliferation Research	UofA		81.113		302,851	
Remote Communities Renewable Energy Partnership – Design Basis Framework	UofA		81.Unknown	G00009529	27,605	
(Pass-through Alliance for Sustainable Energy, LLC - NREL)						
Total for R&D Cluster for U.S. DEPARTMENT OF ENERGY					2,891,045	-
R&D Cluster for U.S. DEPARTMENT OF EDUCATION						
National Institute on Disability and Rehabilitation Research (Pass-through University	UofA		84.133	DOC 0411	12,432	
of Illinois)						
Alaska Native Educational Programs	UofA		84.356		684,890	68,000
Total for R&D Cluster for U.S. DEPARTMENT OF EDUCATION					697,322	68,000

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015
By Federal Agency**

Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
R&D Cluster for ARCHITECTURAL AND TRANSPORTATION BARRIERS COMPLIANCE BOARD						
Architectural and Transportation Barriers Compliance Board (Pass-through University of San Francisco)	UofA		88.001	201121454	12,980	
Total for R&D Cluster for ARCHITECTURAL AND TRANSPORTATION BARRIERS COMPLIANCE BOARD					12,980	-
R&D Cluster for U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Special Programs for the Aging - Title IV and Title II - Discretionary Projects	UofA		93.048		199,062	
Environmental Health (Pass-through Alaska Community Action on Toxics)	UofA		93.113	NIEHS R01	172,801	
Environmental Health (Pass-through University of Montana)	UofA		93.113	64491	30,980	
Human Genome Research	UofA		93.172		58,796	15,130
Mental Health Research Grants	UofA		93.242		741,009	190,794
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	UofA		93.243		273,121	
Substance Abuse and Mental Health Services_Projects of Regional and National Significance (Pass-through Bristol Bay Area Health Corporation)	UofA		93.243	21080151V3	20,337	
Substance Abuse and Mental Health Services_Projects of Regional and National Significance (Pass-through Rural Alaska Community Action Program)	UofA		93.243	51UD1TI023541	25,390	
Occupational Safety and Health Program	UofA		93.262		184,002	
Occupational Safety and Health Program (Pass-through University of Washington)	UofA		93.262	756721	12,048	
Drug Abuse and Addiction Research Programs (Pass-through Northwest Indian Minority Health and Health Disparities Research)	UofA		93.279	24216	7,134	
Trans-NIH Research Support	UofA		93.307		1,085,836	89,519
National Center for Advancing Translational Sciences (Pass-through Institute of Translational Health Sciences)	UofA		93.310		1,593,889	
National Center for Research Resources	UofA		93.350	763232	10,547	
Cancer Cause and Prevention Research	UofA		93.389		2,202,889	
Cancer Research Manpower (Pass-through Alaska Native Tribal Health Consortium)	UofA		93.393		142,644	17,537
	UofA		93.398	15-U-61682	4,779	
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting	UofA		93.505	EN 0651589	8,350	
Improving the Capability of Indian Tribal Governments to Regulate Environmental Quality (Pass-through Yukon River Inter-Tribal Watershed Council)	UofA		93.581	08/11/2014	7,515	
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	UofA		93.632		461,389	
Child Welfare Research Training or Demonstration (Pass-through State University of Alaska)	UofA		93.648	1113708	30,350	
Child Welfare Research Training or Demonstration (Pass-through State University of Alaska)	UofA		93.648	1120721	51,718	
Arthritis, Musculoskeletal and Skin Diseases Research	UofA		93.846		177,636	
Extramural Research Programs in the Neurosciences and Neurological Disorders	UofA		93.853		250,244	
Biomedical Research and Research Training	UofA		93.859		1,321,484	
Biomedical Research and Research Training (Pass-through Mt. Sinai School of Medicine)	UofA		93.859	27220140008C	66,171	
Biomedical Research and Research Training (Pass-through Portland State University)	UofA		93.859	205CRE496	34,741	
Biomedical Research and Research Training (Pass-through University of Nevada)	UofA		93.859	15&14-746Q	107,456	
Biomedical Research and Research Training (Pass-through University of New Mexico)	UofA		93.859	3RN79	53,947	
Biomedical Research and Research Training (Pass-through University of Washington)	UofA		93.859	753205	(12,452)	
Biomedical Research and Research Training (Pass-through University of Washington)	UofA		93.859	761640	163,450	
Child Health and Human Development Extramural Research	UofA		93.865	3RN79	31,408	
Demonstration Projects for Indian Health (Pass-through Alaska Native Tribal Health Consortium)	UofA		93.933	11-U-33434	12,981	
Technology Innovations for Supporting Health in Alaska Natives (Pass-through Stanford University)	UofA		93.Unknown	G00009463	3,501	
Total for R&D Cluster for U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					9,535,153	312,980
R&D Cluster for U.S. DEPARTMENT OF HOMELAND SECURITY						
Centers for Homeland Security	UofA		97.061		655,541	51,850
Centers for Homeland Security (Pass-through University of Hawaii)	UofA		97.061	Z884255	846	
Total for R&D Cluster for U.S. DEPARTMENT OF HOMELAND SECURITY					656,387	51,850
TOTAL FEDERAL FINANCIAL ASSISTANCE:					3,096,936,039	322,489,539

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015

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 by its Catalog of Federal Domestic Assistance (CFDA) title and 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, 2015.
- B. Fiscal Year Ends – The State of Alaska and component units of the State are reported using fiscal years, which end on June 30, except the Alaska Railroad Corporation whose fiscal year ends December 31.
- C. Basis of Accounting – The schedules were prepared using the modified accrual method of accounting. Some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.
- D. 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.

Expenditures of Federal Awards – 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.

Program Clusters – 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.

Note 3: Non Cash Assistance

- A. **Federal Surplus Property Program** – All assistance provided to the Federal Surplus Property Program is in the form of donations of excess property to the Department of Administration, Division of General Services. In FY15 the State processed federal property valued at \$27,692,269 donors acquisition cost. For OMB Circular A-133 purposes, the donated property is valued at 23.68% of donors cost. This is the expenditure amount shown on the schedule \$6,557,529. The ending inventory at June 30, 2015, carried at the donors' acquisition cost was \$1,729,327. (CFDA 39.003)

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015

B. Commodities –

- 1) The Department of Education and Early Development administers federal commodities distribution through other governmental and nonprofit agencies. In FY15, commodities distributed totaled \$3,504,625 (\$2,526,458 CFDA 10.555; \$20,775 CFDA 10.558; \$4,974 CFDA 10.559; \$952,418 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, 2015.
- 2) The Department of Health and Social Services administers federal commodities distributed through other governmental and nonprofit agencies. In FY15, commodities received were \$494,558, while the value of commodities issued under the program was \$419,056. These commodities are reported in the State of Alaska basic financial statements for the year ended June 30, 2015. (CFDA 10.565)

C. Immunization Grants – Federal expenditures include vaccines received during FY15 valued at \$11,742,890. (CFDA 93.268)

D. Supplemental Nutrition Assistance Program (SNAP) – At fiscal yearend, June 30, 2015, \$168,789,614 of SNAP benefits were redeemed. (CFDA 10.551)

Note 4: WIC Rebates

During FY15, the Department of Health and Social Services (DHSS) earned cash rebates of \$2,536,602 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 3,203 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 is divided by 12 months. (CFDA 10.557)

The U.S. Department of Agriculture requires a cash basis approach for reporting WIC rebates on the 798 report; however, food benefits continue to be reported on the accrual basis. Based on the FY15 WIC 798 report, the infant formula rebates were \$2,777,690 resulting in additional clients served totaling 3,507. All other reporting requirements for the WIC 798 are the same.

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended June 30, 2015

Note 5: Loans

A. **Alaska Housing Finance Corporation (AHFC) Loan Guarantee Programs** - During the fiscal year ended June 30, 2015, AHFC owned mortgage loans with various federal insurance and guarantee agreements covering future losses. Coverage under the Veterans Affairs Mortgage Guarantee is subject to a loss limit. The principal balances of loans covered under these federal programs at June 30, 2015, are:

CFDA 10.410	Farmers Home Administration Mortgage Insurance	\$ 165,549,204
CFDA 14.117	HUD FHA Mortgage Insurance	351,444,484
CFDA 14.865	HUD Loan Guarantees for Indian Housing	156,807,145
CFDA 64.114	Department of Veterans' Affairs Mortgage Guarantees	206,744,453
Total Loan Guarantees and Insurance Programs:		\$ 880,545,286

B. **Last Resort Housing Loans** – The Department of Transportation and Public Facilities made last resort housing loans in compliance with Uniform Relocation Assistance and Real Property Acquisition Act. FY15 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, 2015, totaled \$29,778. Federal share of principal is \$28,102.

C. **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 loan guarantees outstanding at year end were \$102,599,586. Claim payments in the amount of \$5,497,550 were received during the fiscal year. (CFDA 84.032L)

D. **Economic Adjustment Assistance Revolving Loan Fund** – The U.S. Department of Commerce funds the Economic Adjustment Assistance Revolving Loan Fund (RLF) for the Department of Commerce, Community, and Economic Development. The RLF is used for business lending in Alaska. The federal share of the RLF as of June 30, 2015, totals \$7,175,149 and is comprised of the following balances: \$5,362,665 in loans outstanding, \$1,644,035 in cash and investments, and \$31,012 in administrative expenses. There were \$137,437 in loans written off during the FY15. (CFDA 11.307)

E. **Federal Direct Student Loans** – The University of Alaska is responsible for the performance of certain administrative duties with respect to the Federal Direct Student Loan Program. Amounts relating to this program are not included in the University's basic financial statements. Loans distributed to students of the University under this program (CFDA 84.268) during the year ended June 30, 2015 are summarized as follows:

	<u>Amount Disbursed</u>
Direct Subsidized Loan	\$ 21,775,794
Direct Unsubsidized Loan	36,487,224
Direct PLUS Loan	3,745,723
Total:	\$ 62,008,741

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015

Note 6: Unemployment Insurance

Federal participation in FY15 Unemployment Insurance benefits was \$2,615,880. Federal participation for program administration was \$24,627,463. UI benefits paid by the State during FY15 were \$140,232,866. Unemployment Compensation Modernization distribution was \$3,645,300. (CFDA 17.225)

Note 7: Petroleum Violation Escrow

U.S. Department of Energy (ERGY) 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 the year ended June 30, 2015, Alaska Housing Finance Corporation expended \$161,208 from the trust fund in support of ERGY programs. (CFDA 81.041)

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2015 Audit

Report: **02-40010-10**
Finding Number: **16**
Fiscal Year: **2009**
Initial Finding Year: **2009**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.767**
CFDA: **93.778**

Questioned Costs:
Indeterminate

Prior Audit Finding:

The Division of Health Care Services' (DHCS) director should improve internal controls over the processing and payment of durable medical equipment (DME) claims.

Status/corrective action planned/reasons for no further action:

DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §_.315.

Report: **02-40011-11**
Finding Number: **07**
Fiscal Year: **2010**
Initial Finding Year: **2010**

Federal Agency: **USDA and USDHHS**
State Agency: **DHSS**
CFDA: **93.778**

Questioned Costs: **\$153,205**
CFDA: **10.557**
Questioned Costs: **\$48,486**
CFDA: **93.658**

Questioned Costs: **\$52,472**

Prior Audit Finding:

The Finance and Management Services (FMS) assistant commissioner should ensure personal service expenditures charged to federal programs comply with federal costs principles.

Status/corrective action planned/reasons for no further action:

DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §_.315.

Report: **02-40011-11**
Finding Number: **10**
Fiscal Year: **2010**
Initial Finding Year: **2010**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.558**

Questioned Costs:
Indeterminate

Prior Audit Finding:

DHSS' DPA director should implement policies and procedures to ensure the accurate and timely documentation of client participation status.

Status/corrective action planned/reasons for no further action:

DHSS has partially resolved the finding. DHSS continues to transition between eligibility information systems and the required data elements associated with this finding are incorporated in ARIES. DPA anticipates this finding may be resolved in FY 2016 when the system conversion is completed.

Report: **02-40011-11**
Finding Number: **17**
Fiscal Year: **2010**
Initial Finding Year: **2010**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.767**
CFDA: **93.778**

Questioned Costs:
Indeterminate

Prior Audit Finding:

The HCS director should develop written policies and procedures for the alternative reimbursement methodology over durable medical equipment and supplies (DME).

Status/corrective action planned/reasons for no further action:

DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §_.315.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2015 Audit

Report: **02-40012-12**
Finding Number: **09**
Fiscal Year: **2011**
Initial Finding Year: **2011**

Federal Agency: **USDA and
USDHHS**
State Agency: **DHSS**
CFDA: **10.557**
Questioned Costs: **\$67,559**
CFDA: **93.778**

Questioned Costs: **\$32,098**

Prior Audit Finding:
The DHSS Finance and Management Services (FMS) assistant commissioner should ensure personal service expenditures charged to federal programs comply with federal cost principles.

Status/corrective action planned/reasons for no further action:
DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §_.315.

Report: **02-40012-12**
Finding Number: **10**
Fiscal Year: **2011**
Initial Finding Year: **2011**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.777**
CFDA: **93.778**
CFDA: **93.558**
CFDA: **93.659**
CFDA: **93.767**
CFDA: **93.575**
CFDA: **93.596**

Questioned Costs: **None**

Prior Audit Finding:
The FMS assistance commissioner should ensure that quarterly reconciliations comparing federal revenues to federal expenditures are performed accurately and timely.

Status/corrective action planned/reasons for no further action:
DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §_.315.

Report: **02-40012-12**
Finding Number: **14**
Fiscal Year: **2011**
Initial Finding Year: **2011**

Federal Agency: **USDA**
State Agency: **DHSS**
CFDA: **10.557**

Questioned Costs: **None**

Prior Audit Finding:
The DPA director should ensure reports are monitored and there is follow-up as required for the WIC program.

Status/corrective action planned/reasons for no further action:
DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §_.315.

Report: **02-40012-12**
Finding Number: **20**
Fiscal Year: **2011**
Initial Finding Year: **2011**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**

Questioned Costs: **None**

Prior Audit Finding:
The DHSS Division of Senior and Disabilities Services (DSDS) director should establish written procedures and provide oversight to ensure that provider files include complete requirements for certification.

Status/corrective action planned/reasons for no further action:
DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §_.315.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2015 Audit

Report: **02-40012-12**
Finding Number: **31**
Fiscal Year: **2011**
Initial Finding Year: **2011**

Federal Agency: **USDHS**
State Agency: **DMVA**
CFDA: **97.036**

Questioned Costs: **None**

Prior Audit Finding:

The DMVA DAS director should develop and implement procedures to ensure Federal Funding Accountability and Transparency Act (FFATA) reports are submitted.

Status/corrective action planned/reasons for no further action:

This finding was not resolved in accordance with OMB Circular A-133§_.315. The Division of Administrative Services and the Division of Homeland Security and Emergency Management developed and implemented standard operating procedures, effective May 18, 2015, to ensure all qualifying grants under 2 CFR 170 made on or after October 1, 2010, are reported in the FFATA system. The agency is continuing to improve reporting procedures in FY 2016.

Report: **02-40013-13**
Finding Number: **09**
Fiscal Year: **2012**
Initial Finding Year: **2011**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: 93.767
CFDA: 93.778
CFDA: 93.558
CFDA: 93.575

Questioned Costs: **None**

Prior Audit Finding:

The Finance and Management Services (FMS) assistant commissioner should ensure that quarterly reconciliations comparing federal revenues to federal expenditures are performed accurately and timely.

Status/corrective action planned/reasons for no further action:

DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §_.315.

Report: **02-40013-13**
Finding Number: **12**
Fiscal Year: **2012**
Initial Finding Year: **2011**

Federal Agency: **USDA**
State Agency: **DHSS**
CFDA: **10.557**

Questioned Costs: **None**

Prior Audit Finding:

DPA's director should ensure reports are monitored and follow-up is performed as required for the WIC program.

Status/corrective action planned/reasons for no further action:

DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §_.315.

Report: **02-40013-13**
Finding Number: **14**
Fiscal Year: **2012**
Initial Finding Year: **2011**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**

Questioned Costs: **None**

Prior Audit Finding:

The Division of Senior and Disabilities Services (DSDS) director should establish written procedures and provide oversight to ensure provider files include completed certification requirements.

Status/corrective action planned/reasons for no further action:

DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §_.315.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2015 Audit

Report: **02-40013-13**
Finding Number: **32**
Fiscal Year: **2012**
Initial Finding Year: **2011**

Federal Agency: **USDHS**
State Agency: **DMVA**
CFDA: **97.036**
CFDA: **97.067**

Questioned Costs: **None**

Prior Audit Finding:

DAS' director should develop and implement procedures to ensure Federal Funding Accountability and Transparency Act (FFATA) reports are submitted timely and accurately.

Status/corrective action planned/reasons for no further action:

Repeat of finding 02-40012-12 #31. Please refer to the updated response on finding 02-40012-12 #31.

Report: **02-40013-13**
Finding Number: **38**
Fiscal Year: **2012**
Initial Finding Year: **2012**

Federal Agency: **USDOT**
State Agency: **DOTPF**
CFDA: **20.600**
CFDA: **20.601**
CFDA: **20.612**
CFDA: **20.613**

Questioned Costs: **None**

Prior Audit Finding:

DOTPF's highway safety administrator should develop and implement procedures to ensure compliance with Federal Funding Accountability and Transparency Act (FFATA) sub-award reporting requirements.

Status/corrective action planned/reasons for no further action:

DOTPF has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §_.315.

Report: **02-40014-14**
Finding Number: **08**
Fiscal Year: **2013**
Initial Finding Year: **2011**

Federal Agency: **USDA and USDHHS**
State Agency: **DHSS**
CFDA: **10.551**
CFDA: **10.557**
CFDA: **93.658**
CFDA: **93.767**
CFDA: **93.778**

Questioned Costs: **None**

Prior Audit Finding:

The Finance and Management Services (FMS) assistant commissioner should ensure quarterly reconciliations comparing federal revenues to federal expenditures are performed accurately and timely.

Status/corrective action planned/reasons for no further action:

DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §_.315.

Report: **02-40014-14**
Finding Number: **10**
Fiscal Year: **2013**
Initial Finding Year: **2011**

Federal Agency: **USDA**
State Agency: **DHSS**
CFDA: **10.557**

Questioned Costs: **None**

Prior Audit Finding:

DPA's director should develop and implement procedures to ensure reports are monitored and follow up is performed as required for the WIC program.

Status/corrective action planned/reasons for no further action:

DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §_.315.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2015 Audit

Report: **02-40014-14**
Finding Number: **11**
Fiscal Year: **2013**
Initial Finding Year: **2011**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**

Questioned Costs: **None**

Prior Audit Finding:

The Division of Senior and Disabilities Services (DSDS) director should improve documentation procedures and provide oversight to ensure provider certification files are complete.

Status/corrective action planned/reasons for no further action:

DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §_.315.

Report: **02-40014-14**
Finding Number: **12**
Fiscal Year: **2013**
Initial Finding Year: **2013**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.767**
CFDA: **93.778**

Questioned Costs:
Indeterminate

Prior Audit Finding:

The Division of Behavioral Health (DBH) director should ensure out-of-state residential psychiatric treatment center (RPTC) providers are paid in accordance with federal and state requirements and that rates are properly documented.

Status/corrective action planned/reasons for no further action:

DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §_.315.

Report: **02-40014-14**
Finding Number: **17**
Fiscal Year: **2013**
Initial Finding Year: **2013**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.568**

Questioned Costs: **\$5,400**

Prior Audit Finding:

The Low-Income Home Energy Assistance Program (LIHEAP) manager should improve training and monitoring to ensure program benefits are calculated in accordance with the LIHEAP State Plan.

Status/corrective action planned/reasons for no further action:

DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §_.315.

Report: **02-40014-14**
Finding Number: **18**
Fiscal Year: **2013**
Initial Finding Year: **2013**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.568**

Questioned Costs: **None**

Prior Audit Finding:

LIHEAP's manager should ensure the LIHEAP State Plan complies with federal requirements.

Status/corrective action planned/reasons for no further action:

DHSS has partially resolved the finding. A change in state statute and regulation is needed to resolve this finding. Regulation changes are in progress and estimated to be implemented during FY 2017.

Report: **02-40014-14**
Finding Number: **20**
Fiscal Year: **2013**
Initial Finding Year: **2013**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.568**

Questioned Costs: **\$11,695**

Prior Audit Finding:

LIHEAP's manager should ensure LIHEAP administrative costs do not exceed earmarking limitations.

Status/corrective action planned/reasons for no further action:

DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §_.315.

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Report: 02-40014-14 Finding Number: 21 Fiscal Year: 2013 Initial Finding Year: 2013 Federal Agency: USDHHS State Agency: DHSS CFDA: 93.568 Questioned Costs: None	Prior Audit Finding: <u>FMS' assistant commissioner should strengthen procedures over reporting cash receipts and disbursements to ensure federal financial reports are accurate.</u> Status/corrective action planned/reasons for no further action: DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §_.315.
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Report: 02-40014-14 Finding Number: 22 Fiscal Year: 2013 Initial Finding Year: 2013 Federal Agency: USDHHS State Agency: DHSS CFDA: 93.778 CFDA: 93.767 Questioned Costs: Indeterminate	Prior Audit Finding: <u>The Office of Rate Review's (ORR) executive director should improve the agency's review process over inpatient hospital rates.</u> Status/corrective action planned/reasons for no further action: DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §_.315.
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Report: 02-40014-14 Finding Number: 23 Fiscal Year: 2013 Initial Finding Year: 2013 Federal Agency: USDHHS State Agency: DHSS CFDA: 93.778 Questioned Costs: None	Prior Audit Finding: <u>DSDS' director should ensure provider employees have timely, complete, and approved background clearances, and that the information supporting the clearance is properly documented.</u> Status/corrective action planned/reasons for no further action: DHSS has partially resolved the finding. In FY 2015 DHSS implemented a new background check system referred to as the New Alaska Background Check System (NABCS). DSDS continues to strengthen its internal processes and procedures.
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Report: 02-40014-14 Finding Number: 24 Fiscal Year: 2013 Initial Finding Year: 2013 Federal Agency: USDHHS State Agency: DHSS CFDA: 93.778 Questioned Costs: \$73,181	Prior Audit Finding: <u>The DHSS Medicaid and Health Care Policy (HCP) deputy commissioner and FMS' assistant commissioner should improve procedures to ensure overpayments to providers of Medicaid services are refunded to the federal agency within specified time frame.</u> Status/corrective action planned/reasons for no further action: DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §_.315.
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Report: 02-40014-14 Finding Number: 33 Fiscal Year: 2013 Initial Finding Year: 2011 Federal Agency: USDHHS State Agency: DMVA CFDA: 97.036 CFDA: 97.067 Questioned Costs: None	Prior Audit Finding: <u>The Division of Administrative Services (DAS) director should develop and implement procedures to ensure Federal Funding Accountability and Transparency Act (FFATA) reports are accurately submitted.</u> Status/corrective action planned/reasons for no further action: Repeat of finding 02-40012-12 #31 and finding 02-40013-13 #32. Please refer to the updated response on finding 02-40012-12 #31.

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<p>Report: 02-40014-14 Finding Number: 36 Fiscal Year: 2013 Initial Finding Year: 2013</p> <p>Federal Agency: USDHS State Agency: DMVA CFDA: 97.036</p> <p>Questioned Costs: None</p>	<p>Prior Audit Finding: <u>DHS&EM's director should improve procedures to account for each approved large project as required by federal regulations.</u></p> <p>Status/corrective action planned/reasons for no further action: The audit finding is resolved in accordance with OMB Circular A-133 §_.315.</p>
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<p>Report: 02-40014-14 Finding Number: 37 Fiscal Year: 2013 Initial Finding Year: 2013</p> <p>Federal Agency: USDA State Agency: DNR CFDA: 10.UNK-10FI11100100040</p> <p>Questioned Costs: \$45,769</p>	<p>Prior Audit Finding: <u>The Division of Forestry (DOF) director should develop and implement policies and procedures to ensure employees certify their time when they are unavailable for signature.</u></p> <p>Status/corrective action planned/reasons for no further action: DNR has resolved the finding. Corrective action was taken in accordance with OMB A-133 §_.315.</p>
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<p>Report: 02-40014-14 Finding Number: 41 Fiscal Year: 2013 Initial Finding Year: 2013</p> <p>Federal Agency: EPA State Agency: DEC CFDA: 66.202</p> <p>Questioned Costs: None</p>	<p>Prior Audit Finding: <u>DEC's finance officer should develop and implement procedures to ensure federal suspension and debarment requirements are met.</u></p> <p>Status/corrective action planned/reasons for no further action: DEC has resolved the finding. Corrective action was taken in accordance with OMB A-133 §_.315.</p>
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<p>Report: 02-40014-14 Finding Number: 43 Fiscal Year: 2013 Initial Finding Year: 2013</p> <p>Federal Agency: EPA State Agency: DEC CFDA: 66.202</p> <p>Questioned Costs: None</p>	<p>Prior Audit Finding: <u>DEC's finance officer should develop and implement procedures to comply with Federal Funding Accountability and Transparency Act (FFATA) subaward reporting requirements.</u></p> <p>Status/corrective action planned/reasons for no further action: DEC has partially resolved the finding. DEC is continuing to update procedures in FY 2016 to ensure accuracy of the dates entered into the federal reporting system.</p>
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<p>Report: 02-40014-14 Finding Number: 45 Fiscal Year: 2013 Initial Finding Year: 2012</p> <p>Federal Agency: USDOT State Agency: DOTPF CFDA: 20.600 CFDA: 20.613 CFDA: 20.509</p> <p>Questioned Costs: None</p>	<p>Prior Audit Finding: <u>DOTPF's director of program development should develop and implement procedures to ensure compliance with the Federal Funding Accountability and Transparency Act (FFATA) subaward reporting requirements.</u></p> <p>Status/corrective action planned/reasons for no further action: This finding is partially resolved. The delinquent reports for the Highway Safety Programs (CFDA 20.600 & 20.613) have been completed and procedures have been developed to comply with FFATA reporting requirements. However, not all reports required in FY 2015 for CFDA 20.509 were submitted timely.</p>

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Report: **02-40014-14**
Finding Number: **47**
Fiscal Year: **2013**
Initial Finding Year: **2013**

Federal Agency: **USDOT**
State Agency: **DOTPF**

CFDA: **20.600**
Questioned Costs: **\$1,605**

CFDA: **20.601**
Questioned Costs: **\$2,331**

Prior Audit Finding:

DOTPF's highway safety administrator should ensure personal service expenditures billed to federal programs comply with federal requirements.

Status/corrective action planned/reasons for no further action:

DOTPF has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §_.315.

Report: **02-40014-14**
Finding Number: **48**
Fiscal Year: **2013**
Initial Finding Year: **2013**

Federal Agency: **USDOT**
State Agency: **DOTPF**
CFDA: **20.610**

Questioned Costs: **None**

Prior Audit Finding:

DOTPF's highway safety administrator should strengthen procedures to ensure expenditures claimed as an HSC program match meet federal requirements.

Status/corrective action planned/reasons for no further action:

DOTPF has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §_.315.

Report: **02-40014-14**
Finding Number: **49**
Fiscal Year: **2013**
Initial Finding Year: **2013**

Federal Agency: **USDOT**
State Agency: **DOTPF**
CFDA: **20.509**

Questioned Costs: **None**

Prior Audit Finding:

DOTPF's transit program manager should strengthen procedures to ensure federal report accuracy.

Status/corrective action planned/reasons for no further action:

This finding is not resolved. DOTPF has completed delinquent and corrected inaccurate SF-425 reports. However, development of written procedures for the RU-20 reporting requirements is still in progress.

Report: **02-40014-14**
Finding Number: **50**
Fiscal Year: **2013**
Initial Finding Year: **2013**

Federal Agency: **USDOT**
State Agency: **DOTPF**
CFDA: **20.509**

Questioned Costs: **None**

Prior Audit Finding:

DOTPF's transit program manager should strengthen procedures to ensure subrecipients are informed of required federal award information.

Status/corrective action planned/reasons for no further action:

This finding is partially resolved. DOTPF Transit staff has added required federal grant award information to sub-recipient grant agreements. The standard grant agreements do not include the CFDA title.

Finding Number: **2014-007**
Fiscal Year: **2014**
Initial Finding Year: **2014**

Federal Agency: **USDA and USDOE**

State Agency: **DEED**
CFDA: **10.568**
CFDA: **84.010**

Questioned Costs: **None**

Prior Audit Finding:

The Division of Administrative Services' (DAS) director should strengthen Federal Funding Accountability and Transparency Act (FFATA) reporting procedures to ensure required reports are submitted timely and accurately.

Status/corrective action planned/reasons for no further action:

DEED has resolved this finding. Corrective action was taken in accordance with OMB Circular A-133 §_.315.

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Finding Number: **2014-008**
Fiscal Year: **2014**
Initial Finding Year: **2014**

Federal Agency: **USDA and USDHHS**

State Agency: **DHSS**

CFDA: **10.557**

Questioned Costs:

Indeterminate

CFDA: **93.778**

Questioned Costs:

Indeterminate

CFDA: **93.767**

Questioned Costs: **\$522**

Prior Audit Finding:

The Division of Public Assistance (DPA) director should ensure personal service expenditures charged to federal programs comply with federal cost principles.

Status/corrective action planned/reasons for no further action:

DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §_.315.

Finding Number: **2014-009**
Fiscal Year: **2014**
Initial Finding Year: **2014**

Federal Agency: **USDA and USDHHS**

State Agency: **DHSS**

CFDA: **10.565**

CFDA: **93.659**

CFDA: **93.767**

CFDA: **93.778**

Questioned Costs: **None**

Prior Audit Finding:

The Financial and Management Services (FMS) assistant commissioner should redefine CapPlus system accounts to strengthen information system controls.

Status/corrective action planned/reasons for no further action:

DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §_.315.

Finding Number: **2014-010**
Fiscal Year: **2014**
Initial Finding Year: **2014**

Federal Agency: **USDHHS**

State Agency: **DHSS**

CFDA: **93.568**

Questioned Costs: **None**

Prior Audit Finding:

FMS' assistant commissioner should ensure required federal financial reports are submitted.

Status/corrective action planned/reasons for no further action:

DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §_.315.

Finding Number: **2014-011**
Fiscal Year: **2014**
Initial Finding Year: **2014**

Federal Agency: **USDHHS**

State Agency: **DHSS**

CFDA: **93.778**

Questioned Costs: **None**

Prior Audit Finding:

DPA's director should ensure the social security number (SSN) of Medicaid benefit applicants is verified prior to providing benefits.

Status/corrective action planned/reasons for no further action:

DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §_.315.

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Finding Number: 2014-012 Fiscal Year: 2014 Initial Finding Year: 2014 Federal Agency: USDA State Agency: DHSS CFDA: 10.557 Questioned Costs: None	Prior Audit Finding: <u>DPA's director should ensure reports are monitored and follow-up is performed as required for the WIC program.</u> Status/corrective action planned/reasons for no further action: DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §_.315.
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Finding Number: 2014-013 Fiscal Year: 2014 Initial Finding Year: 2011 Federal Agency: USDHHS State Agency: DHSS CFDA: 93.778 Questioned Costs: None	Prior Audit Finding: <u>The Division of Senior and Disabilities Services' (DSDS) director should continue to improve documentation procedures and provide oversight to ensure provider certification files are complete.</u> Status/corrective action planned/reasons for no further action: DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §_.315.
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Finding Number: 2014-014 Fiscal Year: 2014 Initial Finding Year: 2013 Federal Agency: USDHHS State Agency: DHSS CFDA: 93.767 CFDA: 93.778 Questioned Costs: Indeterminate	Prior Audit Finding: <u>The Division of Behavioral Health's (DBH) director should continue to make improvements to ensure out-of-state residential psychiatric treatment center (RPTC) providers are paid in accordance with federal and state requirements and that rates are properly documented.</u> Status/corrective action planned/reasons for no further action: DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §_.315.
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Finding Number: 2014-015 Fiscal Year: 2014 Initial Finding Year: 2013 Federal Agency: USDHHS State Agency: DHSS CFDA: 93.568 Questioned Costs: \$405	Prior Audit Finding: <u>LIHEA's program manager should continue to improve training and monitoring to ensure program benefits are calculated in accordance with the LIHEA State Plan.</u> Status/corrective action planned/reasons for no further action: DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §_.315.
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Finding Number: 2014-016 Fiscal Year: 2014 Initial Finding Year: 2013 Federal Agency: USDHHS State Agency: DHSS CFDA: 93.568 Questioned Costs: None	Prior Audit Finding: <u>LIHEA's program manager should ensure the LIHEA State Plan complies with federal requirements.</u> Status/corrective action planned/reasons for no further action: Repeat of finding 02-40014-14 #18. Refer to the updated response with finding 02-40014-14 #18.

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<p>Finding Number: 2014-017 Fiscal Year: 2014 Initial Finding Year: 2013 Federal Agency: USDHHS State Agency: DHSS CFDA: 93.778 Questioned Costs: None</p>	<p>Prior Audit Finding: <u>DSDS' director should ensure provider employees receive timely, complete, and approved background clearances and that the information supporting the clearance is properly documented.</u></p> <p>Status/corrective action planned/reasons for no further action: Repeat of finding 02-40014-14 #23. Please refer to the updated response with finding 02-40014-14 #23.</p>
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<p>Finding Number: 2014-018 Fiscal Year: 2014 Initial Finding Year: 2013 Federal Agency: USDHHS State Agency: DHSS CFDA: 93.778 Questioned Costs: None</p>	<p>Prior Audit Finding: <u>The Medicaid and Health Care Policy (HCP) deputy commissioner and FMS assistant commissioner should improve procedures to ensure overpayments to Medicaid providers are refunded to the federal agency within the specified time frame.</u></p> <p>Status/corrective action planned/reasons for no further action: DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §.315.</p>
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<p>Finding Number: 2014-019 Fiscal Year: 2014 Initial Finding Year: 2014 Federal Agency: USDHHS State Agency: DHSS CFDA: 93.778 Questioned Costs: \$21,429 CFDA: 93.767 Questioned Costs: \$1,768,845</p>	<p>Prior Audit Finding: <u>DHSS' commissioner should take action to implement effective controls to ensure Medicaid claims are processed accurately and timely.</u></p> <p>Status/corrective action planned/reasons for no further action: DHSS has partially resolved the finding. DHSS is monitoring the state-imposed Corrective Action Plan (CAP) with its Medicaid fiscal agent, which is specific to the timely and correct processing and payment of claims. The CAP addresses system defects with corrective solutions. Once the system corrections are in place, new day claims process correctly and previously processed claims are reprocessed through a mass-adjustment effort. All mass-adjustments that are associated with known defects are inventoried, tracked and processed according to level of impact. It is expected that all questioned costs relating to this finding will be resolved by the CAP in FY 2016.</p>
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<p>Finding Number: 2014-025 Fiscal Year: 2014 Initial Finding Year: 2011 Federal Agency: USDHS State Agency: DMVA CFDA: 97.036 CFDA: 97.039 CFDA: 97.067 Questioned Costs: None</p>	<p>Prior Audit Finding: <u>The Division of Administrative Services' (DAS) director should develop and implement procedures to ensure Federal Funding Accountability and Transparency Act of 2006 (FFATA) reports comply with federal reporting requirements.</u></p> <p>Status/corrective action planned/reasons for no further action: Repeat of finding 02-40012-12 #31, finding 02-40013-13 #32 and finding 02-40014-14 #33. Please refer to the updated response with finding 02-40012-12 #31.</p>
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<p>Finding Number: 2014-026 Fiscal Year: 2014 Initial Finding Year: 2013 Federal Agency: USDHS State Agency: DMVA CFDA: 97.036 Questioned Costs: None</p>	<p>Prior Audit Finding: <u>The Division of Homeland Security and Emergency Management (DHS&EM) director should improve procedures to account for each approved large project as required by federal regulations.</u></p> <p>Status/corrective action planned/reasons for no further action: The audit finding is resolved in accordance with OMB Circular A-133 §.315.</p>

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<p>Finding Number: 2014-028 Fiscal Year: 2014 Initial Finding Year: 2014 Federal Agency: EPA State Agency: DEC CFDA: 66.458 Questioned Costs: None</p>	<p>Prior Audit Finding: <u>Federal Funding Accountability and Transparency (FFATA) reporting is in accordance with their grant agreements, and in accordance with 2 CFR Chapter 1, Part 170 Reporting Sub-Award and Executive Compensation Information. The Alaska Clean Water Fund (ACWF) did not complete or submit the required report for their subgrants.</u></p> <p>Status/corrective action planned/reasons for no further action: The ACWF implemented an administrative checklist which includes a review to ensure FFATA reporting is completed as needed for new loans. Issue considered resolved, however, we continue to recommend that the Department monitor FFATA reporting to ensure the reports are submitted by the required due date.</p>
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<p>Finding Number: 2014-029 Fiscal Year: 2014 Initial Finding Year: 2014 Federal Agency: EPA State Agency: DEC CFDA: 66.468 Questioned Costs: None</p>	<p>Prior Audit Finding: <u>Federal Funding Accountability and Transparency (FFATA) reporting is required in accordance with their grant agreements, and in accordance with 2 CFR Chapter 1, Part 170 Reporting Sub-Award and Executive Compensation Information. The Alaska Drinking Water Fund (ADWF) did not complete or submit the required report for their subgrants.</u></p> <p>Status/corrective action planned/reasons for no further action: The ADWF implemented an administrative checklist which includes a review to ensure FFATA reporting is completed as needed for new loans. Issue considered resolved, however, we continue to recommend that the Department monitor FFATA reporting to ensure the reports are submitted by the required due date.</p>
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<p>Finding Number: 2014-031 Fiscal Year: 2014 Initial Finding Year: 2013 Federal Agency: USDOT State Agency: DOTPF CFDA: 20.509 Questioned Costs: None</p>	<p>Prior Audit Finding: <u>DOTPF's program development director should ensure compliance with the Federal Funding Accountability and Transparency Act (FFATA) subaward reporting requirements.</u></p> <p>Status/corrective action planned/reasons for no further action: Repeat of finding 02-40014-14 #45. Please refer to the updated response on finding 02-40014-14 #45.</p>
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<p>Finding Number: 2014-032 Fiscal Year: 2014 Initial Finding Year: 2013 Federal Agency: USDOT State Agency: DOTPF CFDA: 20.509 Questioned Costs: None</p>	<p>Prior Audit Finding: <u>DOTPF's program development director should develop and implement procedures to ensure accurate federal reporting.</u></p> <p>Status/corrective action planned/reasons for no further action: Repeat of finding 02-40014-14 #49. Please refer to the updated response on finding 02-40014-14 #49.</p>
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<p>Finding Number: 2014-033 Fiscal Year: 2014 Initial Finding Year: 2013 Federal Agency: USDOT State Agency: DOTPF CFDA: 20.509 Questioned Costs: None</p>	<p>Prior Audit Finding: <u>DOTPF's program development director should strengthen procedures to ensure subrecipients are informed of required federal award information.</u></p> <p>Status/corrective action planned/reasons for no further action: Repeat of finding 02-40014-14 #50. Please refer to the updated response on finding 02-40014-14 #50.</p>

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Finding Number: **2014-034**
Fiscal Year: **2014**
Initial Finding Year: **2012**

Federal Agency: **USDOT**
State Agency: **DOTPF**
CFDA: **20.600**
CFDA: **20.601**
CFDA: **20.602**
CFDA: **20.610**
CFDA: **20.613**

Questioned Costs: **None**

Prior Audit Finding:

DOTPF's program development director should develop and implement procedures to ensure compliance with FFATA subaward reporting requirements.

Status/corrective action planned/reasons for no further action:

DOTPF has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §_.315.

Finding Number: **2014-035**
Fiscal Year: **2014**
Initial Finding Year: **2014**

Federal Agency: **USDOT**
State Agency: **DOTPF**
CFDA: **20.509**

Questioned Costs: **None**

Prior Audit Finding:

DOTPF's program development director should develop and implement procedures to ensure compliance with federal earmarking requirements.

Status/corrective action planned/reasons for no further action:

DOTPF has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §_.315.

Finding Number: **2014-036**
Fiscal Year: **2014**
Initial Finding Year: **2014**

Federal Agency: **USDOT**
State Agency: **DOTPF**
CFDA: **20.600**
CFDA: **20.601**
CFDA: **20.602**
CFDA: **20.610**
CFDA: **20.613**

Questioned Costs: **None**

Prior Audit Finding:

DOTPF's program development director should maintain documentation that supports required federal reporting.

Status/corrective action planned/reasons for no further action:

This finding has been partially resolved. The AHSO desk manual has been updated to provide instructions on the procedures for preparing the annual HS-217. The update will be effective starting in fiscal year 2016. The finding is expected to be fully resolved in FY 2016.

Finding Number: **2014-037**
Fiscal Year: **2014**
Initial Finding Year: **2014**

Federal Agency: **USDOT**
State Agency: **DOTPF**
CFDA: **20.601**
CFDA: **20.602**
CFDA: **20.610**
CFDA: **20.613**

Questioned Costs: **None**

Prior Audit Finding:

DOTPF's program development director should develop and implement procedures to ensure compliance with federal level-of-effort requirements.

Status/corrective action planned/reasons for no further action:

DOTPF has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §_.315.

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Finding Number: **2014-038**
Fiscal Year: **2014**
Initial Finding Year: **2014**

Federal Agency: **USDOT and Denali Commission**
State Agency: **DOTPF**
CFDA: **20.106**
CFDA: **20.205**
CFDA: **90.100**

Questioned Costs: **None**

Prior Audit Finding:

DOTPF's Statewide Design and Engineering Services director should ensure that the Alaska Construction Manual (ACM) complies with federal record retention policies.

Status/corrective action planned/reasons for no further action:

This finding has been partially resolved. DOTPF has updated the Alaska Construction Manual (ACM) to comply with federal record retention regulations. The revisions have been approved by FHWA and were implemented July 30, 2015. The issue is expected to be fully resolved in FY 2016.

Finding Number: **2014-039**
Fiscal Year: **2014**
Initial Finding Year: **2014**

Federal Agency: **USDOT**
State Agency: **DOTPF**
CFDA: **20.205**
Questioned Costs: **\$16,981**
CFDA: **20.106**

Questioned Costs:
Indeterminate

Prior Audit Finding:

DOTPF's Administrative Services Division director should ensure personal service expenditures charged to federal programs comply with federal cost principles.

Status/corrective action planned/reasons for no further action:

This finding has been partially resolved. This issue is expected to be fully resolved with the implementation of the new HRM payroll system in November 2016. Additionally, the department has reviewed its procedures in order to mitigate any potential issues within the limitations of our current systems. In the interim, IRIS uses the modified T&E process, where employee rates and benefits are based on effective start and end dates. The rates will be interfaced from the payroll system and the records will be updated if the values change. Multiple records will remain with different billing rates for the different time periods. The system will validate against the effective dates using the usage from and usage to dates on the accounting lines.

Finding Number: **2014-040**
Fiscal Year: **2014**
Initial Finding Year: **2014**

Federal Agency: **HUD**
State Agency: **AHFC**
CFDA: **14.195**
CFDA: **14.249**
CFDA: **14.881**

Questioned Costs: **None**

Prior Audit Finding:

According to the OMB A-133 Compliance Supplement, the public housing agency (PHA) must document 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.

Of the 81 participant files tested, 9 files were found to have deficiencies in the documentation of third party income verification or other documentation supporting eligibility.

Status/corrective action planned/reasons for no further action:

Corrective action was taken. This finding is considered resolved.

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Finding Number: **2014-041**
Fiscal Year: **2014**
Initial Finding Year: **2014**
Federal Agency: **HUD**
State Agency: **AHFC**
CFDA: **14.881**
Questioned Costs: **None**

Prior Audit Finding:

Moving to Work Demonstration Program (MTW) agencies must ensure that housing assisted under the demonstration program meets housing quality standards established or approved by the Secretary. The HCV program regulations at 24 CFR sections 982.401 through 982.405 set forth basic housing quality standards (HQS) which all units must meet, and the PHA must verify by inspection, before initial assistance can be paid on behalf of a family and at least annually throughout the term of the assisted tenancy or so determined by the MTW agreement.

Of the 40 participant files tested, 2 files were found to have deficiencies in the documentation of required inspections throughout the term of the tenancy.

Status/corrective action planned/reasons for no further action:

Corrective action was taken. This finding is considered resolved.

Finding Number: **2014-042**
Fiscal Year: **2014**
Initial Finding Year: **2014**
Federal Agency: **HUD**
State Agency: **AHFC**
CFDA: **14.195**
CFDA: **14.249**
Questioned Costs: **None**

Prior Audit Finding:

Participants are to be selected from the waiting list in accordance with the admission policies in its administrative plan and maintain documentation which shows that, at the time of admission, the family actually met the preference criteria that determined the family's place on the waiting list. For the Mod Rehab SRO program, eligible individuals may be referred to the PHA for eligibility determination as a result of the owner's/sponsor's outreach or through the PHA waiting list. (24 CFR sections 880.603, 881.601, 882.514, 882.808(b)(2), 883.701, 884.214, and 886 subparts A and C).

Of the 65 participant files tested, 2 files were found to have deficiencies in the time of the application and the time they were placed on the wait list.

Status/corrective action planned/reasons for no further action:

Corrective action was taken. This finding is considered resolved.

Finding Number: **2014-043**
Fiscal Year: **2014**
Initial Finding Year: **2014**
Federal Agency: **Various**
State Agency: **U of A**
CFDA: **R&D Cluster**
Questioned Costs: **None**

Prior Audit Finding:

Federal Financial Reporting Instructions require recipients to report quarterly and semiannual interim reports no later than 30 days after the end of each reporting period. Annual and final reports shall be submitted no later than 90 days after the end of each reporting period or the grant end date.

While management was aware of the reporting deadlines, procedures were not in place to ensure reporting was completed for all grants timely.

Status/corrective action planned/reasons for no further action:

Fully corrected.

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STATE OF ALASKA
CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2015

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, 2015*. The corrective action plan is incorporated in the agencies' responses to the auditor's recommendations in Section II – Recommendations and Questioned Costs. The agency response for each recommendation immediately follows the auditor's recommendation. A complete copy of each agency's response letter including attachments, if any, is also contained in Section IV – APPENDICES.

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SECTION IV – APPENDICES

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015
By State Agency**

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
ALASKA COMMISSION ON POSTSECONDARY EDUCATION							
College Access Challenge Grant Program	USDOE		84.378A			1,542,330	
Total for ALASKA COMMISSION ON POSTSECONDARY EDUCATION						1,542,330	-
ALASKA ENERGY AUTHORITY							
Rural Development, Forestry, and Communities	USDA		10.672	DG 1110016		74,059	
State Energy Program	ERGY		81.041	DE-EE0004057		340,479	
Renewable Energy Research and Development	ERGY		81.087	DE-FG36-05G085038		69,856	
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance (Pass-through from Washington State University)	ERGY		81.117	DE-EE0006283		25,569	
Denali Commission Program	DC		90.100	366		4,223,616	3,519,539
Total for ALASKA ENERGY AUTHORITY						4,733,579	3,519,539
ALASKA HOUSING FINANCE CORPORATION							
Very Low to Moderate Income Housing Loans	USDA		10.410			151,076	
Mortgage Insurance_Homes	HUD		14.117			4,698,526	
Section 8 Housing Assistance Payments Program	HUD		14.195		S8PBC	2,167,690	
Emergency Solutions Grant Program	HUD		14.231			282,393	235,296
Home Investment Partnerships Program	HUD		14.239			4,179,251	4,179,251
Housing Opportunities for Persons with AIDS	HUD		14.241			595,736	535,143
Section 8 Moderate Rehabilitation Single Room Occupancy	HUD		14.249		S8PBC	501,437	427,371
Continuum of Care Program	HUD		14.267			1,159,349	1,033,111
Public and Indian Housing_Indian Loan Guarantee Program	HUD		14.865			664,836	
Section 8 Housing Choice Vouchers	HUD		14.871		HVC	1,784,186	
Public Housing Family Self-Sufficiency under Resident Opportunity and Supportive Services	HUD		14.877			191,459	
Moving to Work Demonstration Program	HUD		14.881			49,585,075	
Veterans Housing_Guaranteed and Insured Loans	USDVA		64.114			4,197,268	
State Energy Program	ERGY		81.041			109,947	
Weatherization Assistance for Low-Income Persons	ERGY		81.042			1,275,192	1,178,678
State Energy Program Special Projects	ERGY		81.119			190,079	
Total for ALASKA HOUSING FINANCE CORPORATION						71,733,500	7,588,850
ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY							
Federal Transit_Capital Investment Grants	USDOT		20.500	AK-55-0001-02	FTC	25,383	
Total for ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY						25,383	-
ALASKA RAILROAD CORPORATION							
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	USDOC		11.438	NA11NMF4380268		189,902	
Rail Line Relocation and Improvement	USDOT		20.320	FR-LRI-0038-12-01-00		20,654	
Rail Line Relocation and Improvement	USDOT		20.320	FR-LRI-0039-12-01-00		513,804	
Federal Transit_Capital Investment Grants	USDOT		20.500	AK-05-0019	FTC	92,974	
Federal Transit_Capital Investment Grants	USDOT		20.500	AK-05-0021	FTC	754,706	
Federal Transit_Capital Investment Grants (Pass-through from the Federal Transit Administration)	USDOT		20.500	AK-55-0003	FTC	331,337	
Federal Transit-Formula Grants	USDOT		20.507	AK-90-X062-00	FTC	21,056	
Federal Transit-Formula Grants	USDOT		20.507	AK-90-X068-00	FTC	94,734	
Federal Transit-Formula Grants	USDOT		20.507	AK-90-X072-00	FTC	2,346,217	
Federal Transit-Formula Grants	USDOT		20.507	AK-90-X073-00	FTC	3,679,197	
Federal Transit-Formula Grants	USDOT		20.507	AK-90-X073-00	FTC	4,475,000	
Federal Transit-Formula Grants	USDOT		20.507	AK-95-X013-00	FTC	335,727	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015
By State Agency**

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions	USDOT		20.523	AK-88-0001		410,379	
State of Good Repair Grants Program	USDOT		20.525	AK-54-0002	FTC	105,017	
State of Good Repair Grants Program	USDOT		20.525	AK-54-0003	FTC	8,839,990	
State of Good Repair Grants Program	USDOT		20.525	AK-54-0004	FTC	9,205,090	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	USDHS		97.036	4094-DR-AK		43,308	
Pre-Disaster Mitigation	USDHS		97.047	12PDM-GR34055		324,745	
Port Security Grant Program	USDHS		97.056	EMW-2011-PU-00291-S01		236,533	
Port Security Grant Program	USDHS		97.056	EMW-2013-PU-00508		11,922	
Port Security Grant Program	USDHS		97.056	EMW-2013-PU-00510		11,922	
Port Security Grant Program	USDHS		97.056	EMW-2013-PU-00514		26,186	
Port Security Grant Program	USDHS		97.056	EMW-2014-PU-00108		839	
Homeland Security Grant Program	USDHS		97.067	RSA-942039		5,320	
Total for ALASKA RAILROAD CORPORATION						32,076,559	-
<u>ALASKA STUDENT LOAN CORPORATION</u>							
Federal Family Education Loans (Lenders)	USDOE		84.032L			(3,638,141)	
Total for ALASKA STUDENT LOAN CORPORATION						(3,638,141)	-
<u>ALASKA SEAFOOD MARKETING INSTITUTE</u>							
Market Access Program	USDA		10.601			4,046,626	
Total for ALASKA SEAFOOD MARKETING INSTITUTE						4,046,626	-
<u>ALASKA COURT SYSTEM / ALASKA JUDICIAL COUNCIL</u>							
National Criminal History Improvement Program (NCHIP)	USDOJ		16.554	2013-DN-BX-K071		-	
National Criminal History Improvement Program (NCHIP)	USDOJ		16.554	2014-RU-BX-K038		-	
Violence Against Women Formula Grants	USDOJ		16.588	2012-WF-AX-0028		-	
Violence Against Women Formula Grants	USDOJ		16.588	2013-WF-AX-0044		-	
State Traffic Safety Information System Improvement Grants	USDOT		20.610	408-K9-14-08-03	HSC	-	
National Priority Safety Programs	USDOT		20.616	405cM3DA-15-08-00(B)	HSC	-	
National Priority Safety Programs	USDOT		20.616	405cM3DA-15-08-00(E)	HSC	-	
State Court Improvement Program	USDHHS		93.586	1301 AKSCIP		38,036	
State Court Improvement Program	USDHHS		93.586	1301AKSCID		4,759	
State Court Improvement Program	USDHHS		93.586	1301AKSCIT		52,345	
State Court Improvement Program	USDHHS		93.586	1401AKSCID		57,506	
State Court Improvement Program	USDHHS		93.586	1401AKSCIP		52,411	
State Court Improvement Program	USDHHS		93.586	1401AKSCIT		64,749	
Grants to States for Access and Visitation Programs	USDHHS		93.597	1302AKSAVP		1,500	
Grants to States for Access and Visitation Programs	USDHHS		93.597	1401AKSAVP		49,885	
Medical Assistance Program	USDHHS		93.778		MC	-	
Total for ALASKA COURT SYSTEM / ALASKA JUDICIAL COUNCIL						321,191	-
<u>DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT</u>							
Schools and Roads - Grants to States	USDA		10.665	National Forest Receipts	FSRC	11,668,053	11,668,053
Community Facilities Loans and Grants	USDA		10.766	Rural Broadband Internet Access Grant	CFLGC	2,501	
Economic Adjustment Assistance	USDOC		11.307	SBED	EDC	7,175,150	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	USDOC		11.438	NA10NMF4380355		1,535,840	
ARRA-State Broadband Data and Development Grant Program (Pass-through from Connected Nation, Inc.)	USDOC	ARRA	11.558	02-50-M09071		75,737	
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	HUD		14.228	B13DC020001, B12DC020001, B11DC020001, B10DC020001		2,307,967	2,105,996
Payments in Lieu of Taxes	USDOJ		15.226	Payments in Lieu of Taxes		10,370,998	10,370,998

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015
By State Agency**

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
Distribution of Receipts to State and Local Governments	USDOI		15.227	National Petroleum Reserve Alaska Impact Mitigation		10,926,892	10,926,892
Coastal Impact Assistance Program	USDOI		15.668	Various		4,364,958	4,652,223
Congressionally Mandated Projects	EPA		66.202	XP00J76501		1,371,545	82,959
ARRA-Electricity Delivery and Energy Reliability, Research, Development and Analysis	ERGY	ARRA	81.122	DE-OE0000170		123,094	
Community Services Block Grant	USDHHS		93.569	G13B1AKCOSR, G14B1AKCOSR, G15B1AKCOSR		2,444,465	2,106,500
State Commissions	CNCS		94.003	13CAHAK001		194,753	14,029
AmeriCorps	CNCS		94.006	10ACHAK001, 12FXHAK002, 12ESHAK001, 13ACHAK001		951,128	951,128
Community Assistance Program State Support Services Element (CAP-SSSE)	USDHS		97.023	EMS-2014-CA-0001		161,050	26,098
Cooperating Technical Partners	USDHS		97.045	EMS-2013-CA-0009, EMW-2014-CA-00182		84,266	
Total for DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT						53,758,397	42,904,876
<u>DEPARTMENT OF ENVIRONMENTAL CONSERVATION</u>							
Plant and Animal Disease, Pest Control, and Animal Care	USDA		10.025			171,243	
Water and Waste Disposal Systems for Rural Communities	USDA		10.760		WWPC	5,672,886	454,035
Japanese Tsunami Marine Debris	USDOC		11.Unknown	MOA-2013-005-8626		1,592,655	
NOAA Pribilof Island Restoration	USDOC		11.Unknown	RA133013SE1880		686	
State Memorandum of Agreement Program for the Reimbursement of Technical Services	USDOD		12.113			2,569,294	
Coastal Impact Assistance Program	USDOI		15.668			795,195	
Bureau of Land Management Oversight	USDOI		15.Unknown	L11PA00032		43,378	
Bureau of Land Management SOA Congress Project	USDOI		15.Unknown	L15PA00071		2,160	
Clean-up Contaminated Sites in Alaska	USDOT		20.Unknown	DTFAAL-04X-80007		81,344	
Clean-up Contaminated Sites in Alaska	USDOT		20.Unknown	DTFAWN-15-A-80000		111,814	
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	EPA		66.034			206,267	36,846
Congressionally Mandated Projects	EPA		66.202			9,497,022	1,521,819
Water Pollution Control State, Interstate, and Tribal Program Support	EPA		66.419			258,080	
State Public Water System Supervision	EPA		66.432			2,372,462	
Water Quality Management Planning	EPA		66.454			106,684	
Capitalization Grants for Clean Water State Revolving Funds	EPA		66.458	CS-02000110	CWFC	8,367	8,367
Capitalization Grants for Clean Water State Revolving Funds	EPA		66.458	CS-02000111	CWFC	21,544	21,544
Capitalization Grants for Clean Water State Revolving Funds	EPA		66.458	CS-02000112	CWFC	1,770,054	1,736,990
Capitalization Grants for Clean Water State Revolving Funds	EPA		66.458	CS-02000113	CWFC	1,779,357	1,679,906
Capitalization Grants for Clean Water State Revolving Funds	EPA		66.458	CS-02000114	CWFC	6,930,957	6,496,458
Regional Wetland Program Development Grants	EPA		66.461			60,960	
Capitalization Grants for Drinking Water State Revolving Funds	EPA		66.468	FS-98005810	DWFC	1,361,100	1,361,100
Capitalization Grants for Drinking Water State Revolving Funds	EPA		66.468	FS-98005811	DWFC	7,122	7,122
Capitalization Grants for Drinking Water State Revolving Funds	EPA		66.468	FS-98005812	DWFC	66,210	66,210
Capitalization Grants for Drinking Water State Revolving Funds	EPA		66.468	FS-98005813	DWFC	3,422,693	2,618,874
Capitalization Grants for Drinking Water State Revolving Funds	EPA		66.468	FS-98005814	DWFC	5,646,176	4,334,050

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015
By State Agency**

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
Beach Monitoring and Notification Program Implementation Grants	EPA		66.472			178,500	121,012
Performance Partnership Grants	EPA		66.605			4,366,048	222,561
Environmental Information Exchange Network Grant Program and Related Assistance	EPA		66.608			29,602	
Pollution Prevention Grants Program	EPA		66.708			90,994	
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	EPA		66.802			104,768	
Underground Storage Tank Prevention, Detection and Compliance Program	EPA		66.804			288,782	
Leaking Underground Storage Tank Trust Fund Corrective Action Program	EPA		66.805			470,553	
Superfund State and Indian Tribe Core Program Cooperative Agreements	EPA		66.809			112,500	
State and Tribal Response Program Grants	EPA		66.817			856,801	
LUST Trust Cost Recovery	EPA		66.Unknown	LUST Trust Cost Recovery		309,454	
Amchitka Oversight Monitoring	ERGY		81.Unknown	DE-LM0000402		71,920	
Food and Drug Administration-Research	USDHHS		93.103			642,213	
Tribal Self-Governance Program: IHS Compacts/Funding Agreements (Pass-through from ANTHC)	USDHHS		93.210	MOU dated 05/09/2006		5,217,751	
FDA Food Inspections	USDHHS		93.Unknown	HHSF223201310149C		735,336	
U.S. Coast Guard Oversight - Juneau	USDHS		97.Unknown	HSCG8713NPXA503		33,755	
U.S. Coast Guard Oversight - Kodiak	USDHS		97.Unknown	HSCG8714QPXAS12		4,239	
Total for DEPARTMENT OF ENVIRONMENTAL CONSERVATION						58,068,926	20,686,894
DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT							
School Breakfast Program	USDA		10.553	17131	CNC	11,073,357	10,781,393
National School Lunch Program	USDA		10.555	17132	CNC	34,304,415	33,757,467
National School Lunch Program (Food Commodities)	USDA		10.555	17132	CNC	2,526,458	2,526,458
Special Milk Program for Children	USDA		10.556	17133	CNC	2,209	2,209
Child and Adult Care Food Program	USDA		10.558	17134		9,961,619	9,849,958
Child and Adult Care Food Program (Food Commodities)	USDA		10.558	17134		20,775	2,075
Summer Food Service Program for Children	USDA		10.559	17137	CNC	1,765,903	1,656,602
Summer Food Service Program for Children (Food Commodities)	USDA		10.559	17137	CNC	4,974	4,974
State Administrative Expenses for Child Nutrition	USDA		10.560	17135		908,556	
Emergency Food Assistance Program (Administrative Costs)	USDA		10.568	17138	FDC	139,949	129,780
Emergency Food Assistance Program (Food Commodities)	USDA		10.569		FDC	952,418	971,225
Team Nutrition Grants	USDA		10.574	17400		86,757	14,208
Child Nutrition Discretionary Grants Limited Availability	USDA		10.579	17169		122,111	84,678
Fresh Fruit and Vegetable Program	USDA		10.582	17166		1,742,165	1,688,018
ARRA-Broadband Technology Opportunities Program (BTOP)	USDOC	ARRA	11.557	17353		563,436	223,207
Promotion of the Arts_Partnership Agreements	NEA		45.025	17335		637,177	286,411
Museums for America	IMLS		45.301	17357		5,998	
Grants to States	IMLS		45.310	17336		922,053	586,112
Title I Grants to Local Educational Agencies	USDOE		84.010	17126		43,842,842	43,426,836
Migrant Education_State Grant Program	USDOE		84.011	17127		8,413,295	7,727,341
Title I State Agency Program for Neglected and Delinquent Children and Youth	USDOE		84.013	17129		301,865	299,498
Special Education_Grants to States	USDOE		84.027	17232	SEC	37,318,914	34,264,056
Impact Aid	USDOE		84.041	17238		43,049,659	
Career and Technical Education - Basic Grants to States	USDOE		84.048	17244		4,793,514	3,454,323
Indian Education_Grants to Local Educational Agencies	USDOE		84.060	17372		134,174	134,174
Rehabilitation Services_Client Assistance Program	USDOE		84.161	17152		132,426	
Special Education_Preschool Grants	USDOE		84.173	17242	SEC	1,366,068	1,084,521

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015
By State Agency**

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
Safe and Drug-Free Schools and Communities_National Programs	USDOE		84.184	17220		7,103	
Education for Homeless Children and Youth	USDOE		84.196	17257		123,232	99,013
Twenty-First Century Community Learning Centers	USDOE		84.287	17271		5,666,678	5,485,768
Special Education - State Personnel Development	USDOE		84.323	17159		537,672	172,356
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	USDOE		84.330	17122		22,506	
Rural Education	USDOE		84.358	17373		131,586	95,483
English Language Acquisition State Grants	USDOE		84.365	17175		1,325,199	1,183,260
Mathematics and Science Partnerships	USDOE		84.366	17252		697,281	680,798
Improving Teacher Quality State Grants	USDOE		84.367	17172		11,506,502	11,039,683
Grants for State Assessments and Related Activities	USDOE		84.369	17171		3,886,408	
Statewide Longitudinal Data Systems	USDOE		84.372	17274		1,820,269	
School Improvement Grants	USDOE		84.377	17165	SIGC	192,858	121,631
Consolidated Programs IASA Admin	USDOE		84.Unknown	17300		592,189	
National Historical Publications and Records Grants	NARA		89.003	17141		8,888	
National Historical Publications and Records Grants (Match)	NARA		89.003	17545		-	
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	USDHHS		93.243	17370		243,132	45,048
Head Start	USDHHS		93.600	17330		84,996	
Total for DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT						231,939,586	171,878,564
DEPARTMENT OF FISH AND GAME							
National Fish and Wildlife Foundation (Pass-through from National Fish and Wildlife Foundation)	USDA		10.683	0801.12.032829		6,963	
National Fish and Wildlife Foundation (Pass-through from National Fish and Wildlife Foundation)	USDA		10.683	0801.13.041134		27,732	8,671
Miscellaneous US Forest Service-Wildlife Research	USDA		10.Unknown	14-CS-11100400-021		5,244	
Miscellaneous US Forest Service-Fisheries Research	USDA		10.Unknown	AG-0109-C-14-0002		99,555	
Miscellaneous US Forest Service-Fisheries Research	USDA		10.Unknown	AG-0109-C-14-0013		6,789	
Miscellaneous US Forest Service-Wildlife Research	USDA		10.Unknown	AG-0116-C-09-0054		101,453	
Miscellaneous US Forest Service-Wildlife Research	USDA		10.Unknown	AG-0116-C-09-0056		11,194	
Interjurisdictional Fisheries Act of 1986	USDOC		11.407			116,844	
Coastal Zone Management Estuarine Research Reserves	USDOC		11.420			548,459	
Pacific Fisheries Data Program (Pass-through from Pacific States Marine Fisheries Commission)	USDOC		11.437	14-17		2,204	
Pacific Fisheries Data Program (Pass-through from Pacific States Marine Fisheries Commission)	USDOC		11.437	15-50G		2,067,028	
Pacific Fisheries Data Program	USDOC		11.437			2,570,504	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	USDOC		11.438			11,384,230	3,033,857
Marine Mammal Data Program	USDOC		11.439			1,600,132	
Regional Fishery Management Councils (Pass-through from Pacific Fishery Management Council)	USDOC		11.441	01-15		14,080	
Regional Fishery Management Councils (Pass-through from North Pacific Fishery Management Council)	USDOC		11.441	2013-2		5,693	
Regional Fishery Management Councils (Pass-through from North Pacific Fishery Management Council)	USDOC		11.441	2015-2		2,138	
Regional Fishery Management Councils	USDOC		11.441			20,234	
Unallied Science Program (Pass-through from North Pacific Research Board)	USDOC		11.472	1108		33,311	
Unallied Science Program (Pass-through from North Pacific Research Board)	USDOC		11.472	1111		242	
Unallied Science Program (Pass-through from North Pacific Research Board)	USDOC		11.472	1412		28,925	
Unallied Science Program (Pass-through from North Pacific Research Board)	USDOC		11.472	1422		52	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015
By State Agency**

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
Unallied Science Program (Pass-through from Prince William Sound Science Center)	USDOC		11.472	13-81-02		3,743	
Unallied Science Program	USDOC		11.472			345,214	
Miscellaneous NOAA (Pass-through from ECS Federal, Inc.)	USDOC		11.Unknown	207115		10,652	
Miscellaneous NOAA-Marine Mammal Research	USDOC		11.Unknown	HA-133F-12-SE-2199		2,384	
Miscellaneous NOAA-Fisheries Research	USDOC		11.Unknown	WE-133F-14-SE-2811		6,515	
Miscellaneous NOAA-Fisheries Research	USDOC		11.Unknown	WE-133F-14-SE-3116		52,818	
Miscellaneous NOAA-Marine Mammal Research	USDOC		11.Unknown	WE-133F-14-SE-3963		6,144	
Miscellaneous NOAA-Marine Mammal Research	USDOC		11.Unknown	WE-133F-14-SE-4018		544	
Miscellaneous Army-Wildlife Research	USDOD		12.Unknown	W911KB-11-P-0037		1,473	
Miscellaneous Army-Wildlife Research	USDOD		12.Unknown	W9DO-11-D-003		42,420	
Recreation Resource Management	USDOI		15.225			2,321	
Fish, Wildlife and Plant Conservation Resource Management (Pass-through from National Fish and Wildlife Foundation)	USDOI		15.231	0801.13.041134		13,866	4,335
Fish, Wildlife and Plant Conservation Resource Management	USDOI		15.231			128,067	
Challenge Cost Share	USDOI		15.238			31,141	
Sport Fish Restoration Program	USDOI		15.605		F&WC	15,665,468	814,578
Fish and Wildlife Management Assistance	USDOI		15.608			534,741	
Wildlife Restoration and Basic Hunter Education	USDOI		15.611		F&WC	19,509,209	
Cooperative Endangered Species Conservation Fund	USDOI		15.615			136,528	
Clean Vessel Act Program	USDOI		15.616			49,394	12,637
Enhanced Hunter Education and Safety Program	USDOI		15.626			86,044	
Multistate Conservation Grant Program (Pass-through from National Fish Habitat Partnership)	USDOI		15.628	COOP-13-084		776	
State Wildlife Grants	USDOI		15.634			2,770,650	
Alaska Subsistence Management	USDOI		15.636			1,396,761	
Alaska Migratory Bird Co-Management Council	USDOI		15.643			85,169	
Service Training and Technical Assistance (Generic Training)	USDOI		15.649			3,084	
Migratory Bird Monitoring, Assessment and Conservation	USDOI		15.655			57,374	
National Fish and Wildlife Foundation (Pass-through from National Fish and Wildlife Foundation)	USDOI		15.663	0801.13.041134		38,131	11,922
Coastal Impact Assistance Program	USDOI		15.668			1,405,165	122,168
Adaptive Science	USDOI		15.670			5,555	
Cooperative Research and Training Programs_Resources of the National Park System	USDOI		15.945			111,885	
Miscellaneous US Fish & Wildlife Service - Limno Sample Analysis	USDOI		15.Unknown	F15PX00434		10,940	
Miscellaneous US Fish & Wildlife Service - Adak Oil Spill Response	USDOI		15.Unknown	FPNJ10009		2,965	
Miscellaneous United State Geological Survey	USDOI		15.Unknown	G15AC00012		26,814	
Miscellaneous BLM - Wildlife Research-Mountain Goats	USDOI		15.Unknown	L10AC20287		11,992	
Miscellaneous Minerals Management Service - Marine Mammal Research-Walrus	USDOI		15.Unknown	M09PC00027		457,062	
Miscellaneous Bureau of Safety and Environmental Enforcement - Marine Mammal Research - Whale	USDOI		15.Unknown	M12PC00005		487,527	
Miscellaneous Bureau of Safety and Environmental Enforcement - Marine Mammal Research - Seal	USDOI		15.Unknown	M13PC00015		294,515	
Miscellaneous National Park Service - Fisheries Research	USDOI		15.Unknown	P13PX02489		3,400	
ARRA-Stewardship Science Grant Program (Pass-through from Western Governor's Association)	ERGY	ARRA	81.112	30-232-AK		590	
Miscellaneous Homeland Security - M/V Selendang Oil Spill Response	USDHS		97.Unknown	FPNJ05003		1,926	
Total for DEPARTMENT OF FISH AND GAME						62,453,973	4,008,168

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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By State Agency**

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
DEPARTMENT OF HEALTH AND SOCIAL SERVICES							
Supplemental Nutrition Assistance Program	USDA		10.551		SNAP	168,789,614	
School Breakfast Program	USDA		10.553		CNC	158,559	
National School Lunch Program	USDA		10.555		CNC	319,144	
Special Supplemental Nutrition Program for Women, Infants, and Children	USDA		10.557			20,853,989	5,642,461
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	USDA		10.561		SNAP	10,881,483	
Commodity Supplemental Food Program	USDA		10.565		FDC	646,154	631,829
WIC Farmers' Market Nutrition Program (FMNP)	USDA		10.572			135,038	
Senior Farmers Market Nutrition Program	USDA		10.576			70,700	76,972
ARRA-WIC Grants To States (WGS)	USDA	ARRA	10.578	WISA-09-AK-01		6,523	
Juvenile Accountability Block Grants	USDOJ		16.523			214,345	
Juvenile Justice and Delinquency Prevention_Allocation to States	USDOJ		16.540			544,292	199,910
Enforcing Underage Drinking Laws Program	USDOJ		16.727			127,465	2,808
WIA/WIOA Youth Activities	USDOL		17.259		WIAC	189,396	
Highway Planning and Construction	USDOT		20.205		HPCC	19,817	
State and Community Highway Safety	USDOT		20.600		HSC	1,831	
State Traffic Safety Information System Improvement Grants	USDOT		20.610		HSC	60,883	
Special Education_Grants to States	USDOE		84.027		SEC	170,000	
Special Education_Preschool Grants	USDOE		84.173		SEC	100,000	
Special Education-Grants for Infants and Families	USDOE		84.181			2,094,685	1,240,046
Special Programs for the Aging - Title VII, Chapter 3- Programs for Prevention of Elder Abuse, Neglect, and Exploitation	USDHHS		93.041			23,832	
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	USDHHS		93.042			79,315	
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	USDHHS		93.043			91,232	91,232
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	USDHHS		93.044		AC	1,808,450	1,583,554
Special Programs for the Aging - Title III, Part C - Nutrition Services	USDHHS		93.045		AC	3,247,955	2,624,292
Special Programs for the Aging - Title IV and Title II - Discretionary Projects	USDHHS		93.048			326,174	137,515
National Family Caregiver Support, Title III, Part E	USDHHS		93.052			805,152	735,703
Nutrition Services Incentive Program	USDHHS		93.053		AC	561,825	
Public Health Emergency Preparedness	USDHHS		93.069			3,808,385	555,909
Medicare Enrollment Assistance Program	USDHHS		93.071			41,381	22,264
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	USDHHS		93.079			61,023	
Guardianship Assistance	USDHHS		93.090			265,415	
Affordable Care Act (ACA) Personal Responsibility Education Program	USDHHS		93.092			217,653	
Maternal and Child Health Federal Consolidated Programs	USDHHS		93.110			370,113	
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	USDHHS		93.116			565,229	
Emergency Medical Services for Children	USDHHS		93.127			326,963	
Injury Prevention and Control Research and State and Community Based Programs	USDHHS		93.136			369,837	141,666
Projects for Assistance in Transition from Homelessness (PATH)	USDHHS		93.150			300,000	300,000
Rural Health Research Centers	USDHHS		93.155			27,523	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
Grants to States for Loan Repayment Program	USDHHS		93.165			391,687	
Disabilities Prevention	USDHHS		93.184			328,499	
Urban Indian Health Services	USDHHS		93.193			2,104	
Family Planning_Services	USDHHS		93.217			599,622	127,540
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	USDHHS		93.224		HCC	204,349	
Traumatic Brain Injury State Demonstration Grant Program	USDHHS		93.234			127,373	79,401
Grants to States to Support Oral Health Workforce Activities	USDHHS		93.236			182,248	
State Capacity Building	USDHHS		93.240			417,723	
State Rural Hospital Flexibility Program	USDHHS		93.241			509,865	252,206
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	USDHHS		93.243			3,660,415	2,478,160
Universal Newborn Hearing Screening	USDHHS		93.251			256,991	35,000
Immunization Cooperative Agreements	USDHHS		93.268			14,098,327	
Adult Viral Hepatitis Prevention and Control	USDHHS		93.270			86,586	
Centers for Disease Control and Prevention_Investigations and Technical Assistance	USDHHS		93.283			156,933	
Centers for Disease Control and Prevention_Investigations and Technical Assistance	USDHHS		93.283			4,249,636	
Teenage Pregnancy Prevention Program	USDHHS		93.297			702,528	308,252
Small Rural Hospital Improvement Grant Program	USDHHS		93.301			126,619	
National State Based Tobacco Control Programs	USDHHS		93.305			152,101	
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	USDHHS		93.323			562,047	
State Health Insurance Assistance Program	USDHHS		93.324			238,901	35,500
Behavioral Risk Factor Surveillance System	USDHHS		93.336			14,871	
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	USDHHS		93.505			1,048,016	
ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers	USDHHS		93.506			5,359	
PPHF National Public Health Improvement Initiative	USDHHS		93.507			123,094	
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC)and Emerging Infections Program (EIP) Cooperative Agreement; PPHF	USDHHS		93.521			1,052,438	
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	USDHHS		93.539			276,598	
Promoting Safe and Stable Families	USDHHS		93.556			348,022	303,755
Temporary Assistance for Needy Families	USDHHS		93.558		TANFC	40,281,078	
Low-Income Home Energy Assistance	USDHHS		93.568			10,875,508	
Child Care and Development Block Grant	USDHHS		93.575		CCC	12,479,039	6,890,017
Community-Based Child Abuse Prevention Grants	USDHHS		93.590			414,771	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	USDHHS		93.596		CCC	7,940,167	
Chafee Education and Training Vouchers Program (ETV)	USDHHS		93.599			208,224	
Adoption and Legal Guardianship Incentive Payments	USDHHS		93.603			344,715	
Developmental Disabilities Basic Support and Advocacy Grants	USDHHS		93.630			393,371	
Developmental Disabilities Projects of National Significance	USDHHS		93.631			349,129	
Children's Justice Grants to States	USDHHS		93.643			99,358	
Stephanie Tubbs Jones Child Welfare Services Program	USDHHS		93.645			96,200	97,500
Foster Care - Title IV-E	USDHHS		93.658			20,396,405	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
Adoption Assistance	USDHHS		93.659			13,272,063	
Social Services Block Grant	USDHHS		93.667			8,156,677	573,851
Child Abuse and Neglect State Grants	USDHHS		93.669			51,545	
Chafee Foster Care Independence Program	USDHHS		93.674			690,208	436,570
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by the Prevention and Public Health Fund (PPHF)	USDHHS		93.733			640,698	
State Public Health Approaches for Ensuring Quitline Capacity – Funded in part by Prevention and Public Health Funds (PPHF)	USDHHS		93.735			42,228	
PPHF: Health Care Surveillance/Health Statistics-Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Funds (PPHF)	USDHHS		93.745			194,841	
Elder Abuse Prevention Interventions Program	USDHHS		93.747			356,421	
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	USDHHS		93.757			665,968	
Children's Health Insurance Program	USDHHS		93.767			16,158,784	
Medicare_Hospital Insurance	USDHHS		93.773			1,125,082	
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	USDHHS		93.777		MC	412,949	
Medical Assistance Program	USDHHS		93.778		MC	882,418,613	
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	USDHHS		93.779			20,354	85,000
Alternatives to Psychiatric Residential Treatment Facilities for Children	USDHHS		93.789			58,570	
Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	USDHHS		93.815			21,612	
National Bioterrorism Hospital Preparedness Program	USDHHS		93.889			782,835	
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	USDHHS		93.912			212,293	132,460
Grants to States for Operation of Offices of Rural Health	USDHHS		93.913			161,751	
HIV Care Formula Grants	USDHHS		93.917			2,002,266	933,346
Healthy Start Initiative	USDHHS		93.926			419,726	303,456
HIV Prevention Activities_Health Department Based	USDHHS		93.940			894,370	286,888
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	USDHHS		93.944			144,781	
Assistance Programs for Chronic Disease Prevention and Control	USDHHS		93.945			142,320	
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	USDHHS		93.946			127,508	
Block Grants for Community Mental Health Services	USDHHS		93.958			863,470	804,006
Block Grants for Prevention and Treatment of Substance Abuse	USDHHS		93.959			4,792,730	4,367,852
Preventive Health Services_Sexually Transmitted Diseases Control Grants	USDHHS		93.977			430,835	
Preventive Health and Health Services Block Grant	USDHHS		93.991			479,702	
Maternal and Child Health Services Block Grant to the States	USDHHS		93.994			1,201,888	21,000
US Consumer Product Safety Commission	USDHHS		93.Unknown	431013045		1,620	
Adult Lead Surveillance Data	USDHHS		93.Unknown	030178D4D-CDC		183,725	
NCHS Contract	USDHHS		93.Unknown	200-2000-07201		101,290	
NIOSH Center for Disease Control & Prevention	USDHHS		93.Unknown	214-2008-M-26751		25,000	
Mammography Inspection	USDHHS		93.Unknown	223-03-4401		108,339	
NIOSH Trauma Register	USDHHS		93.Unknown	243-03-1045		25,000	
Total for DEPARTMENT OF HEALTH AND SOCIAL SERVICES						1,279,870,354	32,537,921

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT							
Investments for Public Works and Economic Development Facilities	USDOC		11.300	805	EDC	136,559	
Labor Force Statistics	USDOL		17.002	850		531,605	
Compensation and Working Conditions	USDOL		17.005	853		108,671	
Employment Service/Wagner-Peyser Funded Activities	USDOL		17.207	858	ESC	7,000,289	
Unemployment Insurance	USDOL		17.225	864		171,121,509	
Senior Community Service Employment Program	USDOL		17.235	867/EN 755589		1,938,677	1,034,670
Trade Adjustment Assistance	USDOL		17.245	871		92,265	
WIA/WIOA Adult Program	USDOL		17.258	881/922/923	WIAC	2,225,336	
WIA/WIOA Youth Activities	USDOL		17.259	882/952 (RSA 756101, EN756104)	WIAC	2,137,711	876,701
Work Opportunity Tax Credit Program (WOTC)	USDOL		17.271	898		66,000	
Temporary Labor Certification for Foreign Workers	USDOL		17.273	856		64,569	
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	USDOL		17.277	896		322,808	
WIA/WIOA Dislocated Worker Formula Grants	USDOL		17.278	886/932/933/937/998/938/939	WIAC	1,892,864	
Occupational Safety and Health_State Program	USDOL		17.503	887		1,370,419	
Consultation Agreements	USDOL		17.504	888		688,680	
Disabled Veterans' Outreach Program (DVOP)	USDOL		17.801	893	ESC	562,081	
Local Veterans' Employment Representative Program	USDOL		17.804	895	ESC	120,929	
Adult Education - Basic Grants to States	USDOE		84.002	813 RS 755604, EN 755600,755601, 755602, 755603		992,288	641,025
Special Education_Grants to States	USDOE		84.027	550030 RSA	SEC	-	
Career and Technical Education-Basic Grants to States	USDOE		84.048A	550029/550031/550032		-	
Federal Pell Grant Program	USDOE		84.063	815	SFAC	330,820	
Rehabilitation Services_Vocational Rehabilitation Grants to States	USDOE		84.126	819		11,168,943	133,977
Independent Living_State Grants	USDOE		84.169	823		229,590	291,124
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	USDOE		84.177	827		222,017	213,844
Supported Employment Services for Individuals with the Most Significant Disabilities	USDOE		84.187	830		294,980	
Assistive Technology	USDOE		84.224	834		286,160	281,662
Rehabilitation Training_State Vocational Rehabilitation Unit In-Service Training	USDOE		84.265	836		17,506	
Federal Direct Student Loans	USDOE		84.268	837/87465	SFAC	295,401	
Denali Commission Program	DC		90.100	842		14,900	
ACL Independent Living State Grants	USDHHS		93.369	823		77,331	12,173
ACL Assistive Technology	USDHHS		93.464	834		130,783	128,238
Social Security-Disability Insurance	SSA		96.001	844	DISSIC	4,801,112	
Supplemental Security Income	SSA		96.006	845	DISSIC	939,216	
Social Security - Work Incentives Planning and Assistance Program	SSA		96.008	846		94,100	
Total for DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT						210,276,119	3,613,414

DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS

School Breakfast Program	USDA		10.553	RSA 0550117	CNC	(133,405)	
National School Lunch Program	USDA		10.555	RSA 0550117	CNC	(227,804)	
Meteorologic and Hydrologic Modernization Development	USDOC		11.467	35457		672,001	1,656
Military Construction, National Guard	USDOD		12.400	35400		5,826	
National Guard Military Operations and Maintenance (O&M) Projects	USDOD		12.401	35401		15,022,314	
National Guard ChalleNge Program	USDOD		12.404	35404		3,842,209	
Counterdrug Support Program-Asset Forfeiture	USDOJ		16.Unknown	35160/AKQNGCD0		4	
Interagency Hazardous Materials Public Sector Training and Planning Grants	USDOT		20.703	35703		83,717	
Veterans Transportation Project	USDVA		64.035	34438		139,109	89,272

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
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Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
Emergency Management Institute Training Assistance	USDHS		97.026	34052		4,972	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	USDHS		97.036	35036		14,263,873	11,494,389
Hazard Mitigation Grant	USDHS		97.039	35039		6,404,804	
Emergency Management Performance Grants	USDHS		97.042	35915		3,047,426	766,541
Pre-Disaster Mitigation	USDHS		97.047	34064		582,070	
Homeland Security Grant Program	USDHS		97.067	34050		2,510,685	1,667,224
Total for DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS						46,217,801	14,019,082
DEPARTMENT OF NATURAL RESOURCES							
Plant and Animal Disease, Pest Control, and Animal Care	USDA		10.025			126,930	
Inspection Grading and Standardization	USDA		10.162			16,576	
Market Protection and Promotion	USDA		10.163			46,637	
Specialty Crop Block Grant Program - Farm Bill	USDA		10.170			223,637	74,621
Farm to School Grant Program	USDA		10.575			25,000	1,623
Cooperative Forestry Assistance	USDA		10.664			3,588,397	268,968
Schools and Roads - Grants to States	USDA		10.665		FSRC	28,497	
Forest Legacy Program	USDA		10.676			24,579	
Forest Health Protection	USDA		10.680			223,261	
Soil and Water Conservation	USDA		10.902			5,000	
Plant Materials for Conservation	USDA		10.905			39,725	
USFS Fire Suppression (AKDF070002)	USDA		10.Unknown	10FI11100100040		9,097,710	
Hotshot Crew	USDA		10.Unknown	12PA11100100009		60,560	
Renewable Wood Energy	USDA		10.Unknown	14-JV-11261935-070		14,661	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	USDOC		11.438			-	
OHA Wake Island	USDOD		12.Unknown	F1W6CC3262M001		1,679	
Cultural Resource Management	USDOI		15.224			16,614	
Fish, Wildlife and Plant Conservation Resource Management	USDOI		15.231			57,582	
Environmental Quality and Protection Resource Management	USDOI		15.236			68,367	
Management Initiatives	USDOI		15.239			19,471	
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	USDOI		15.250			352,421	
Abandoned Mine Land Reclamation (AMLR) Program	USDOI		15.252			1,746,419	
Federal Oil and Gas Royalty Management State and Tribal Coordination	USDOI		15.427			122,602	
Coastal Impact Assistance Program	USDOI		15.668			1,923,459	
Cooperative Landscape Conservation	USDOI		15.669			2,314	
U.S. Geological Survey_Research and Data Collection	USDOI		15.808			434,154	
National Cooperative Geologic Mapping Program	USDOI		15.810			127,694	
National Geological and Geophysical Data Preservation Program	USDOI		15.814	G13AP00073		15,687	
ARRA-Volcano Hazards Program Research and Monitoring	USDOI	ARRA	15.818			374,782	
Energy Cooperatives to Support the National Coal Resources Data System (NCRDS)	USDOI		15.819			11	
Historic Preservation Fund Grants-In-Aid	USDOI		15.904			880,840	
Outdoor Recreation_Acquisition, Development and Planning	USDOI		15.916			198,316	65,057
BLM Fire Suppression	USDOI		15.Unknown	AK-2010-0001		13,874,813	
Highway Planning and Construction	USDOT		20.205		HPCC	-	
Recreational Trails Program	USDOT		20.219		HPCC	1,320,822	551,945
Glen Highway Cultural Resource Survey	USDOT		20.Unknown	DTHF70-13-E-00026		91,372	
Boating Safety Financial Assistance	USDHS		97.012			970,583	
State Access to the Oil Spill Liability Trust Fund	USDHS		97.013			2,613	
National Dam Safety Program	USDHS		97.041			49,203	
Fire Management Assistance Grant	USDHS		97.046			5,375,728	
Total for DEPARTMENT OF NATURAL RESOURCES						41,548,716	962,214

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Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
DEPARTMENT OF ADMINISTRATION							
Crime Victim Compensation	USDOJ		16.576	2012VCGX0065,2013VCGX0013,2014VCGX0030		876,541	
Juvenile Mentoring Program	USDOJ		16.726	AK10900130615F2,AK10900-13-0614F1		19,524	
Court Appointed Special Advocates	USDOJ		16.756	AK10900-13-1013S,AK10900141014S		38,653	
John R. Justice Prosecutors and Defenders Incentive Act	USDOJ		16.816	2014RJBX0030		27,500	
Commercial Driver's License Program Improvement Grant	USDOT		20.232	FMCDL0106120100		40,614	
Donation of Federal Surplus Personal Property	GSA		39.003			6,557,529	
State Underground Water Source Protection	EPA		66.433	G00J693020		128,000	
Driver's License Security Grant Program	USDHS		97.089	EMW2011DL0036S01		40,000	
Total for DEPARTMENT OF ADMINISTRATION						7,728,361	-
DEPARTMENT OF CORRECTIONS							
Residential Substance Abuse Treatment for State Prisoners	USDOJ		16.593	2014-R-BX-0021		49,683	
State Criminal Alien Assistance Program	USDOJ		16.606	2015-H1169-AK-AP		124,286	
Edward Byrne Memorial Competitive Grant Program	USDOJ		16.751	2014-XT-BX-0017		-	
Swift, Certain, and Fair Sanctions Program: Replicating the Concepts behind Project HOPE	USDOJ		16.828	2014-MU-BX-K007		32,484	
Adult Education - Basic Grants to States	USDOE		84.002	FY2012-18		-	
Incentive Payment Agreement (IPMOU) between SSA and DOC	SSA		96.Unknown	IPMOU		78,800	
Career and Technical Education-Basic Grants to States	USDOE		84.048A	NT1517501		-	
Career and Technical Education-Basic Grants to States	USDOE		84.048A	V048A100002		-	
Total for DEPARTMENT OF CORRECTIONS						285,253	-
DEPARTMENT OF REVENUE							
Child Support Enforcement	USDHHS		93.563			20,211,762	
Total for DEPARTMENT OF REVENUE						20,211,762	-
DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES							
Ketchikan Airport Bridge and Geotech	USDA		10.Unknown	06RO-11100100-129		4,373	
USFS Contract - Fish passageways on Mitkof, Hydaburg, and Yakutat Highways	USDA		10.Unknown	USFS 07-RO-11100100-076		462,207	
King Salmon Airport Contract to Maintain USAF Safety	USDOD		12.Unknown	12.F65501-96C0006		581,539	
Adak Airport Operations Agreement	USDOD		12.Unknown	N6871104MDC4010		601,935	
Coastal Impact Assistance Program	USDOL		15.668	F13AF00077		-	
BIA-Sand Point School Loop Road	USDOL		15.Unknown	FRH53637		25,000	
Drug Court Discretionary Grant Program	USDOJ		16.585			140,662	
Airport Improvement Program	USDOT		20.106			166,381,186	
Highway Planning and Construction	USDOT		20.205	WFL-DTFH70-09-E-00002	HPCC	11,867,761	
Highway Planning and Construction	USDOT		20.205		HPCC	536,159,024	4,077,926
National Motor Carrier Safety	USDOT		20.218			1,024,495	
Performance and Registration Information Systems Management	USDOT		20.231			45,133	
Border Enforcement Grants	USDOT		20.233			267,283	
Safety Data Improvement Program	USDOT		20.234			72,331	
Commercial Motor Vehicle Operator Training Grants	USDOT		20.235			8,852	
Commercial Vehicle Information Systems and Networks	USDOT		20.237			132,849	
Federal Transit_Capital Investment Grants	USDOT		20.500		FTC	404,446	92,800
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	USDOT		20.505			118,147	407,206
Formula Grants for Rural Areas	USDOT		20.509			6,966,557	6,451,652
Enhanced Mobility of Seniors and Individuals with Disabilities	USDOT		20.513		TSPC	494,013	517,567
Job Access and Reverse Commute Program	USDOT		20.516		TSPC	391,756	369,908

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
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Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
New Freedom Program	USDOT		20.521		TSPC	10,146	7,048
State and Community Highway Safety	USDOT		20.600		HSC	795,377	300,491
Alcohol Impaired Driving Countermeasures Incentive Grants	USDOT		20.601		HSC	127,873	
Occupant Protection Incentive Grants	USDOT		20.602		HSC	446,084	261,796
Alcohol Open Container Requirements	USDOT		20.607			194,368	192,680
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	USDOT		20.608			903,497	222,689
State Traffic Safety Information System Improvement Grants	USDOT		20.610		HSC	119,711	52,125
Child Safety and Child Booster Seats Incentive Grants	USDOT		20.613		HSC	11,839	11,839
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	USDOT		20.614			37,259	
National Priority Safety Programs	USDOT		20.616		HSC	161,697	
US Creek Road - Federal Lands Access Programs	USDOT		20.Unknown	AK DOT 152055(1)		8,556	
Taylor Highway - Federal Lands Access Programs	USDOT		20.Unknown	AK DOT 250(1)		4,365	
Davis Dome Wayside Imp - Federal Lands Reimbursement	USDOT		20.Unknown	AK DOT 252500(1)		3,911	
Forest Highway Project Agreement	USDOT		20.Unknown	AK PFH 40-1(1) & AK PFH 43(8)		32	
Denali Park Road Drilling - Federal Lands Reimbursement	USDOT		20.Unknown	AK PRA AKRO ES(3) & AK PRA DENA 19(35)		100,625	
Galena - Western Federal Lands	USDOT		20.Unknown	AK-BIA-ERFO131-0801		2,366,007	
Dillingham A/P Flight Service Station	USDOT		20.Unknown	DTFAWN-14-A80003		84,649	
Gustavus Electrical Cables	USDOT		20.Unknown	DTFAWN-14-A80003		48,210	
Unstable Slope Management	USDOT		20.Unknown	DTFH70-11-E-00067		43,038	
Snug Harbor Road	USDOT		20.Unknown	DTFH70-13-E-00018		213,725	
Deadhorse AARF-FAA for prorated share of utilities and repair costs	USDOT		20.Unknown	FAA/DOT DTFA-04-98-L-16606		63,746	
Kotzebue & Nome AARF-FAA for prorated share of utilities and repair costs	USDOT		20.Unknown	FAA/DOT DTFA-04-98-L-16606		92,020	
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	USDOT		20.Unknown	HSTS02-08-H-CAN402		3,225	
Denali Commission Program	DC		90.100			502,409	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	USDHS		97.036			633,242	
Homeland Security Grant Program	USDHS		97.067			378,803	
National Explosives Detection Canine Team Program	USDHS		97.Unknown	BAC-000S(511)		60,444	
Total for DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES						733,564,407	12,965,727
DEPARTMENT OF PUBLIC SAFETY							
State and Local Implementation Grant Program	USDOC		11.549			8,496	
National Marine Fisheries Joint Enforcement Agreement	USDOC		11.Unknown	11.04 and NMFS-JEA		1,154,218	
Sexual Assault Services Formula Program	USDOJ		16.017			166,432	161,926
Supervised Visitation, Safe Havens for Children	USDOJ		16.527			100,930	98,760
Missing Children's Assistance (Pass-through from Municipality of Anchorage, Police Department)	USDOJ		16.543	2010-MC-CX-K031 & 2013-MC-FX-K011		59,202	
National Criminal History Improvement Program (NCHIP)	USDOJ		16.554			353,891	
Crime Victim Assistance	USDOJ		16.575			901,318	890,000
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	USDOJ		16.580			43,889	
Violence Against Women Formula Grants	USDOJ		16.588			905,603	280,300
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	USDOJ		16.590			161,145	144,145
Residential Substance Abuse Treatment for State Prisoners	USDOJ		16.593			4,328	
Public Safety Partnership and Community Policing Grants	USDOJ		16.710			6,464	
Edward Byrne Memorial Justice Assistance Grant Program	USDOJ		16.738			804,246	278,052

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
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Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
DNA Backlog Reduction Program	USDOJ		16.741			317,367	
Paul Coverdell Forensic Sciences Improvement Grant Program	USDOJ		16.742			50,084	
Edward Byrne Memorial Competitive Grant Program	USDOJ		16.751			7,574	
NICS Act Record Improvement Program	USDOJ		16.813			58,725	
Equitable Sharing Program	USDOJ		16.922			632,484	
Domestic Cannabis Eradication/Suppression Program	USDOJ		16.Unknown	2013-2 & 2014-2		6,868	
Highway Planning and Construction	USDOT		20.205		HPCC	-	
State and Community Highway Safety	USDOT		20.600		HSC	-	
Alcohol Impaired Driving Countermeasures Incentive Grants I	USDOT		20.601		HSC	-	
Alcohol Open Container Requirements	USDOT		20.607			-	
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	USDOT		20.608			-	
National Priority Safety Programs	USDOT		20.616		HSC	-	
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	USDHHS		93.671			962,537	957,000
State Fire Training Systems Grants	USDHS		97.043			19,186	
Assistance to Firefighters Grant	USDHS		97.044			434,680	
Homeland Security Grant Program	USDHS		97.067			-	
Total for DEPARTMENT OF PUBLIC SAFETY						7,159,667	2,810,183
DEPARTMENT OF LAW							
State Medicaid Fraud Control Units	USDHHS		93.775		MC	914,216	
Total for DEPARTMENT OF LAW						914,216	-
OFFICE OF THE GOVERNOR							
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	EEOC		30.002			204,755	
Help America Vote Act Requirements Payments	EAC		90.401			680,535	
Voting Access for Individuals with Disabilities_Grants to States	USDHHS		93.617			81,600	
Total for OFFICE OF THE GOVERNOR						966,890	-
UNIVERSITY OF ALASKA							
Plant and Animal Disease, Pest Control, and Animal Care	USDA		10.025		R&DC	5,801	
Cooperative Forestry Research	USDA		10.202		R&DC	622,456	
Payments to Agricultural Experiment Stations Under the Hatch Act	USDA		10.203		R&DC	1,265,686	
Sustainable Agriculture Research and Education (Pass-through Utah State University)	USDA		10.215	120833030	R&DC	7,074	
Sustainable Agriculture Research and Education (Pass-through Utah State University)	USDA		10.215	120833033	R&DC	17,480	
1890 Institution Capacity Building Grants (Pass-through University of Delaware)	USDA		10.216	11-007JNA		10,786	
1890 Institution Capacity Building Grants	USDA		10.216		R&DC	13,057	
Higher Education - Institution Challenge Grants Program (Pass-through Purdue University)	USDA		10.217	8000064676	R&DC	22,681	
Higher Education - Institution Challenge Grants Program (Pass-through University of Missouri)	USDA		10.217	C00041710-3		43,618	
Secondary and Two-Year Postsecondary Agriculture Education Challenge Grants	USDA		10.226			31,667	
Alaska Native Serving and Native Hawaiian Serving Institutions Education Grants	USDA		10.228		R&DC	103,029	17,689
Alaska Native Serving and Native Hawaiian Serving Institutions Education Grants	USDA		10.228			1,619,068	90,338
Homeland Security_Agricultural (Pass-through University of California)	USDA		10.304	201223902-05		11,541	

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Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
Agriculture and Food Research Initiative (AFRI) (Pass-through University of Hawaii)	USDA		10.310	6102193	R&DC	3,528	
Agriculture and Food Research Initiative (AFRI) (Pass-through Desert Research Institute)	USDA		10.310	626.5501.03	R&DC	8,657	
Agriculture and Food Research Initiative (AFRI) (Pass-through University of Hawaii)	USDA		10.310	MA110010	R&DC	657,380	42,990
Agriculture and Food Research Initiative (AFRI)	USDA		10.310		R&DC	223,282	
Crop Protection and Pest Management Competitive Grants Program	USDA		10.329			70,222	
Cooperative Extension Service (Pass-through Washington State University)	USDA		10.500	108815		47,652	
Cooperative Extension Service (Pass-through Utah State University)	USDA		10.500	100906004		14,120	
Cooperative Extension Service (Pass-through Pennsylvania State University)	USDA		10.500	5136-2628		4,171	
Cooperative Extension Service (Pass-through University of Missouri)	USDA		10.500	C00048589-5		2,514	
Cooperative Extension Service (Pass-through Kansas State University)	USDA		10.500	S14105		19,905	
Cooperative Extension Service (Pass-through Kansas State University)	USDA		10.500	S14182		7,865	
Cooperative Extension Service (Pass-through Kansas State University)	USDA		10.500	S15031		10,550	
Cooperative Extension Service (Pass-through Kansas State University)	USDA		10.500	S15096		3,046	
Cooperative Extension Service (Pass-through Kansas State University)	USDA		10.500	S15143		10,792	
Cooperative Extension Service	USDA		10.500			2,302,014	
National School Lunch Program	USDA		10.555	550098	CNC	14,386	
Special Supplemental Nutrition Program for Women, Infants, and Children	USDA		10.557	651413		47,199	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	USDA		10.561		SNAP	251,776	
SNAP Partnership Grant (Pass-through State of Oklahoma)	USDA		10.577	3409018697		17,052	
Technical Assistance for Specialty Crops Program	USDA		10.604		R&DC	266	
Forestry Research	USDA		10.652		R&DC	23,575	
Urban and Community Forestry Program	USDA		10.675			11,348	
Forest Health Protection	USDA		10.680		R&DC	112,623	
Forest Health Protection	USDA		10.680			180,693	
Rural Business Enterprise Grants	USDA		10.769			70,081	
Rural Cooperative Development Grants	USDA		10.771			112,126	
Rural Business Opportunity Grants	USDA		10.773			50,937	
Soil Survey	USDA		10.903		R&DC	47,768	
Soil Contributions Watershed Functions: Soil Hydrology and Biogeochemistry	USDA		10.Unknown	G00005873	R&DC	10,050	
University of Alaska-Southeast GIS Library & the Southeast Alaska Hydrography Database	USDA		10.Unknown	G00007725		60,964	
Alaska Coastal Rainforest Center Director Support	USDA		10.Unknown	G00008142		24,146	
Where Culture & Ecology Meet: Merging Key Cultural Functions, Plants & Animals, Habitat Ecology in SEAK	USDA		10.Unknown	G00008170	R&DC	3,010	
Flux and fate of carbon in terrestrial and aquatic ecosystem at the ocean margin of the Alaskan perhumid coastal temperate rainforest	USDA		10.Unknown	G00008893	R&DC	78,441	
Determining the Magnitude and Socia	USDA		10.Unknown	G00008908	R&DC	44,146	
A characterization of the specialty wood products market in Southeast Alaska	USDA		10.Unknown	G00008916	R&DC	26,312	
Chukchi Sea SHELFBZ CTD Data Processing and Analysis	USDA		10.Unknown	G00009253	R&DC	533	

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**STATE OF ALASKA
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Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
Proposed Project Review and Analysis (Pass-through NatureServe)	USDA		10.Unknown	G00009458	R&DC	11,730	
AKEPIC Upgrades	USDA		10.Unknown	G00009667	R&DC	14,985	
Review and Upload of Forest Inventory & Analysis Records to AKEPIC Database	USDA		10.Unknown	G00009681	R&DC	4,997	
ARC Turner River Collection Inventory	USDA		10.Unknown	G00009702		22,585	
Tongass Rare Plant Species Assessment	USDA		10.Unknown	G00009709	R&DC	20,242	
FY15 Military 4-H Club Grant (Pass-through Kansas State University)	USDA		10.Unknown	G00009880		21,523	
NOAA Mission-Related Education Awards	USDOC		11.008		R&DC	68,911	
NOAA Mission-Related Education Awards	USDOC		11.008			70,182	
Ocean Exploration	USDOC		11.011		R&DC	55,791	
Integrated Ocean Observing System (IOOS) (Pass-through University of Washington)	USDOC		11.012	758303	R&DC	18,922	
Integrated Ocean Observing System (IOOS) (Pass-through Alaska Ocean Observing System)	USDOC		11.012	H2300-50	R&DC	2,851	
Integrated Ocean Observing System (IOOS) (Pass-through Alaska Ocean Observing System)	USDOC		11.012	H2300-51	R&DC	126,992	
Integrated Ocean Observing System (IOOS) (Pass-through Alaska Ocean Observing System)	USDOC		11.012	H2300-52	R&DC	108,454	
Integrated Ocean Observing System (IOOS) (Pass-through Alaska Ocean Observing System)	USDOC		11.012	H2300-59	R&DC	89,822	
Integrated Ocean Observing System (IOOS) (Pass-through Alaska Ocean Observing System)	USDOC		11.012	H2300-64	R&DC	122,002	
Integrated Ocean Observing System (IOOS) (Pass-through Alaska Ocean Observing System)	USDOC		11.012	H2300-65	R&DC	11,016	
Integrated Ocean Observing System (IOOS) (Pass-through Alaska Ocean Observing System)	USDOC		11.012	H2300-66	R&DC	11,359	
Integrated Ocean Observing System (IOOS)	USDOC		11.012		R&DC	90,356	
Economic Development_Technical Assistance	USDOC		11.303			117,896	
Sea Grant Support	USDOC		11.417			832,735	31,874
Sea Grant Support	USDOC		11.417		R&DC	956,713	177,778
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program (Pass-through University of Minnesota)	USDOC		11.427	H003990004	R&DC	14,824	
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	USDOC		11.427		R&DC	59,055	
Undersea Research	USDOC		11.430		R&DC	188,248	120,375
Climate and Atmospheric Research	USDOC		11.431		R&DC	648,620	
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	USDOC		11.432		R&DC	1,814,120	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	USDOC		11.438	1125959	R&DC	30,687	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	USDOC		11.438	1145953	R&DC	61,638	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	USDOC		11.438	1145955	R&DC	87,629	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	USDOC		11.438	1145956	R&DC	7,271	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	USDOC		11.438	1155952	R&DC	14,411	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program (Pass-through Pacific States Marine Fisheries)	USDOC		11.438	14-104	R&DC	55,180	
Marine Mammal Data Program	USDOC		11.439		R&DC	356,636	
Special Oceanic and Atmospheric Projects	USDOC		11.460		R&DC	248,808	
Unallied Science Program (Pass-through Prince William Sound Science Center)	USDOC		11.472	12-81-03	R&DC	62,243	

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Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
Unallied Science Program (Pass-through Prince William Sound Science Center)	USDOC		11.472	12-81-06	R&DC	73,291	4,686
Unallied Science Program (Pass-through Prince William Sound Science Center)	USDOC		11.472	12-81-07	R&DC	68,149	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1008	R&DC	(8,300)	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1008B	R&DC	18,492	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1012	R&DC	9,331	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1106B	R&DC	7,776	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1201	R&DC	(945)	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1206	R&DC	16,049	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1215	R&DC	852	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1219	R&DC	58,974	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1221	R&DC	23,408	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1227	R&DC	7,672	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1229	R&DC	1,337	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1302	R&DC	38,992	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1303	R&DC	67,348	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1307	R&DC	41,468	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1309	R&DC	67,507	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1316	R&DC	27,310	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1323	R&DC	84,397	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1409	R&DC	91	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1410	R&DC	25,146	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1415	R&DC	48,552	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1420	R&DC	44,476	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1421	R&DC	24,102	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1426	R&DC	19,310	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1427	R&DC	137,574	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project G81	R&DC	27,059	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project G83	R&DC	(984)	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project G84	R&DC	137,710	
Unallied Science Program	USDOC		11.472	Project G85	R&DC	88,819	

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Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
Unallied Science Program	USDOC		11.472		R&DC	109,420	
Office for Coastal Management (Pass-through Alaska Ocean Observing System)	USDOC		11.473	H2301-51	R&DC	(638)	
NOAA Programs for Disaster Relief Appropriations Act - Non-construction and Construction	USDOC		11.483		R&DC	1,149,341	12,322
ARRA-State Broadband Data and Development Grant Program (Pass-through Connected National Inc.)	USDOC	ARRA	11.558	M09071	R&DC	59,201	
Manufacturing Extension Partnership	USDOC		11.611			77,482	
Procurement Technical Assistance For Business Firms	USDOD		12.002			357,413	
Protection, Clearing and Straightening Channels	USDOD		12.109		R&DC	96,744	
Basic and Applied Scientific Research (Pass-through Woods Hole Oceanographic Institution)	USDOD		12.300	A101021	R&DC	115,245	
Basic and Applied Scientific Research	USDOD		12.300		R&DC	280,821	
Invitational Grants for Military-Connected Schools (Pass-through Anchorage School District)	USDOD		12.557	11-1401	R&DC	12,659	
Basic, Applied, and Advanced Research in Science and Engineering	USDOD		12.630		R&DC	439,537	52,453
Air Force Defense Research Sciences Program	USDOD		12.800		R&DC	3,933,164	
Information Security Grant	USDOD		12.902			177,655	
Research and Technology Development (Pass-through University of Florida)	USDOD		12.910	1205022	R&DC	5,834	
Lead and Antimony Speciation in Shooting Range Soils: Molecular Scale Analysis, Temporal Trends and Mobility	USDOD		12.Unknown	G00006854	R&DC	186,346	
Identifying Mechanisms of State Change and Forecasting Future Vulnerability (Pass-through University of Florida)	USDOD		12.Unknown	G00007315	R&DC	185,298	
Stickleback Biomarkers of Aquatic Pollution in Ship Creek, Alaska (Pass-through Land Grant Trust)	USDOD		12.Unknown	G00008157	R&DC	5,952	
2014 OMK thru Army	USDOD		12.Unknown	G00009083		79,614	
Human Lifting Simulation Using New Predictive Dynamics Code (Pass-through University of Iowa)	USDOD		12.Unknown	G00009691	R&DC	19,398	
Alaska Native/Native Hawaiian Institutions Assisting Communities	HUD		14.515			90,464	
Partners in Growth	HUD		14.Unknown	G00008210		105,437	
Indian Adult Education	USDOI		15.026			21,617	
Cultural Resource Management	USDOI		15.224		R&DC	19,619	
Cultural Resource Management	USDOI		15.224			1,048,780	
Recreation Resource Management	USDOI		15.225		R&DC	508,420	
Invasive and Noxious Plant Management	USDOI		15.230		R&DC	23,004	
Fish, Wildlife and Plant Conservation Resource Management (Pass-through National Fish & Wildlife Foundation)	USDOI		15.231	2100.12.030840		50,415	
Fish, Wildlife and Plant Conservation Resource Management	USDOI		15.231			243,935	
Fish, Wildlife and Plant Conservation Resource Management	USDOI		15.231		R&DC	947,083	
Wildland Fire Research and Studies Program	USDOI		15.232		R&DC	205,102	
Environmental Quality and Protection Resource Management	USDOI		15.236		R&DC	178,792	
Rangeland Resource Management	USDOI		15.237		R&DC	8,088	
Challenge Cost Share	USDOI		15.238			41,033	
Alaska Coastal Marine Institute (Pass-through University of Texas at Austin)	USDOI		15.421	UTA12-000603	R&DC	3,510	
Alaska Coastal Marine Institute	USDOI		15.421			15,012	
Alaska Coastal Marine Institute	USDOI		15.421		R&DC	2,253,423	252,510
Bureau of Ocean Energy Management (BOEM)	USDOI		15.423	UTA11-000873	R&DC	35,417	
Environmental Studies Program (ESP) (Pass-through University of Texas-Austin)	USDOI		15.423	UTA11-000973	R&DC	58,807	
Bureau of Ocean Energy Management (BOEM)	USDOI		15.423	UTA11-000973	R&DC	58,807	
Environmental Studies Program (ESP) (Pass-through University of Texas-Austin)	USDOI		15.423	UTA11-000973	R&DC	58,807	

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Bureau of Ocean Energy Management (BOEM) Environmental Studies Program (ESP)	USDOI		15.423		R&DC	1,391,481	24,942
Fish and Wildlife Management Assistance (Pass-through National Fish & Wildlife Foundation)	USDOI		15.608	2100.12.030840	R&DC	96,558	
Fish and Wildlife Management Assistance	USDOI		15.608		R&DC	54,329	
Alaska Subsistence Management	USDOI		15.636		R&DC	80,858	
Service Training and Technical Assistance (Generic Training)	USDOI		15.649			44,885	
Service Training and Technical Assistance (Generic Training)	USDOI		15.649		R&DC	49,000	
Research Grants (Generic)	USDOI		15.650		R&DC	111,269	
Migratory Bird Monitoring, Assessment and Conservation	USDOI		15.655		R&DC	97,480	
National Fish and Wildlife Foundation	USDOI		15.663		R&DC	83,394	
Coastal Impact Assistance Program	USDOI		15.668	821192	R&DC	12,774	
Coastal Impact Assistance Program	USDOI		15.668	830721	R&DC	207,900	
Coastal Impact Assistance Program	USDOI		15.668	830722	R&DC	524,586	49,953
Coastal Impact Assistance Program	USDOI		15.668	831535	R&DC	4,312	
Coastal Impact Assistance Program	USDOI		15.668	1021200		261,721	
Coastal Impact Assistance Program	USDOI		15.668	1135209	R&DC	37,848	
Coastal Impact Assistance Program	USDOI		15.668	1850019	R&DC	125,079	
Coastal Impact Assistance Program	USDOI		15.668	10-CIAP-021		58,679	
Cooperative Landscape Conservation	USDOI		15.669			37,963	
Cooperative Landscape Conservation	USDOI		15.669		R&DC	454,847	2,427
Adaptive Science	USDOI		15.670		R&DC	172,863	
Assistance to State Water Resources Research Institutes	USDOI		15.805		R&DC	82,728	12,269
Earthquake Hazards Research Grant	USDOI		15.807		R&DC	366,526	
U.S. Geological Survey_Research and Data Collection	USDOI		15.808		R&DC	1,671,479	
Cooperative Research Units Program	USDOI		15.812		R&DC	1,947,143	
National Geospatial Program: Building The National Map	USDOI		15.817		R&DC	105,027	
Volcano Hazards Program Research and Monitoring	USDOI		15.818		R&DC	527,109	
National Climate Change and Wildlife Science Center	USDOI		15.820		R&DC	50,659	
Cooperative Research and Training Programs_Resources of the National Park System	USDOI		15.945		R&DC	1,434,926	3,600
Cultural Resources Management	USDOI		15.946			12,400	
National Park Service Conservation, Protection, Outreach, and Education	USDOI		15.954			755	
Herbarium Study of Plant Samples from the Arctic Network of National Parks	USDOI		15.Unknown	G00006445		(292)	
Consequences of a Changing Climate for Alaska's Boreal Forests (A Continuation of the Bonanza Creek Long-Term Ecological Research Program)	USDOI		15.Unknown	G00007288	R&DC	155,851	
St. Matthews Island Invertebrates ID's	USDOI		15.Unknown	G00009092	R&DC	(1,722)	
Inventory, Identify and Database NPS Butterfly and Moth Specimens from the Kenelm Philip Lepidoptera Collection	USDOI		15.Unknown	G00009423	R&DC	24,675	
RWO214: Bacterial Infection as a Possible Source of Embryo Mortality in Greater White-fronted Geese	USDOI		15.Unknown	G00009434		14,484	
USGS AVO Near-real time satellite support for volcano monitoring - Follow on order	USDOI		15.Unknown	G00009562	R&DC	37,494	
2014 Farm Bill Producer Education	USDOI		15.Unknown	G00009834		10,004	
National Institute of Justice Research, Evaluation, and Development Project Grants	USDOJ		16.560		R&DC	190,415	
Crime Victim Assistance/Discretionary Grants (Pass-through Alaska Immigration Justice Project)	USDOJ		16.582	GX-K023	R&DC	37,168	
Juvenile Mentoring Program (Pass-through National 4H Council)	USDOJ		16.726	4-H NMP 5		151,975	
Federal Equitable Sharing UAAPD	USDOJ		16.Unknown	G00006407		8,614	

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The Alaska Arctic Observatory & Knowledge Hub (AAOKH): A framework for integration of long-term environmental observations and knowledge sharing	USDOJ		16.Unknown	G00009912	R&DC	1,515	
WIA/WIOA Youth Activities	USDOL		17.259	756104	WIAC	70,484	
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants (Pass-through Tyler Junior College)	USDOL		17.282	4172013		329,433	
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	USDOL		17.282			2,294,362	
Mine Health and Safety Grants	USDOL		17.600			50,378	
Fulbright Arctic Initiative	USDOS		19.Unknown	G00009792		8,653	
Highway Research and Development Program	USDOT		20.200	2558042	R&DC	4,254	
Highway Research and Development Program	USDOT		20.200		R&DC	240,453	
Highway Planning and Construction	USDOT		20.205	2558041	HPCC	10,773	
Highway Planning and Construction	USDOT		20.205	2558049	HPCC	3,738	
University Transportation Centers Program (Pass-through University of Washington)	USDOT		20.701	739439		10,811	
University Transportation Centers Program (Pass-through University of Washington)	USDOT		20.701	739439	R&DC	177,979	
University Transportation Centers Program	USDOT		20.701		R&DC	781,690	124,979
Transportation Planning, Research and Education (Pass-through University of Massachusetts Lowell)	USDOT		20.931	21356	R&DC	38,978	
Transportation Planning, Research and Education	USDOT		20.931		R&DC	318,301	
UAF Support for FHWA Efforts in Assessing Impacts of Climate Change on Transportation in Alaska	USDOT		20.Unknown	G00009050	R&DC	20,805	
Sustainable Geotechnical Asset Management Along the Transportation Infrastructure Environment Using Remote Sensing (Pass-through Michigan Technological University)	USDOT		20.Unknown	G00009281	R&DC	44,419	
Science (Pass-through University of Texas Austin)	NASA		43.001	000234	R&DC	54,127	
Science (Pass-through University of Pittsburgh)	NASA		43.001	0020157	R&DC	14,183	
Science (Pass-through Jet Propulsion Laboratory)	NASA		43.001	1485171	R&DC	109,360	
Science (Pass-through University of Texas Arlington)	NASA		43.001	2612013261	R&DC	12,574	
Science (Pass-through Prince William Sound Science Center)	NASA		43.001	10-65-10	R&DC	(2,105)	
Science (Pass-through Dartmouth College)	NASA		43.001	1460R123	R&DC	63,643	
Science (Pass-through Woods Hole Oceanographic Institution)	NASA		43.001	A101135	R&DC	761	
Science (Pass-through Southwest Research Institute)	NASA		43.001	F99009DB	R&DC	17,992	
Science (Pass-through University of Maryland)	NASA		43.001	Z675801	R&DC	16,560	
Science	NASA		43.001			15,207	
Science	NASA		43.001		R&DC	12,637,397	231,229
Space Operations	NASA		43.007			84,228	
Education	NASA		43.008		R&DC	538,504	
International collaboration within ACE to improve predictive capabilities for Arctic Sea Ice (Pass-through Von Braun Center for Science & Innovation, Inc.)	NASA		43.Unknown	G00007719	R&DC	2,475	
Promotion of the Arts_Partnership Agreements	NEA		45.025	FY14CAD0015		750	
Promotion of the Humanities_Division of Preservation and Access	NEA		45.149			130	
Museums for America	IMLS		45.301			32,226	
Grants to States	IMLS		45.310	41432		(373)	
Grants to States	IMLS		45.310	550407		282,273	
Grants to States	IMLS		45.310	13-0002-13		23,349	
Grants to States	IMLS		45.310	15-157-122		22,954	
Grants to States	IMLS		45.310	15-157-123		14,464	
Engineering Grants (Pass-through University of Kansas)	NSF		47.041	FY2013-029	R&DC	51,627	
Engineering Grants	NSF		47.041		R&DC	67,154	
Mathematical and Physical Sciences	NSF		47.049		R&DC	333,893	

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Geosciences (Pass-through SRI International)	NSF		47.050	000221	R&DC	444,576	
Geosciences (Pass-through Cornell University)	NSF		47.050	62144	R&DC	13,688	
Geosciences (Pass-through Cornell University)	NSF		47.050	70413	R&DC	17,119	
Geosciences (Pass-through University of Southern California)	NSF		47.050	149701	R&DC	286,131	
Geosciences (Pass-through University of Southern California)	NSF		47.050	158854	R&DC	3,055	
Geosciences (Pass-through University of Washington)	NSF		47.050	740876	R&DC	7,284	
Geosciences (Pass-through University of Southern California)	NSF		47.050	53896469	R&DC	14,711	
Geosciences (Pass-through University of Illinois at Champaign)	NSF		47.050	06510-01	R&DC	37,174	
Geosciences (Pass-through Incorporated Research Institution for Seismology)	NSF		47.050	06-SAGE	R&DC	503,479	231,202
Geosciences (Pass-through University of Hawaii)	NSF		47.050	MA140020	R&DC	11,837	
Geosciences (Pass-through Research Foundation SUNY)	NSF		47.050	R890450	R&DC	39,378	
Geosciences (Pass-through Rutgers University)	NSF		47.050	S1409651	R&DC	27,864	
Geosciences (Pass-through Utah Valley University)	NSF		47.050	Sub grant	R&DC	(128)	
Geosciences	NSF		47.050		R&DC	19,623,854	
Computer and Information Science and Engineering (Pass-through State University of New York)	NSF		47.070	R875772	R&DC	45,026	
Computer and Information Science and Engineering	NSF		47.070		R&DC	33,758	
Biological Sciences	NSF		47.074		R&DC	2,390,561	42,509
Social, Behavioral, and Economic Sciences	NSF		47.075		R&DC	192,654	
Education and Human Resources (Pass-through Columbia University)	NSF		47.076	4(GG009026)	R&DC	122,254	
Education and Human Resources	NSF		47.076		R&DC	2,270,280	181,836
Polar Programs (Pass-through University of Maryland, UMCES)	NSF		47.078	075256790	R&DC	9,414	
Polar Programs (Pass-through Woods Hole Oceanographic Institution)	NSF		47.078	A100869	R&DC	10,188	
Polar Programs	NSF		47.078		R&DC	10,816,751	67,261
Office of International Science and Engineering	NSF		47.079		R&DC	237,952	
Office of Cyberinfrastructure	NSF		47.080		R&DC	3,924,977	36,790
ARRA-Trans-NSF Recovery Act Research Support	NSF	ARRA	47.082		R&DC	9,151,048	62,324
NSF Intergovernmental Personnel Act Assignment: NSF Program Director for the Integrative Graduate Education and Research Traineeship (IGERT) Program	NSF		47.Unknown	G00007461	R&DC	145,012	
GeoNetwork Integration with DataONE (Pass-through University of New Mexico)	NSF		47.Unknown	G00009533	R&DC	30,766	
8(a) Business Development Program	SBA		59.006			17,815	
Small Business Development Centers	SBA		59.037			415,469	
Federal and State Technology Partnership Program	SBA		59.058			61,855	
VHA-ORH Rural Provider Education: A collaborative Approach with the Area Health Education Centers	USDVA		64.Unknown	G00009278		36,724	
Water Pollution Control State, Interstate, and Tribal Program Support	EPA		66.419	RS 1850138	R&DC	5,824	
Regional Wetland Program Development Grants (Pass-through State of Nevada)	EPA		66.461	DEP-S 12-039	R&DC	(431)	
Science To Achieve Results (STAR) Research Program (Pass-through University of Colorado, Boulder)	EPA		66.509	1000397392	R&DC	27,123	
Science To Achieve Results (STAR) Research Program (Pass-through Arizona State University)	EPA		66.509	12-866	R&DC	24,287	
Science To Achieve Results (STAR) Fellowship Program	EPA		66.514		R&DC	12,576	
Remote Sensing Tests with Oil in Ice (Pass-through Prince William Sound Science Center)	EPA		66.Unknown	G00009278		17,782	
Remote Sensing Tests with Oil in Ice (Pass-through Prince William Sound Science Center)	EPA		66.Unknown	G00009318	R&DC	104,177	

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Office of Science Financial Assistance Program (Pass-through Battelle Oak Ridge National Laboratory)	ERGY		81.049	4000116073	R&DC	947,096	
Office of Science Financial Assistance Program (Pass-through Battelle Oak Ridge National Laboratory)	ERGY		81.049	4000118242	R&DC	29,133	
Office of Science Financial Assistance Program (Pass-through Alliance for Sustainable Energy)	ERGY		81.049	40876-01	R&DC	39,337	
Office of Science Financial Assistance Program (Pass-through University of Illinois)	ERGY		81.049	SC0006607	R&DC	39,319	
Office of Science Financial Assistance Program	ERGY		81.049		R&DC	863,793	
Office of Scientific and Technical Information	ERGY		81.064		R&DC	11,325	
Conservation Research and Development	ERGY		81.086		R&DC	4,141	
Renewable Energy Research and Development (Pass-through Oregon State University)	ERGY		81.087	G0152A-A	R&DC	50,924	
Renewable Energy Research and Development	ERGY		81.087		R&DC	239,877	
Fossil Energy Research and Development (Pass-through Argonne National Laboratory)	ERGY		81.089	13F-32021	R&DC	2,120	
Fossil Energy Research and Development (Pass-through Argonne National Laboratory)	ERGY		81.089	3F-31801	R&DC	40,567	
Fossil Energy Research and Development (Pass-through Argonne National Laboratory)	ERGY		81.089	4F-30641	R&DC	6,500	
Fossil Energy Research and Development (Pass-through Argonne National Laboratory)	ERGY		81.089	4F-31522	R&DC	143,896	
Fossil Energy Research and Development	ERGY		81.089		R&DC	142,561	
Defense Nuclear Nonproliferation Research	ERGY		81.113		R&DC	302,851	
Remote Communities Renewable Energy Partnership – Design Basis Framework (Pass-through Alliance for Sustainable Energy, LLC - NREL)	ERGY		81.Unknown	G00009529	R&DC	27,605	
Adult Education - Basic Grants to States	USDOE		84.002	755600		53,118	
Adult Education - Basic Grants to States	USDOE		84.002	755601		31,656	
Adult Education - Basic Grants to States	USDOE		84.002	755602		24,476	
Adult Education - Basic Grants to States	USDOE		84.002	755603		35,849	
Federal Supplemental Educational Opportunity Grants	USDOE		84.007		SFAC	593,909	
Title I State Agency Program for Neglected and Delinquent Children and Youth	USDOE		84.013			265,598	
Higher Education_Institutional Aid	USDOE		84.031			7,876,323	
Federal Work-Study Program	USDOE		84.033		SFAC	566,264	
TRIO_Student Support Services	USDOE		84.042		TRIOC	459,748	
TRIO_Talent Search	USDOE		84.044		TRIOC	330,912	
TRIO_Upward Bound	USDOE		84.047		TRIOC	694,442	75,091
Career and Technical Education - Basic Grants to States	USDOE		84.048	550080		149,101	22,972
Career and Technical Education - Basic Grants to States	USDOE		84.048	550081		36,223	
Career and Technical Education - Basic Grants to States	USDOE		84.048	550082		132,296	
Career and Technical Education - Basic Grants to States	USDOE		84.048	550093		122,729	
Federal Pell Grant Program	USDOE		84.063		SFAC	23,923,311	
TRIO_Educational Opportunity Centers	USDOE		84.066		TRIOC	229,677	
Career and Technical Education - Grants to Native Americans and Alaska Natives (Pass-through Cook Inlet Tribal Council)	USDOE		84.101	04/25/2014		79,191	
National Institute on Disability and Rehabilitation Research (Pass-through University of Illinois)	USDOE		84.133	DOC 0411	R&DC	12,432	
Federal Direct Student Loans	USDOE		84.268		SFAC	62,008,741	
Indian Education_Special Programs for Indian Children	USDOE		84.299			77,011	
Alaska Native Educational Programs (Pass-through Alaska Humanities Forum)	USDOE		84.356	05/04/2012		1,857	
Alaska Native Educational Programs (Pass-through Project GRAD Kenai Peninsula)	USDOE		84.356	13&14 MOA		18,532	
Alaska Native Educational Programs	USDOE		84.356		R&DC	684,890	68,000
Alaska Native Educational Programs	USDOE		84.356			2,577,974	

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English Language Acquisition State Grants	USDOE		84.365			284,060	
Improving Teacher Quality State Grants (Pass-through National Writing Project Corporation)	USDOE		84.367	SEED2014		1,517	
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	USDOE		84.379		SFAC	51,170	
Strengthening Minority-Serving Institutions	USDOE		84.382			271,917	
Transition Programs for Students with Intellectual Disabilities into Higher Education	USDOE		84.407			350,595	
Postsecondary Education Scholarships for Veteran's Dependents	USDOE		84.408		SFAC	2,149	
Investing in Innovation (i3) Fund	USDOE		84.411			3,426,976	1,714,459
Architectural and Transportation Barriers Compliance Board (Pass-through University of San Francisco)	ATBC		88.001	201121454	R&DC	12,980	
Denali Commission Program	DC		90.100	EN 746114		(3,500)	
Denali Commission Program	DC		90.100			98,769	
Special Programs for the Aging - Title IV and Title II - Discretionary Projects	USDHHS		93.048		R&DC	199,062	
Birth Defects and Developmental Disabilities - Prevention and Surveillance	USDHHS		93.073			362,963	
Area Health Education Centers Point of Service Maintenance and Enhancement Awards (Pass-through University of Connecticut Health Center)	USDHHS		93.107	UCHC6-57130818		2,934	
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	USDHHS		93.107			788,566	646,814
Maternal and Child Health Federal Consolidated Programs	USDHHS		93.110			487,400	23,120
Environmental Health (Pass-through University of Montana)	USDHHS		93.113	64491	R&DC	30,980	
Environmental Health (Pass-through Alaska Community Action on Toxics)	USDHHS		93.113	NIEHS R01	R&DC	172,801	
Environmental Health	USDHHS		93.113			365,384	147,948
Human Genome Research	USDHHS		93.172		R&DC	58,796	15,130
Mental Health Research Grants	USDHHS		93.242		R&DC	741,009	190,794
Substance Abuse and Mental Health Services_Projects of Regional and National Significance (Pass-through Northwest Indian College)	USDHHS		93.243	24218		144,587	
Substance Abuse and Mental Health Services_Projects of Regional and National Significance (Pass-through Bristol Bay Area Health Corporation)	USDHHS		93.243	21080151V3	R&DC	20,337	
Substance Abuse and Mental Health Services_Projects of Regional and National Significance (Pass-through Rural Alaska Community Action Program)	USDHHS		93.243	51UD1TI023541	R&DC	25,390	
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	USDHHS		93.243			13,084	
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	USDHHS		93.243		R&DC	273,121	
Occupational Safety and Health Program (Pass-through University of Washington)	USDHHS		93.262	756721	R&DC	12,048	
Occupational Safety and Health Program	USDHHS		93.262		R&DC	184,002	
Drug Abuse and Addiction Research Programs (Pass-through Northwest Indian College)	USDHHS		93.279	24216	R&DC	7,134	
Minority Health and Health Disparities Research	USDHHS		93.307		R&DC	1,085,836	89,519
Trans-NIH Research Support	USDHHS		93.310		R&DC	1,593,889	
National Center for Advancing Translational Sciences (Pass-through Institute of Translational Health Sciences)	USDHHS		93.350	763232	R&DC	10,547	
Advanced Education Nursing Traineeships	USDHHS		93.358			326,015	
National Center for Research Resources	USDHHS		93.389		R&DC	2,202,889	
Cancer Cause and Prevention Research	USDHHS		93.393		R&DC	142,644	17,537

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Cancer Research Manpower (Pass-through Alaska Native Tribal Health Consortium)	USDHHS		93.398	15-U-61682	R&DC	4,779	
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	USDHHS		93.505	651587		18,275	
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	USDHHS		93.505	EN 0651589	R&DC	8,350	
Affordable Care Act (ACA) Public Health Training Centers Program (Pass-through University of Washington)	USDHHS		93.516	UWSC8209		19,471	
Improving the Capability of Indian Tribal Governments to Regulate Environmental Quality (Pass-through Yukon River Inter-Tribal Watershed Council)	USDHHS		93.581	08/11/2014	R&DC	7,515	
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	USDHHS		93.632		R&DC	461,389	
Child Welfare Research Training or Demonstration (Pass-through State University of New York)	USDHHS		93.648	1113708	R&DC	30,350	
Child Welfare Research Training or Demonstration (Pass-through State University of New York)	USDHHS		93.648	1120721	R&DC	51,718	
Area Health Education Centers Infrastructure Development Awards	USDHHS		93.824			39,679	29,621
Arthritis, Musculoskeletal and Skin Diseases Research	USDHHS		93.846		R&DC	177,636	
Extramural Research Programs in the Neurosciences and Neurological Disorders	USDHHS		93.853		R&DC	250,244	
Biomedical Research and Research Training (Pass-through University of Washington)	USDHHS		93.859	753205	R&DC	(12,452)	
Biomedical Research and Research Training (Pass-through University of Washington)	USDHHS		93.859	761640	R&DC	163,450	
Biomedical Research and Research Training (Pass-through University of Nevada)	USDHHS		93.859	15&14-746Q	R&DC	107,456	
Biomedical Research and Research Training (Pass-through Portland State University (PSU))	USDHHS		93.859	205CRE496	R&DC	34,741	
Biomedical Research and Research Training (Pass-through Mount Sinai School of Medicine)	USDHHS		93.859	27220140008C	R&DC	66,171	
Biomedical Research and Research Training (Pass-through University of New Mexico)	USDHHS		93.859	3RN79	R&DC	53,947	
Biomedical Research and Research Training	USDHHS		93.859		R&DC	1,321,484	
Child Health and Human Development Extramural Research	USDHHS		93.865	3RN79	R&DC	31,408	
Demonstration Projects for Indian Health (Pass-through Alaska Native Tribal Health Consortium)	USDHHS		93.933	11-U-33434	R&DC	12,981	
Demonstration Projects for Indian Health (Pass-through Alaska Native Tribal Health Consortium)	USDHHS		93.933	34569 YR4		119,362	26,916
Outreach in the Last Frontier, Year 3 (Pass-through University of Washington)	USDHHS		93.Unknown	G00008739		29,272	
Technology Innovations for Supporting Health in Alaska Natives (Pass-through Stanford University)	USDHHS		93.Unknown	G00009463	R&DC	3,501	
Volunteers in Service to America	CNCS		94.013			17,641	
Social Security - Work Incentives Planning and Assistance Program	SSA		96.008			81,071	
Centers for Homeland Security (Pass-through University of Hawaii)	USDHS		97.061	Z884255	R&DC	846	
Centers for Homeland Security	USDHS		97.061		R&DC	655,541	51,850
Total for UNIVERSITY OF ALASKA						231,130,584	4,994,107
Total Federal Financial Assistance						3,096,936,039	322,489,539

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

STATEWIDE ABBREVIATIONS

A

AAC	Alaska Administrative Code <i>or</i> Alaska Aerospace Corporation
AAL	Actuarial Accrued Liabilities
AAM	Alaska Administrative Manual
AAOKH	Alaska Arctic Observatory & Knowledge Hub
AARF	Addendum of Aircraft Rescue and Firefighting
AC	Aging Cluster
ACA	Affordable Care Act
ACE	Arctic Collaborative Environment
ACL	Administration for Community Living
ACM	Alaska Construction Manual
ACS	Alaska Court System <i>or</i> Affiliated Computer Systems, Inc.
ACWF	Alaska Clean Water Fund
ADWF	Alaska Drinking Water Fund
AEA	Alaska Energy Authority
AFRI	Agriculture and Food Research Initiative
AGDC	Alaska Gasline Development Corporation
AHCC	Alaska Housing Capital Corporation
AHE	Alaska Health Enterprise
AHFC	Alaska Housing Finance Corporation
AHSO	Alaska Highway Safety Office
AIDEA	Alaska Industrial Development and Export Authority
AIDS	Acquired Immunodeficiency Virus Syndrome
AIGA	Alaska Insurance Guarantee Association
AK	Alaska
AKEPIC	Alaska Exotic Plants Information Clearinghouse
AK LNG	Alaska Liquefied Natural Gas
AKSAS	Alaska State Accounting System
ALAE	Allocated Loss Adjustment Expenses
ALDER	Alaska Data Enterprise Reporting
AMBBA	Alaska Municipal Bond Bank Authority
AMHTA	Alaska Mental Health Trust Authority
AMLR	Abandoned Mine Land Reclamation
AMT	Alternative Minimum Tax
ANTHC	Alaska Native Tribal Health Consortium
AOC	OPEB Cost
A/P	Aleutian/Pribilof Energy Authority
APF	Alaska Permanent Fund
APFC	Alaska Permanent Fund Corporation
ARC	Agriculture Risk Coverage
ARHCT	Alaska Retiree Health Care Trust
ARIES	Alaska's Resource for Integrated Eligibility Services

ARMB	Alaska Retirement Management Board
ARNG FMD	Army Guard Facilities Maintenance Division
ARRA	American Recovery and Investment Act
ARRC	Alaska Railroad Corporation
AS	Alaska Statute
ASLC	Alaska Student Loan Corporation
ASMI	Alaska Seafood Marketing Institute
ASPIB	Alaska State Pension Investment Board
ATBC	U.S. Architectural and Transportation Barriers Compliance Board
AVO	Alaska Volcano Observatory

B

BAN	Bond Anticipation Notes
BIA	Bureau of Indian Affairs
BLM	Bureau of Land Management
Blvd.	Boulevard
BOEM	Bureau of Ocean Energy Management
BTOP	Broadband Technology Opportunities Program

C

CAFR	Comprehensive Annual Financial Report
CAP	Corrective Action Plan
CAP-SSSE	Community Assistance Program State Support Services Element
CBRF	Constitutional Budget Reserve Fund (Alaska)
CCC	Child Care and Development Cluster
CCDF	Child Care and Development Fund
CFDA	Catalog of Federal Domestic Assistance
CFLGC	Community Facilities Loans and Grants
CFR	Code of Federal Regulations
CHIP	Children's Health Insurance Program
CISA	Certified Information Systems Auditor
CIT	Corporate Income Tax
CMS	Centers for Medicare and Medicaid Services
CNC	Child Nutrition Cluster
CNCS	U.S. Corporation for National and Community Services
COP	Certificates of Participation
COURT	Alaska Court System/Alaska Judicial Council
CPA	Certified Public Accountant
CTD	Conductivity, Temperature, Depth

D

DAS	Division of Administrative Services
DataONE	Data Observation Network for Earth
DBH	Division of Behavioral Health

DC	Denali Commission
DCCED	Department of Commerce, Community, and Economic Development (Alaska)
DCP	Deferred Compensation Plan
DCRA	Division of Community and Regional Affairs
DEC	Department of Environmental Conservation (Alaska)
DEED	Department of Education and Early Development (Alaska)
DFG	Department of Fish and Game (Alaska)
DG	Domestic Grant
DGS	Division of General Services
DHCS	Division of Health Care Services
DHS&EM	Division of Homeland Security and Emergency Management
DHSS	Department of Health and Social Services (Alaska)
DISSIC	Disability Insurance/SSI Cluster
DLWD	Department of Labor and Workforce Development (Alaska)
DME	Durable Medical Equipment
DMVA	Department of Military and Veterans Affairs (Alaska)
DNA	Deoxyribonucleic Acid
DNR	Department of Natural Resources (Alaska)
DOA	Department of Administration (Alaska)
DOC	Department of Corrections (Alaska)
DOF	Division of Finance or Division of Forestry
DOR	Department of Revenue (Alaska)
DOTPF	Department of Transportation and Public Facilities (Alaska)
DPA	Division of Public Assistance
DPS	Department of Public Safety
DSDS	Division of Senior and Disability Services
DVOP	Disabled Veterans' Outreach Program

E

EAC	Election Assistance Commission
ECS	U.S. Extended Continental Shelf
EDC	Economic Development Cluster
EEOC	U.S. Equal Employment Opportunity Commission
EIP	Emerging Infections Program
ELC	Epidemiology and Laboratory Capacity for Infection Disease
EPA	U.S. Environmental Protection Agency
ERGY	U.S. Department of Energy
ESEA	Elementary and Secondary Education Act
ESC	Employment Service Center
ESP	Environment Studies Program
ETS	Division of Enterprise Technology Services
ETV	Education and Training Vouchers

F

F&WC	Fish and Wildlife Cluster
FAA	Federal Aviation Administration
FAIN	Federal Award Identification Number
FDA	Food and Drug Administration
FDC	Food Distribution Cluster
FDIC	Federal Deposit Insurance Corporation
FE	Funding Excess
FFATA	Federal Funding and Accountability and Transparency Act
FFELP	Federal Family Education Loan Program
FHA	Federal Housing Administration
FHWA	Federal Highway Administration
FIFO	First In First Out
FMS	Finance and Management Services
FMNP	WIC Farmers' Market Nutrition Program
FSRC	Forest Service Schools and Roads Cluster
FTC	Federal Transit Cluster
Fund	Alaska Permanent Fund
FX	Foreign Currency
FY	Fiscal Year

G

GAAP	Generally Accepted Accounting Principles
GAM	Group Annuity Mortality
GASB	Governmental Accounting Standards Board
GASBS	Governmental Accounting Standards Board Statement
GeFONSI	General Fund and Other Non-Segregated Investments
GIS	Geospatial Information Services
GOV	Office of the Governor
GRAD	Graduation Really Achieves Dreams
GSA	U.S. General Services Administration

H

HCC	Health Center Cluster
HCP	Health Care Policy
HCS	Health Care Services or Highway Safety Cluster
HIV	Human Immunodeficiency Virus
HOPE	Health Opportunities for People Everywhere
HPCC	Highway Planning and Construction Cluster
HQS	Housing Quality Standards
HRA	Health Reimbursement Arrangement
HRM	Human Resource Management
HSC	Highway Safety Cluster
HSGP	Homeland Security Grant Program

HUD

U.S. Department of Housing and Urban Development

I

i3	Investing in Innovation
IAF	International Airport Fund
IASA	Improving America's Schools Act of 1994
ID	Identification
IDEA	Individuals with Disabilities Act
IGERT	Integrative Graduate Education and Research Traineeship
IHS	Indian Health Service
IMLS	Institute of Museum and Library Services
Inc.	Incorporated
IOOS	Integrated Ocean Observing System
IPMOU	Incentive Payment Agreement
IRIS	Integrated Resource Information System
ISF	Information Services Fund
ISP	Information Security Policies

J

JRS	Judicial Retirement System
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K

KABTA	Knik Arm Bridge and Toll Authority
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L

LAW	Department of Law (Alaska)
LEA	Local Educational Agencies
LIBOR	London Interbank Offered Rate
LIHEA	Low-Income Home Energy Assistance
LIHEAP	Low-Income Home Energy Assistance Program
LLC	Limited Liability Company
LNG	Liquefied Natural Gas
LSEOR	Large Scale Enhanced Oil Recovery
LUST	Leaking Underground Storage Tanks

M

MC	Medicaid Cluster
MD&A	Management's Discussion and Analysis
Medicaid	Medical Assistance Program
MOA	Memorandum of Agreement
MOE	Maintenance of Effort
MOU	Memorandum of Understanding
MSA	Master Settlement Agreement and Final Judgment
MTW	Moving to Work

M/V Motor Vessel

N

NABCS	New Alaska Background Check System
NARA	National Archives and Records Administration
NASA	National Aeronautics and Space Administration
NCHIP	National Criminal History Improvement Program
NCHS	National Center for Health Statistics
NCRDS	National Coal Resources Data System
NEA	National Endowment for the Arts
NGNMRS	National Guard and Alaska Naval Militia Retirement System (Alaska)
NHTSA	National Highway Traffic Safety Administration
NICS	National Instant Criminal Background Check System
NIEHS	National Institute of Environmental Health Sciences
NIH	National Institutes of Health
NIOSH	National Institute for Occupational Safety and Health
NMFS	National Marine Fisheries Joint Enforcement Agreement
No.	Number
NOAA	National Oceanic and Atmospheric Administration
NPR	National Petroleum Reserve
NPS	National Park Service
NREL	National Renewable Energy Laboratory
NRSRO	Nationally Recognized Statistical Rating Organization
NSF	National Science Foundation
NSLDS	National Student Loan Database System
NTSC	Northern Tobacco Securitization Corporation

O

O&M	Operations and Maintenance
OAH	Office of Administrative Hearings
OD&D	Occupation Death & Disability
OG	Office of the Governor (Alaska)
OHA	Overseas Housing Allowance
OMB	United States Office of Management and Budget
OMK	Operation: Military Kids
OPEB	Other Post-Employment Benefits
ORR	Office of Rate Review

P

PATH	Projects for Assistance in Transition from Homelessness
PERS	Public Employees' Retirement System
PERS-DB	Public Employees' Retirement System – Defined Benefits
PERS-DCR	Public Employees' Retirement System – Defined Contribution Retirement

PHA	Public Housing Agency
PHEP	Public Health Emergency Preparedness
P.O.	Post Office
PPHF	Prevention and Public Health Fund
Pre-FEED	Pre Front End Engineering
PSU	Portland State University
PVE	Petroleum Violation Escrow

R

R&D	Research and Development
R&DC	Research and Development Center
RHF	Retiree Health Fund
RLF	Revolving Loan Fund
RMP	Retiree Major Medical Insurance
RPTC	Residential Psychiatric Treatment Center
RSA	Reimbursable Services Agreement

S

SBA	U.S. Small Business Administration
SBJPA	Small Business Job Protection Act of 1996
SBPA	Standby Bond Purchase Agreement
SBR	Statutory Budget Reserve Fund
SBRF	Statutory Budget Reserve Fund
SBS	Supplemental Benefits System (Alaska)
SDS	Senior and Disability Services
SEAK	Southeast Alaska
SEC	Special Education Cluster
SEFA	Schedule of Expenditures of Federal Awards
SFAC	Student Financial Assistance Program Cluster
SFY	State Fiscal Year
SHELFZ	Shelf Habitat and Ecology of Fish and Zooplankton
SIFMA	Securities Industry and Financial Markets Association
SIGC	School Improvement Grants Cluster
SLAM	State Library and Museum
SRO	Single Room Occupancy
SIR	Self-Insured Retention
SLA	Session Laws of Alaska
SNAP	Supplemental Nutrition Assistance Program Cluster
SOA	State of Alaska
SOC	Service Organization Control
Social Security	Social Security System
SSA	Social Security Administration
SSAE 16	Statement on Standards for Attestation Engagements 16
SSI	Supplementary Security Income

SSN	Social Security Number
STAR	Science To Achieve Results
State	State of Alaska
SUNY	State University of New York

T

T&E	Time and Equipment
TAACCCT	Trade Adjustment Assistance Community College and Career Training
TANF	Temporary Assistance for Needy Families
TANFC	TANF Cluster
TEACH	Teacher Assistance for College and Higher Education Grants
The Trustees	APFC's Board Members
TIPS	Treasury Inflation Protected Securities
TRIOC	TRIO Cluster
TRMS	Tax Revenue Management System
TRS	Teachers' Retirement System
TRS-DB	Teachers' Retirement System – Defined Benefits
TRS-DCR	Teachers' Retirement System – Defined Contribution Retirement
TSPC	Transit Services Program Cluster
TSRs	Tobacco Settlement Revenues
Treasury	Treasury Division, Department of Revenue (Alaska)

U

UA	University of Alaska
UAAL	Unfunded Actuarial Accrued Liabilities
UAF	University of Alaska Fairbanks
UAFPD	University of Alaska Fairbanks Police Department
UCF	Unitized Cash Fund and/or Unemployment Compensation Fund
UI	Unemployment Insurance
UofA	University of Alaska
U.S.	United States
UMCES	University of Maryland Center for Environmental Science
USAF	U.S. Air Force
USC	United States Code
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
USDOI	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
USFS	U.S. Forest Service
USGS	U.S. Geological Survey
UTI	University of Texas-Austin

V

VHA-ORH	Veterans Health Administration Office of Rural Health
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W

WGS	WIC Grants to States
WIA	Workforce Investment Act
WIAC	Workforce Investment Act Cluster
WIC	Special Supplemental Nutrition Program for Women, Infants, and Children
WIOA	Workforce Innovation and Opportunity Act
WISA	Wisconsin Institute of Sustainable Agriculture
WOTC	Work Opportunity Tax Credit Program
WWPC	Waste Water Pollution Control

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THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Administration

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Auditor's Note: Recommendation No. 2015-003 has been revised as part of this reissued audit. The Department of Administration's corrective action for the revised recommendation is on page IV-53.

April 4, 2016

Kris Curtis, CPA, CISA
Legislative Auditor
Legislative Budget and Audit Committee
Division of Legislative Audit
PO Box 113300
Juneau, AK 99811-3300

RECEIVED
APR 08 2016
LEGISLATIVE AUDIT

Dear Ms. Curtis:

RE: Preliminary Confidential Report, Department of Administration (DOA), FY 15 State of Alaska Single Audit

This is in response to the FY 15 State of Alaska Single Audit Recommendations.

Recommendation No. 2015-001

The Division of Enterprise Technology Services (ETS) director should allocate staff resources to properly account for Information Services Fund (ISF) capital assets.

The Division of Enterprise Technology Services (ETS) concurs with this recommendation.

During calendar year 2015, the effort to complete a comprehensive physical inventory of assets began. This effort was to be completed in three phases: ETS Telecommunications, ETS Computer Services, and State of Alaska Telecommunications System (SATS). The ETS Telecommunications physical inventory was completed during calendar year 2015. Completion of the physical inventory for ETS Computer Service assets is expected during Fiscal Year 2016, and the FY 16 Information Services Fund (ISF) financial reporting is expected to reflect corrected asset valuation and depreciation for both ETS Telecommunications and ETS Computer Services.

SATS assets are located in a variety of remote locations that make a physical inventory uniquely challenging. Many sites are very expensive to reach and are rarely visited. Physical inventory of SATS assets is expected to be completed by the end of FY 17, with asset valuation and depreciation corrections effective shortly thereafter.

Recommendation No. 2015-002

The state accountant should ensure expenses and deferred outflows related to pensions are accurately reported in the Comprehensive Annual Financial Report (CAFR).

The Division of Finance (DOF) concurs with the recommendation to ensure expenses and deferred outflows related to pensions are accurately reported in the CAFR. DOF will improve the procedures regarding the calculation of pension activities to be in accordance with GASB Statement No. 68.

Information obtained from the Division of Retirement and Benefits included data for both the Public Employee Retirement System (PERS) and the Teacher's Retirement System (TRS) within the same spreadsheet. The spreadsheet contained a column with PERS data and a separate column for TRS data. DOF used the original spreadsheet and created another tab within the workbook to prepare the journal entries necessary to implement GASB 68. The original spreadsheet amounts were then linked forward to this new spreadsheet to prepare the actual journal entries. Unfortunately, one amount linked forward from the original spreadsheet in preparing the TRS journal entry was related to PERS.

As an improvement in our process, we will prepare workbooks which contain data exclusively for one specific pension plan. The TRS workbook will only contain data related to TRS. The same process will occur for each individual pension plan. This modification will remove the possibility of accidentally linking forward information from an unrelated plan in the preparation of the required journal entries.

Recommendation No. 2015-003

The state accountant should ensure pension plan contributions are accounted for in accordance with governmental accounting standards.

DOF concurs with this recommendation. The implementation of Governmental Accounting Standards Board Statement No. 68 was extremely complicated. As a result, DOF had several discussions directly with GASB staff regarding the implementation to ensure the correct interpretations were being made, and discussed this very issue with GASB staff. That discussion lead DOF to interpret the direction received by GASB differently. However, we concur with the conclusion made and accepted the adjustment proposed.

To ensure pension plan contributions are accounted for in accordance with governmental accounting standards, DOF has created the following plan to avoid overstatement of expenditures and understatement of deferred outflow of resources related to pensions and the non-employer contributions made by the State of Alaska (State) to the pension plans. DOF will add additional information to the procedures to ensure the amount reported by the Division of Retirement and Benefits (DRB) as "non-employer contributions" for the State's employer number within DRB is recorded as a deferred outflows of resources. DOF anticipates the recommendation will be fully implemented by June 30, 2016.

Recommendation No. 2015-004

The DOA commissioner should ensure the audited schedules of employer and non-employer pension allocations for PERS and TRS are provided timely to participating employers.

The Division of Retirement and Benefits concurs with this recommendation. The first year of the issuance of this schedule and the complications related to the special funding situation and issue of legal responsibility discussed in Recommendation No. 2 played a significant role in the delay of the schedules. An added wrinkle was the request by the Alaska Retirement Management Board's Audit Committee at the September 23, 2015, audit committee meeting to the external auditors to spend additional time reviewing the allocation methodology proposed by the Division of Retirement & Benefits (the Division). The Division proposed the use of an allocation based on historical measures (actual contributions of the fiscal year), but the audit committee had suggested this might not provide an allocation that was appropriate based on the creation of the cost share plan. After review of GASB 68 and discussion with KPMG's Division of Professional Practice (DPP), it was determined that the Division's methodology was appropriate and continued down that path. However, that additional review added an extra 2-3 weeks to the timeframe.

The Division's external auditors indicated that typically first year reports and schedules issued under new GASB pronouncements and standards must be reviewed by the DPP, and can add up to two weeks of additional time for review, as these reviews are done in the main New York office. KPMG is a nationwide company, and with GASB 68 affecting many audits across the nation, the DPP was inundated with reviews, of which the PERS and TRS schedules were of but two. In the future, it is not a requirement for these schedules to go through this review.

With the release of GASB No. 75 "Accounting and Financial Reporting for Postemployment Benefit Other Than Pensions", the Division will work with KPMG knowing the additional review times of the DPP for new pronouncements / standards when the Other Post-Employment Benefits allocation schedules will be prepared and issued for fiscal years ending June 30, 2018, though earlier application is encouraged.

Currently, the Division is working on the June 30, 2015, schedules for the net pension liability allocation. The intent is to issue by the end of May 2016, though issuance prior to that is the goal.

Recommendation No. 2015-005

The DOA commissioner should improve procedures for implementing new governmental accounting standards.

DOA partially agrees with the recommendation that the Department improve procedures for implementing new governmental accounting standards. The Division's concern is solely focused on the Department's recent implementation of GASB 68.

GASB 68 was issued by the Governmental Accounting Standards Board in 2012. Its primary objective was to require a uniform methodology for the computing and reporting of public

employer net pension liabilities. It required that all public employer participants in a public pension plan report such liabilities on the face of their balance sheet in their audited financial statements. GASB 68 also set out that in the event of a “special funding” situation where a third party was “legally responsible” for making payments on behalf of a participating employer, the third party was required to book net pension liabilities attributable to the special funding. While we agree that improvements can always be made, DOA made meaningful efforts to engage a wide spectrum of Stakeholders throughout the process. A more complete summary is attached as Exhibit A.

A primary difficulty with the implementation of GASB 68 in Alaska’s case was whether the state assistance statutes enacted in 2008 (AS 14.25.085; AS 39.35.280) created legal responsibility in the State for purposes of GASB 68. The Alaska Supreme Court has held multiple times that Alaska is nearly unique amongst states in that it has a constitutional prohibition against dedicated funds. The Court has routinely protected legislative appropriation power from encroachment, including from passage of statutes that purport to require funding for specific purposes. See Department of Law memo, Aug. 3, 2015.

The Department of Law, in reliance on these Alaska Supreme Court decisions, advised in 2013 that the Alaska Constitution essentially interdicted the enforceability of the state assistance statutes. Accordingly, these statutes could not create legal responsibility in the State for the net pension liabilities of other participating PERS and TRS employers. Also relevant was the fact that the 2008 legislation providing for state assistance abandoned an approach where the State would explicitly assume the underlying pension obligations in favor of a statutory subject to appropriation approach.

The Department of Administration has been criticized for their reliance “on Law’s legal opinion regarding GASB’s interpretation of ‘legal responsibility’ instead of following accounting guidance provided by GASB or seeking further clarification on the application of GASB 68 from GASB staff”. On the contrary, the Administration sought guidance from GASB staff on multiple occasions. From our perspective, the GASB rule did not take Alaska into consideration and therefore the staff position with respect to legal responsibility evolved over time.

Despite the fact that the Department of Law had consulted with GASB staff multiple times, it was not until late in the process, GASB asserted that GASB 68 did not implicate a legal obligation issue or make a determination of underlying legal obligations for pension liabilities. GASB staff conceded that with the benefit of hindsight they would have drafted the statement and guidance so that it did not implicate underlying legal obligations.

Once GASB staff dispelled the underlying concerns of the Department of Law regarding the legal implications of booking non-State employer net pension liabilities on the State’s balance sheet the Department of Administration quickly booked the net pension liability attributable to state assistance on the face of its balance sheet, and disclaimed true legal obligation for it in a footnote.¹

¹ Until this point, there was legitimate concern that a self-appointed external governance association not familiar with Alaska law would essentially force the State to abruptly assume \$3.54 billion of liability. Particularly, where the legislative record on who is actually legally responsible for such liabilities is entirely unclear. The Departments of Administration and Law were naturally reluctant to concede this. But with GASB staff asserting that booking net pension liability was not the same as assuming true legal obligation for the net pension liabilities in question.

The Department supports improving the GASB implementation process. It offers these thoughts for consideration:

- In complex matters such as GASB 68, the Department of Administration will consider formalizing its processes. The Department acknowledges that the entire implementation process, 2012-2015, was informal. The Department will consider issuing a formal notice and invitation to comment period. The lack of such formality may have contributed to the dearth of comment.
- The Division of Legislative Audit could also modify its process. Joint consultation of legislative counsel and Department of Law counsel could also have proven beneficial. For instance, collectively they could have determined in 2013 or 2014, well in advance of the reporting deadline, that GASB had defined “legal responsibility” in a different way than a legal interpretation relying on Alaska Supreme Court case law.

Recommendation No. 2015-006

The Division of Finance director should improve controls over the preparation of financial statement footnotes to ensure all footnotes are correctly prepared as required by GAAP.

The Division of Finance concurs with this recommendation to improve controls over the preparation of the financial statement footnotes. Complete and accurate disclosures are certainly a goal when preparing the notes to the Comprehensive Annual Financial Report (CAFR).

To comply with this recommendation, the Division of Finance plans to incorporate the use of a checklist for government financial disclosures. With the increased complexity and number of required disclosure the necessity to implement a tool to assist is prudent. This checklist will be cross referenced to the actual note that includes the required disclosure, or it will include a note that the disclosure does not apply.

Recommendation No. 2015-007

The state accountant should ensure debt-related activities are accurately reported in the CAFR,

DOF concurs with the recommendation to ensure debt related activities are accurately reported in the CAFR. This recommendation includes three distinct areas of short and long term debt: general obligation bond defeasance/refunding; bond anticipation notes; and certificates of participation (COPs).

The institutional knowledge within DOF regarding long-term debt accounting has been lost due to turnover, and the lack of updated written procedures for the CAFR regarding debt accounting are contributing factors to some of the errors identified. Debt specific training in this area is difficult to find, so independent review of accounting guidance by the debt accountant is required. Reliance on the review of prior year workpapers has been a standard practice to complete the CAFR from year to year.

DOF will search for webinar training materials to assist in increasing our knowledge, skills and abilities related to debt accounting practices. We will also update and prepare written procedures that outline the process, accounting resources available to assist in research and provide guidance. DOF will also identify debt accountant peers in other states as another resource to contact for discussions regarding compliance questions.

Recommendation No. 2015-008

The state accountant should ensure procedures are followed to accurately report financial activity of the Salutory Budget Reserve Fund (SBRF) and the Constitutional Budget Reserve Fund (CBRF).

DOF concurs with the recommendation that procedures should be followed to accurately report the financial activity of SBRF and CBRF. The finding identified errors within interfund activity, year-end transfers and internal transfers, which are addressed below.

- **Interfund Activity** – There was a total of \$3 billion appropriated from the CBRF (subfund of the General Fund) directly to the Public Employee Retirement System (PERS) and Teachers Retirement System (TRS) to reduce the unfunded pension liability within the General Fund. Since CBRF is a subfund of the General Fund, this internal activity for the due to and due from activity was not correctly eliminated on statement 3.01 by DOF within our original statements submitted to Division of Legislative Audit. In addition, we did not perform the adjustment to reclassify the remaining fund balance activity from nonspendable advances and prepaid items to be unassigned. Once the Division of Legislative audit noted these omissions, the adjustments were prepared and presented within the eliminations column on statement 3.01.

To prevent this omission in the future, DOF has updated procedures for the CBRF and General Fund Balance Sheet to ensure future eliminations of internal balances include the reclassification of any balance in the CBRF Nonspendable Fund Balance for Advances & Prepaid Items to Unassigned Fund Balance on statement 3.01, which is presented within the Eliminations of Internal Balances column. This is because the associated balance, Due from Other Funds, is also eliminated on statement 3.01 and therefore is not reported on statement 1.11. With the inclusion of the procedure change, the recommendation has been fully implemented to ensure compliance with generally accepted accounting principles.

- **Year End Transfers** - As noted in the recommendation, there was a formula error in the spreadsheet related to information from the new accounting system that was accidentally picked up twice, causing the misstatement to occur. DOF has implemented a correction to the formula on the spreadsheet that calculates the end of year transfer between funds. In addition, language will be added to the procedures to verify any new columns or rows added to the spreadsheets are incorporated into the calculations. DOF plans to accomplish this task by June 30, 2016.
- **Internal Transfers** – To ensure compliance with generally accepted accounting principles for interfund transfers, DOF has added a category of transfers to eliminate any transfers between subfunds of the CBRF (a subfund of the General Fund). This information has been added to the procedures to ensure future transfers between all of the subfunds of the General Fund are eliminated as internal transfers. With the inclusion of the procedure change, the recommendation has been fully implemented to ensure compliance with generally accepted accounting principles.

Recommendation No. 2015-009

The state accountant should ensure only appropriate financial activity is recorded in the Comprehensive Annual Financial Report (CAFR).

DOF concurs with this recommendation. The finding specifically identified three conversion issues regarding the implementation of the new accounting system, Integrated Resource Information System (IRIS). These three areas include Reimbursable Service Agreements (RSAs), reversing entries and encumbrances. Each area is addressed below.

- RSAs – The issue identified by the auditors is actually a one-time conversion process that will not be reoccurring. Transactions were specifically created in a unique batch to report RSA activity into IRIS. The conversion process and the impact on the financial transactions reported for CAFR were not fully communicated between staff. DOF strives to ensure compliance with generally accepted accounting principles for the reporting of assets, revenue and expenditures, and has created the following plan to avoid over-elimination of expenditures and overstatement of assets related to transactions that were created for conversion to the new accounting system. DOF will work with the IRIS project team to increase the CAFR staff's understanding of the entries that occurred to convert to the new accounting system. With the successful completion of the planned education, DOF anticipates the recommendation will be fully developed and implemented by June 30, 2016.
- Reversing Entries – This error identified by the auditors was a new issue arising with the conversion from the old accounting system to IRIS. Special instructions were given to departments to assist in identifying activity reported in the old accounting system that was actually FY 16 financial activity as opposed to FY 15, as defined by when the goods and services were actually received. However, information provided by a department was not correctly reported to the CAFR accountant and additional review or analysis was not performed to identify the error. DOF always strives to ensure compliance with generally accepted accounting principles for CAFR reporting, so we have created the following plan to avoid misunderstandings related to data received from departments to be used in preparing the CAFR. DOF will work to increase the CAFR staff's understanding of the data received with additional review and analysis. Additionally, DOF will communicate with the departments to verify the understanding and the purpose of the data as well as ensuring its accuracy. With the successful completion of the planned education, DOF anticipates the recommendation will be fully developed and implemented by June 30, 2016.
- Encumbrances – During the preparation of the CAFR, IRIS was very new and not completely familiar to the staff preparing the CAFR. A clear understanding of the posting codes within IRIS were not fully understood, which contributed to this error. DOF always strives to ensure compliance with generally accepted accounting principles for the reporting of expenditures and created the following plan to ensure accurate data is used when reporting expenditures. DOF will work to increase the CAFR staff's understanding of the posting codes used within the new accounting system and the system's handling of those posting codes. With the successful completion of the planned education, DOF anticipates the recommendation will be fully developed and implemented by June 30, 2016.

Recommendation No. 2015-010

DOF's director should ensure an Alaska Data Enterprise Reporting System (ALDER) shortfall report is created to identify and monitor revenue shortfalls.

DOF concurs with this recommendation. To ensure compliance with the Alaska Administrative Manual with regards to appropriation shortfall monitoring, DOF has created a shortfall report to ensure budgetary monitoring can occur by both departments and Legislative Audit. The report is under review and testing with Legislative Audit as of February 19, 2016. Upon successful testing of the report, DOF will distribute the report to ALDER's centralized Enterprise Reports to allow departments and the Office of Management and Budget to monitor appropriations nearing or exceeding authorization.

Recommendation No. 2015-011

ETS' director and the Division of General Services' (DGS) chief procurement officer should work together to develop policies and procedures that require Type 2 Statement on Standards for Attestation Engagements 16 (SSAE 16) reports for contractors that are significant to financial reporting.

Both divisions ETS and DGS concur with this recommendation. ETS' staff and the DGS' chief procurement officer worked together to develop a policy to include the language below in solicitation templates available to state procurement officers:


THIRD-PARTY SERVICE PROVIDERS

The contractor must provide, on an annual basis, a Type 2 Statement on Standards for Attestation Engagements (SSAE) [SOC 1, SOC 2, or SOC 3] report(s). Failure to provide this report may be treated as a material breach and may be a basis for a finding of default.

DGS will reach out directly to state procurement officers to provide education and training on the purpose and application of this language. This will be accomplished by notifying state procurement officers of the new language and its purpose as well as by incorporating the language into applicable procurement training classes and materials. DGS anticipates the recommendation will be fully developed and implemented by June 30, 2016.

Thank you for the opportunity to respond.

Sincerely,



Sheldon Fisher
Commissioner

Exhibit A

From the outset of the issuance of GASB 68 in mid-2012, the Department pursued an informal consultative approach to implementation. This approach included:

- Extensive internal review and analysis of GASB 67 and 68, and associated guidance documents
- Consultation with the Department of Law
 - The Department of Law directly consulted with GASB staff on multiple occasions
- Extensive consultation with KPMG
- Internal policy meetings throughout the time period 2012-2015 regarding the appropriate implementation approach
- In 2013, the Department circulated a GASB 68 implementation whitepaper for comment:
 - whitepaper provided to the Division of Legislative Audit for comment on November 21, 2013
 - whitepaper provided and comment sought from Alaska Government Finance Officers Association (AGFOA)
 - AGFOA advised Division of Retirement & Benefits this was emailed to all municipal CFOs
 - whitepaper provided and comment sought from Alaska Municipal League
 - whitepaper provided and comment sought from the Alaska Retirement Management Board
- Informal consultation with external stakeholders.

The language of GASB 68 and Law's advice created an implementation dilemma. Should the Department of Administration stand on the legal advice and not book the net pension liabilities attributable to state assistance (but rather report them in a footnote) ("Option A")? Or should the Department book such liabilities on the face of its balance sheet, and disclaim legal responsibility for them in a footnote ("Option B")? The Department detailed these options in 2013, and circulated a whitepaper for comment to all external stakeholders, as noted above. The Department also repeatedly presented these options to stakeholders. See Appendix A.

The dilemma was of no small moment. As the Division of Legislative Audit observes, net pension liabilities of \$3.54 billion hung in the balance. Resolving the policy dilemma was a difficult and protracted one under both the Walker and Parnell administrations.

In early 2015, KPMG suggested a modified approach to the net pension liability allocation schedules that the Division of Retirement & Benefits was required to issue under GASB 67-68. This modified schedule approach eventually came to be referred to as the "elegant solution." Basically, KPMG suggested that the Division could split the allocation of the net pension liability into two parts. For each employer there would be two separate allocations: (1) net pension liability attributable to the employer's actual contributions (under the statutory contribution cap), and (2) net pension liability attributable to state assistance (over the statutory contribution cap).

In mid-2015, the Department determined to implement the "elegant solution". KPMG then advised that it would need to see the Department of Law's advice in writing in order to

participate in the issuance of the schedules in this manner. Law then drafted its memo, dated August 3, 2015. Thereafter, the Division of Retirement & Benefits issued the net pension liability allocation schedules according to this modified approach.

It is important to note that part #1 of the “elegant solution” allocation approach (net pension liability attributable to the employer’s actual contributions (under the statutory contribution cap)), was precisely in compliance with the Division of Legislative Audit’s interpretation of GASB 68. In other words, if we assume that it is correct that each participating employer should book only the net pension liability attributable to their actual contributions, and report none of the net pension liability attributable to state assistance, then the part #1 employer net pension liabilities reported by the Division of Retirement & Benefits was exactly these amounts.

Moreover, the sum of part #2 of the “elegant solution” allocation (net pension liability attributable to state assistance (over the statutory contribution cap)) was also precisely in compliance with the Division of Legislative Audit’s interpretation of GASB 68. In other words, this sum represented 100% of the net pension liability attributable to state assistance.

In pursuing the “elegant solution”, the only question that remained was where to put the sum of part #2 of the allocation: in a footnote to the State’s balance sheet (2013 Option A), or on the face of the balance sheet, but disclaim legal liability (2013 Option B). (Note, towards the end of 2015 the Department was advised that the majority of participating employers had determined to not report their part #2 allocations on their balance sheets).

Initially, the Department elected Option A. The Division of Legislative Audit registered its objection to Option A. But the Division did something more, and the additional step it took was immensely helpful. The Division scheduled a joint call with GASB staff. The Division had hoped to have the call recorded, but unfortunately GASB staff declined to permit this.

During the call, GASB staff adamantly asserted that GASB 68 did not implicate a legal obligation issue or make a determination of underlying legal obligations for pension liabilities. GASB staff conceded that with the benefit of hindsight they would have drafted the statement and guidance so that it did not implicate underlying legal obligations.

Despite the fact that the Department of Law had consulted with GASB staff multiple times prior to this, these statements were new. In essence, GASB staff dispelled the concerns of the Department of Law regarding the legal implications of booking non-State employer net pension liabilities on the State’s balance sheet.

Until this point, there was legitimate concern that a self-appointed external governance association not familiar with Alaska law would essentially force the State to abruptly assume \$3.54 billion of liability. Particularly, where the legislative record on who is actually legally responsible for such liabilities is entirely unclear. The Departments of Administration and Law were naturally reluctant to concede this. But with GASB staff asserting that booking net pension liability was not the same as assuming true legal obligation for the net pension liabilities in question, the issue was resolved. Following the final meeting with GASB staff, the Department adopted Option B: the Department booked the net pension liability attributable to state assistance on the face of its balance sheet, and disclaimed true legal obligation for it in a footnote.

Please note that the Departments of Law and Administration believe that the legislature can explicitly assume the pension liabilities attributable to state assistance. But at this point, all the legislature has done has been to make annual appropriations pursuant to a discretionary and unenforceable set of state assistance statutes.

GASB 67 and 68
Department of Administration
Draft Implementation Proposal
November 2013

BACKGROUND

The Governmental Accounting Standards Board has issued two new statements, GASB 67 and 68, that impact how public pension plans and government employers, respectively, account for pension liabilities. The statements provide a consistent way for plans and employers to report pension liabilities.

GASB 67 and 68 adopt new terminology and methods for measuring public pension liabilities. In lieu of measuring the “unfunded actuarial accrued liability,” the GASB statements measure the “Net Pension Liability.” Actuarial smoothing is eliminated from the Net Pension Liability calculation, which requires use of mark-to-market fair valuation of assets.

For cost-sharing multiple employer pension plans, GASB 67 requires public pension plans to report the Net Pension Liability for the pension plan. GASB 68 requires that the Net Pension Liability be allocated to participating employers and that those employers book the allocated Net Pension Liability on their balance sheet.

In cases where a “non-employer” governmental entity is “legally responsible for making contributions directly to a pension plan” and such contributions are not dependent on certain factors unrelated to pensions,¹ the non-employer entity must report the portion of the Net Pension Liability attributable to such special funding on its balance sheet.

GASB 67 takes effect for public pension plans for the FY 2014 CAFR. GASB 68 takes effect for government employers for the FY 2015 CAFR.

Note: GASB 67 and 68 apply only to accounting for liabilities associated with pension benefits, and do not apply to liabilities associated with “other post-employment benefits,” i.e., health and life insurance benefits. GASB will likely release similar statements governing OPEB liabilities at some point in the foreseeable future.

¹ The additional factors are (1) the amount of contributions for which the non-employer entity legally is responsible is not dependent upon one or more events unrelated to pensions or (2) the non-employer is the only entity with a legal obligation to make contributions directly to a pension plan.

We understand that GASB intends to issue a GASB 68 implementation guidance document sometime in the next few months. Any final State decision on implementation must therefore await this GASB guidance.

GASB Reporting Measures Allocation Methodology Proposal

Historical Contribution Allocation Method. GASB now requires that cost-sharing multiple employer pension systems like Alaska PERS and TRS allocate to each participating employer a proportionate share of the GASB Reporting Measures. The GASB Reporting Measures include Total Pension Liability, Net Pension Liability, Fair Value of Assets, Pension Expense, and Deferred Inflows and Outflows.

The Department of Administration proposes to use the Historical Contribution Allocation Method for this purpose.

Under the Historical Contribution Allocation Method, the proportion of GASB Measures (including Net Pension Liability) that will be allocated to each participating employer is based on the ratio of that employer's most recent annual employer contribution amount to the total annual employer contribution amounts paid to the pension system during that year.

Where contributions are made as a percentage of payroll, and that percentage is the same for all participating employers, the allocation of GASB Measures (or portions thereof) may be based on the ratio of an employer's most recent total annual member payroll amount to the total annual member payroll amounts for all employers participating in the pension system during that year. For purposes of allocating the GASB Measures (including the Net Pension Liability) to employers attributable to on-behalf-of-payments, a ratio of the employers total annual member payroll to the total annual member payroll of all participating employers during the most recent year will be used.

Each employer shall include the GASB Reporting Measures so allocated in the employer's financial statements as of the employer's Reporting Date. The employer's Reporting Date is at the end of the employer's fiscal year which is not more than 12 months after the Measurement Date.

Measurement Date Roll Forward Methodology. Under GASB 67, the actuarial values must be adjusted for timing purposes. The roll forward methodology to do so is discussed in paragraph 37 of GASB 67.² We summarize it here:

² Information regarding GASB Statement 68 can be found online at: http://www.gasb.org/jsp/GASB/Pronouncement_C/GASBSummaryPage&cid=1176160219492

The Measurement Date is the date as of which the required GASB Reporting Measures will be determined and reported by public pension plans at the pension plan's fiscal year end. The GASB Statements allow these measures to be determined using an actuarial valuation as of the measurement date, or up to 24 months before the measurement date. If the Actuarial Valuation Date precedes the Measurement Date, then the liability measurements are rolled-forward from the Actuarial Valuation Date to the Measurement Date.

In a roll-forward, the Total Pension Liability at the Measurement Date is equal to:

- (1) the Total Pension Liability at the Actuarial Valuation Date, *plus*
- (2) interest on the Total Pension Liability from the Actuarial Valuation Date to the Measurement Date, *plus*
- (3) the Service Cost for the year, *plus*
- (4) interest on the Service Cost from the Actuarial Valuation Date to the Measurement Date, *minus*
- (5) the expected benefit payments made from the Actuarial Valuation Date to the Measurement Date, *minus*
- (6) interest from the portion of the year the benefit payments are made that precede the Measurement Date.

In a roll forward, the Net Pension Liability at the Measurement Date is equal to:

- (1) the rolled-forward Total Pension Liability at the Measurement Date, *minus*
- (2) the Fair Value of Assets as of the Measurement Date.

The State of Alaska proposes to use a roll-forward of the GASB liabilities made during the actuarial valuation performed one year before the Measurement Date. This means the FY 2014 GASB Reporting Measures will be calculated as of the Actuarial Valuation Date of 06/30/2013 and rolled-forward to the GASB Measurement Date of 06/30/2014. This roll-forward procedure will continue for each GASB Measurement Date beyond 06/30/2014.

Special Funding

As noted above, if a non-employer governmental entity is "legally responsible for making contributions directly to a pension plan," GASB 68 requires that such entity reflect the portion of the Net Pension Liability for which the entity is legally responsible on its balance sheet.

Following consultation with the Department of Law, the State of Alaska is not legally responsible for PERS and TRS employer Net Pension Liabilities other than the allocated Net Pension Liability for the State of Alaska as an employer.

The State of Alaska recognizes, however, that some PERS and TRS employers may contend that AS 14.25.085 and AS 39.35.280 (providing for additional general fund contributions to the PERS and TRS trusts on behalf of PERS and TRS employers) create such legal responsibility. Under the Alaska Constitution, the Legislature may not enact a substantive law that restrains a future Legislature's plenary power to appropriate funds. To avoid this constitutional infirmity, AS 14.25.085 and AS 39.35.280 are interpreted as budget recommendations for the Legislature to consider in crafting the budget for the State of Alaska. These statutes suggest discretionary funding, but do not impose legal responsibility on the State of Alaska for the pension liabilities of participating PERS and TRS employers.

As noted above, we are awaiting further GASB implementation guidance on implementation of GASB 68. In the meantime, in light of the potential disagreement regarding the legal significance of AS 14.25.085 and AS 39.35.280, we perceive two implementation options for special funding:

Option A:

The State of Alaska proposes to include in a footnote to its balance sheet the allocated Net Pension Liability amount that is attributable to the funding that is provided pursuant to AS 14.25.085 and AS 39.35.280. Under this option, the State would not report this amount on its balance sheet. PERS and TRS employers can then work with their auditors to decide whether or how to reflect their allocable share of the footnoted amount on their respective balance sheets.

Option B:

In recognition of the apparent GASB intent that the entire Net Pension Liability be allocated and reported on the collective balance sheets of participating employers, the State of Alaska proposes to include on its balance sheet the allocated Net Pension Liability amount that is attributable to the funding that is provided pursuant to AS 14.25.085 and AS 39.35.280. The State will include a footnote to its balance sheet disclaiming legal responsibility for participating employer Net Pension Liability.

**Example of GASB 67 and 68 Methodology
Roll Forward and Allocation of Net Pension Liability Under a Cost-Share Plan**

PERS Example

(All numbers are hypothetical and for example purposes only)

(1) Roll Forward of Total Pension Liability

FY 2013 Total Pension Liability per actuarial valuation	\$11,500,000
FY 2014 Total Pension Liability Interest	\$920,000
FY 2013 Service Cost	\$170,000
FY 2014 Interest on Service Cost	\$13,600
FY 2014 Expected Benefit Payments	(\$580,000)
FY 2014 Interest on Expected Benefit Payments	(\$23,600)
FY 2014 Rolled Forward Total Pension Liability	\$12,000,000

(2) Net Pension Liability

FY 2014 Rolled Forward Total Pension Liability	\$12,000,000
Fair Value of Assets on 6/30/2014	(\$7,700,000)
Net Pension Liability	\$4,300,000

FY 2014 Total Employer Contributions	\$190,000	58.46%
FY 2014 SB 125 On-Behalf-Of Contribution	\$135,000	41.54%
FY 2014 Total Pension Contributions	\$325,000	

FY 2014 Total Employer Contribution-Based Net Pension Liability	\$2,513,846	58.46%
FY 2014 SB 125 On-Behalf-Of-Based Net Pension Liability	\$1,786,154	41.54%
Net Pension Liability	\$4,300,000	

(3) State of Alaska Share of Net Pension Liability on SOA Balance Sheet

FY 2014 Total Employer Contributions	\$190,000
FY 2014 SOA Employer Contribution	\$108,000
FY 2014 SOA Pro-Rata Share of Total Employer Contributions	56.84%
FY 2014 Total Employer Contribution-Based Net Pension Liability	\$2,513,846
FY 2014 SOA Share of Total Employer Contribution-Based Net Pension Liability	\$1,428,923

FY 2014 Total Employer Payroll	\$2,245,000
FY 2014 SOA Employer Payroll	\$1,374,000
FY 2014 SOA Pro-Rata Share of Total Employer Payroll	61.20%
FY 2014 SB 125 On-Behalf-Of-Based Net Pension Liability	\$1,786,154
FY 2014 SOA Share of SB 125 On-Behalf-Of-Based Net Pension Liability	\$1,093,174
FY 2014 SOA Share of Total Employer Contribution-Based Net Pension Liability	\$1,428,923
FY 2014 SOA Share of SB 125 On-Behalf-Of-Based Net Pension Liability	\$1,093,174
<hr/>	
FY 2014 SOA Share of Net Pension Liability on SOA Balance Sheet	\$2,522,097
Expressed as a Percentage of Net Pension Liability	58.65%

(4) Remaining Amount of SB 125 On-Behalf-Of-Based Net Pension Liability

FY 2014 SB 125 On-Behalf-Of-Based Net Pension Liability	\$1,786,154
FY 2014 SOA Share of SB 125 On-Behalf-Of-Based Net Pension Liability	(\$1,093,174)
<hr/>	
FY 2014 Remaining Amount of SB 125 On-Behalf-Of-Based Net Pension Liability	\$692,980

Option A: Footnote Only

Option B: Reported on SOA Balance Sheet

(5) Employer X Share of Net Pension Liability

FY 2014 Total Employer Contributions	\$190,000
FY 2014 Employer X Contribution	\$18,000
FY 2014 Employer X Pro-Rata Share of Total Employer Contributions	9.47%
FY 2014 Total Employer Contribution-Based Net Pension Liability	\$2,513,846
FY 2014 Employer X Share of Total Employer Contribution-Based Net Pension Liability	\$238,154
FY 2014 Total Employer Payroll	\$2,245,000
FY 2014 Employer X Payroll	\$183,500
FY 2014 Employer X Pro-Rata Share of Total Employer Payroll	8.17%
FY 2014 SB 125 On-Behalf-Of-Based Net Pension Liability	\$1,786,154
FY 2014 Employer X Share of SB 125 On-Behalf-Of-Based Net Pension Liability	\$145,995

(6) Summary of Net Pension Liability Allocation

FY 2014 SOA Share of Net Pension Liability on SOA Balance Sheet	\$2,522,097	58.65%
FY 2014 Share of NPL to be Allocated Amongst Non-SOA Participating Employers	\$1,084,923	25.23%
FY 2014 Remaining Amount of SB 125 On-Behalf-Of-Based Net Pension Liability	\$692,980	16.12%
<hr/>		
Net Pension Liability	\$4,300,000	

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THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Administration

OFFICE OF THE COMMISSIONER

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Auditor's Note: This letter provides the Department of Administration's corrective action for Recommendation No. 2015-003, which was revised as part of this reissued audit. The Department of Administration's corrective action for the original Recommendation No. 2015-003 is on page IV-36.

October 30, 2018

Kris Curtis, CPA, CISA
Legislative Auditor
Legislative Budget and Audit Committee
Division of Legislative Audit
PO Box 113300
Juneau, AK 99811-3300

RECEIVED

OCT 30 2018

LEGISLATIVE AUDIT

Dear Ms. Curtis:

RE: Response to Confidential Preliminary Audit Report, Department of Administration (DOA), FY 15 Statewide Single Audit

This is in response to Recommendations in the FY 15 State of Alaska Single Audit.

Recommendation No. 2015-003

The state accountant should ensure pension plan contributions are accounted for in accordance with governmental accounting standards.

Agency Response

The Division of Finance (DOF) agrees with this recommendation. To ensure pension plan contributions are accounted for in accordance with governmental accounting standards, DOF wrote extensive procedures for recording activity related to GASB Statement No. 68 – Accounting and Financial Reporting for Pensions. These procedures were used for compiling the FY 2017 CAFR, revised for any issues that arose during the audit, and was finalized in October 2018. The name of the person responsible for the corrective action plan is Colleen O’Sullivan is the Chief Accountant and Finance Officer for the State of Alaska.

Sincerely,

Leslie Ridle
Commissioner of Administration

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THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Revenue

COMMISSIONER'S OFFICE

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April 7, 2016

Kris Curtis, Legislative Auditor
Legislative Budget & Audit Committee
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

RECEIVED
APR 07 2016
LEGISLATIVE AUDIT

Re: State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2015

Dear Ms. Curtis:

Thank you for the opportunity to address the recommendations in Preliminary Statewide Single Audit report. Below is our division's response to the recommendations:

- 1) *DOR's Tax Division director should improve the TRMS reporting function, ensure staff are properly trained, and implement procedures to verify TRMS report data.*

The DOR Tax Division concurs with this recommendation and will ensure that staff is properly trained to use TRMS reports and verify TRMS report data.

During FY15, Oil and Gas Production (OGP) information relied upon a combination of existing TRMS reports, legacy information from MS Access database reports and using an Excel spreadsheet to report accruals and OGP credits. Moving forward we have established additional TRMS reports and additional requests that are in the queue to be created. In FY16, we are anticipating a less manual effort to get accurate information.

The TRMS accrual report does not identify CBRF transfers. As a result, CBRF amounts were included in the Corporate Income Tax (CIT) and OGP accruals and not identified as CBRF. In order to compensate for the TRMS accrual report, A&C will verify the TRMS accrual report against the CBRF Transfer Detail spreadsheet used to identify all CBRF transfers in order to identify and properly account for the CBRF.

We will ensure staff is trained in using TRMS reports to identify data for converted periods, including reviewing detailed level of transactions. This will ensure converted data from CIT is reviewed and accounted for in the proper fiscal year. In addition, our IRIS accounts have been setup to include separate fund accounting for tax, interest and penalty across all each tax types.

- 2) *DOR's Tax Division director should implement adequate internal controls to ensure Constitutional Budget Reserve Fund (CBRF) receipts are reported in the correct fund.*

The DOR Tax Division concurs with this recommendation. The Division has evaluated the CBRF procedures since the prior year. Due to the complexity and ordering of the many transactions, the division is unable to develop an automated report that will positively identify only CBRF receipts. As a result, the division will continue to use our previous written CBRF procedures and update our procedures with the existing summary level TRMS report sent to program managers on a quarterly basis to identify potential CBRF transfers for appropriate reporting. The TRMS report will identify every possible CBRF receipt but will also contain "false positives" and will therefore need to be manually reviewed by program managers.

- 3) *DOR's Tax Division director should implement procedures to consistently record and report interest and penalty revenues for all tax types.*

The DOR Tax Division partially concurs with this recommendation.

The Tax Division met with Division of Finance (DOF) over Legislative Audit concerns related to consistently recording interest and penalty per the taxpayer's information that identified the allocation of tax and interest, and interpreted as measureable. The meeting resulted in DOF concurring with the Tax Division's position. Because the returns were being amended and were for years that were prior to the implementation of TRMS, the returns could not post automatically in TRMS. Revenue was recorded to a suspense account for further review and allocation. Interest and penalty cannot be determined or reasonably estimated until the return is examined and/or audited by the division staff.

Accounting and Collections plans on mitigating this issue by sending a report to the tax managers identifying material amended returns that need to be reviewed and processed prior to year-end and will become part of our year-end procedures.

With the rollout of IRIS, the Tax Division's IRIS accounts have been setup to include separate fund accounting for tax, interest and penalty for each tax type. The Tax Division has automated refunds and shared tax transactions through an interface between IRIS and TRMS. We are currently testing an additional interface for the transfer of interest and penalty that is allocated and posted to a return (see Recommendation No. 1).

- 4) *DOR's Tax Division director should address weakness over TRMS.*

The DOR Tax Division concurs with this recommendation in principal, and will take steps to address the issue while also being mindful of cost and industry best practices. A more detailed response was provided to the Division of Legislative Audit in a separate confidential communication.

Sincerely,

A handwritten signature in black ink, appearing to read "Randall Hoffbeck". The signature is fluid and cursive, with a long horizontal stroke at the end.

Randall Hoffbeck
Commissioner

cc: Brian Blackwell, Audit Manager, Legislative Audit
Ken Alper, Director, Tax Division
Dan DeBartolo, Director, Administrative Director

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THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Education
and Early Development

OFFICE OF THE COMMISSIONER

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March 31, 2016

RECEIVED

APR 01 2016

LEGISLATIVE AUDIT

Kris Curtis, Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

Dear Ms. Curtis:

The Department of Education & Early Development (DEED) 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, 2015.

Recommendation No. 2015-016

DEED's administrative services director should ensure capital assets are accurately reported.

The department agrees with recommendation No. 2015-016. The department's policies and procedures for completing the year-end comprehensive annual financial report (CAFR) request regarding capital assets will be reviewed and updated to ensure that all appropriate divisions review the capital asset listing prior to its submittal to ensure all necessary capital assets are accurately reported.

Recommendation No. 2015-017

DEED's School Finance director should strengthen procedures to ensure the accuracy of Maintenance of Effort (MOE) calculations for Elementary and Secondary Education Act (ESEA) programs.

The department agrees with recommendation No. 2015-017. The School Finance director has strengthened the procedures to ensure the accuracy of the MOE calculations for ESEA programs. Once the MOE calculations are complete, the Internal Auditor will review the calculations using the review procedures to confirm accuracy.

Sincerely,

A handwritten signature in blue ink, appearing to read "Susan McCauley", with a long horizontal line extending to the right.

Susan McCauley
Interim Commissioner

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THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of
Health and Social Services

OFFICE OF THE COMMISSIONER

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Auditor's Note: Recommendation Nos. 2015-021 through 2015-028 have been revised as part of this reissued audit. The Department of Health and Social Services' corrective action for the revised recommendations is on pages IV-65 through IV-67.

RECEIVED
APR 06 2016
LEGISLATIVE AUDIT

April 4, 2016

Ms. Kris Curtis, CPA, CISA
Legislative Auditor
Division of Legislative Audit
Alaska State Legislature
Juneau, Alaska 99811-3300

Dear Ms. Curtis:

RE: Legislative Audit confidential preliminary audit report, State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2015

We appreciate the opportunity to review and evaluate the audit report with the associated recommendations as shared in your confidential audit report. Below are the department's responses for each of the recommendations.

Recommendation 2015-018

DHSS' commissioner should distribute funds in accordance with State statutes and regulations.

DHSS concurs that funds should be distributed in accordance with state statutes and regulations. While the department is evaluating its sponsorship program, including its procedures, DHSS continues to believe that the use of this money was, under its policy and procedures related to Sponsorships, appropriate and in accordance with Alaska statute (AS) section 18.05.010, AS 18.15.355. DHSS used the funding to ameliorate and/or raise awareness to protect and promote important public health concerns. These payments were done through collaboration with public sector partners to help meet the mission of DHSS (To Promote and Protect the Health and Well-Being of Alaskans).

Recommendation 2015-019

DHSS' commissioner should work with Xerox to correct defects in the Alaska Health Enterprise (AHE) system.

DHSS concurs with the recommendation. During FY 2016 the department continues to facilitate corrective action plans for its fiscal agent, XEROX and on February 5th, 2016 requested AHE system certification by the Centers for Medicare and Medicaid Services (CMS).

Recommendation 2015-020

FMS' assistant commissioner should implement procedures to ensure the Medicaid accrual is accurate.

DHSS concurs with the recommendation. The department is strengthening its yearend procedures for preparing the Medicaid accrual to evaluate the first check write of the new fiscal year from the Alaska Health Enterprise (AHE) system to ensure it is reported as prior year expenditures.

Recommendation 2015-021

Management should ensure that all employees complete appropriate time records as required by federal grant regulations. Employees that work on one federal grant or one cost objective should complete semi-annual payroll certifications.

Management should also implement processes and procedures that ensure proper data entry occurs to ensure employee efforts are assigned to the correct federal funding.

DHSS concurs with the recommendation. The department will continue to provide training to program managers and administrative staff on the federal requirements for semi-annual certification forms. Additionally, DPA has strengthened its internal procedures by assigning an administrative position to verify all payroll coding and monitor the completion of the semi-annual certification forms.

Recommendation 2015-022

The revenue unit has a system to track grant report due dates and submissions. We recommend program personnel coordinate with the revenue unit to submit grant reports timely.

DHSS concurs with the recommendation. The department is developing a corrective action plan to ensure staff is aware of reporting due dates and files reports timely.

Recommendation 2015-023

Management should reconcile program revenue and expenditures as part of the SEFA preparation process to ensure amounts reported are based on current year eligible expenditures and all reconciling items are clearly identified and documented.

DHSS concurs with the recommendation. The department anticipates the reported amounts for SEFA will be based on expenditures instead of revenues due to new reporting functionality available through the Integrated Resource Information System (IRIS) which replaced the Alaska State Accounting System (AKSAS) in SFY 2016.

Recommendation 2015-024

Management should ensure that revenue and expenditure reconciliations for prior year grants, with activity in the current year, are completed timely. Additionally, adjustments between fiscal years and

the final reconciliation for closed grants should be reviewed and approved by the Revenue Unit Supervisor in a timely manner.

DHSS concurs with the recommendation. The department is developing a corrective action plan to ensure that revenue and expenditures are properly reconciled and implementing procedures for correcting errors discovered from prior quarters.

Recommendation 2015-025

DHSS should continue to facilitate the XEROX corrective action plan to address system defects and revising for new deficiencies as they are identified.

DHSS concurs with the recommendation. The department is in the process of certification of the Alaska Health Enterprise system during FY 2016. Questioned costs are continuing to be processed by the fiscal agent through mass system adjustments following the correction of the defects.

Recommendation 2015-026

DHSS should update its policies and procedures to more clearly define a "timely" redetermination of Medicaid eligibility. DHSS should also strengthen controls around their application processing procedures to ensure all initial applications are processed within the required time frame.

DHSS concurs with the recommendation. The department has hired a contractor to complete a business process redesign and anticipates when Alaska's Resource for Integrated Eligibility Services (ARIES) is completely implemented in FY 2017, the system efficiencies will resolve this issue. Additionally, the Division of Public Assistance (DPA) is reviewing its procedures to define more clearly the standards for timely redetermination.

Recommendation 2015-027

DHSS should ensure that uncashed State warrants are credited to the Medicaid program within the required time line.

DHSS concurs with the recommendation. This defect in the Alaska Health Enterprise (AHE) system resulted in XEROX being placed under another corrective action plan in August of 2015. Significant progress has been made during FY 2016 to correct this defect.

Recommendation 2015-028

DHSS should implement/enhance procedures that allow for review of manually priced claims.

DHSS concurs with the recommendation. The practice of manually pricing claims was temporarily used by the fiscal agent, XEROX, after converting to the Alaska Health Enterprise (AHE) system, and they relied on out-of-state staff to price Alaska claims to get the DME providers paid. While this practice was briefly implemented to address an emergent situation, the department took corrective action by disallowing it in August of 2015 due to insufficient training and guidance of the out-of-state staff.


Ms. Kris Curtis, CPA, CISA

April 4, 2016

Page 4 of 4

Please contact Linnea Osborne if you have any questions or require additional documentation.

Sincerely,



Valerie J. Davidson
Commissioner

Cc: Sana P. Efirid, Assistant Commissioner
Jon Sherwood, Deputy Commissioner
Karen Forrest, Deputy Commissioner
Dr. Jay Butler, Chief Medical Officer
Margaret Brodie, Director of Health Care Services
Vickie Wilson, Director of Alaska Pioneer Homes
Duane Mayes, Director of Senior and Disabilities Services
Sean O'Brien, Director of Public Assistance
Christy Lawton, Director of Children's Services
Leonard R. Wood, Director of Juvenile Justice
Randall Burns, Director of Division of Behavioral Health
Valeria Buschfort, Revenue Manager and Co-Finance Officer
James Farley, Finance Manager and Co-Finance Officer
Darla Madden, Grants and Procurement Manager
Linnea Osborne, Federal Allocation Management Manager



THE STATE
of ALASKA
GOVERNOR BILL WALKER

Department of
Health and Social Services

OFFICE OF THE COMMISSIONER

Anchorage
3601 C Street, Suite 902
Anchorage, Alaska 99503-5923
Main: 907.269.7800
Fax: 907.269.0060

Juneau
PO Box 110601
Juneau, Alaska 99811-0601
Main: 907.465.3030
Fax: 907.465.3068

Auditor's Note: This letter provides the Department of Health and Social Services' corrective action for Recommendation Nos. 2015-021 through 2015-028, which were revised as part of this reissued audit. The Department of Health and Social Services' corrective action for the original Recommendation Nos. 2015-021 through 2015-028 is on pages IV-62 through IV-64.

October 30, 2018

RECEIVED

OCT 30 2018

Ms. Kris Curtis, CPA, CISA
Legislative Auditor
Division of Legislative Audit
Alaska State Legislature
Juneau, Alaska 99811-3300

LEGISLATIVE AUDIT

Dear Ms. Curtis:

RE: Legislative Audit confidential preliminary audit report, State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2015 (*Reissued*)

We appreciate the opportunity to review and evaluate the audit report with the associated recommendations as shared in your confidential audit report. Below are the department's responses for each of the recommendations.

Recommendation 2015-021

Management should ensure that all employees complete appropriate time records as required by federal grant regulations. Employees that work on one federal grant or one cost objective should complete semi-annual payroll certifications.

Management should also implement processes and procedures that ensure proper data entry occurs to ensure employee efforts are assigned to the correct federal funding.

DHSS concurs with the recommendation. The department will continue to provide training to program managers and administrative staff on the federal requirements for semi-annual certification forms. Additionally, DPA has strengthened its internal procedures by assigning an administrative position to verify all payroll coding and monitor the completion of the semi-annual certification forms.

Recommendation 2015-022

The revenue unit has a system to track grant report due dates and submissions. We recommend program personnel coordinate with the revenue unit to submit grant reports timely.

DHSS concurs with the recommendation. The department is developing a corrective action plan to ensure staff is aware of reporting due dates and files reports timely.

Recommendation 2015-023

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DHSS concurs with the recommendation. The department anticipates the reported amounts for SEFA will be based on expenditures instead of revenues due to new reporting functionality available through the Integrated Resource Information System (IRIS) which replaced the Alaska State Accounting System (AKSAS) in SFY 2016.

Recommendation 2015-024

Management should ensure that revenue and expenditure reconciliations for prior year grants, with activity in the current year, are completed timely. Additionally, adjustments between fiscal years and the final reconciliation for closed grants should be reviewed and approved by the Revenue Unit Supervisor in a timely manner.

DHSS concurs with the recommendation. The department is developing a corrective action plan to ensure that revenue and expenditures are properly reconciled and implementing procedures for correcting errors discovered from prior quarters.

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DHSS should continue to facilitate the XEROX corrective action plan to address system defects and revising for new deficiencies as they are identified.

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Recommendation 2015-026

DHSS should update its policies and procedures to more clearly define a “timely” redetermination of Medicaid eligibility. DHSS should also strengthen controls around their application processing procedures to ensure all initial applications are processed within the required time frame.

DHSS concurs with the recommendation. The department has hired a contractor to complete a business process redesign and anticipates when Alaska’s Resource for Integrated Eligibility Services (ARIES) is completely implemented in FY 2017, the system efficiencies will resolve this issue. Additionally, the Division of Public Assistance (DPA) is reviewing its procedures to define more clearly the standards for timely redetermination.

Ms. Kris Curtis, CPA, CISA
October 30, 2018
Page 3 of 3

Recommendation 2015-027

DHSS should ensure that uncashed State warrants are credited to the Medicaid program within the required time line.

DHSS concurs with the recommendation. This defect in the Alaska Health Enterprise (AHE) system resulted in XEROX being placed under another corrective action plan in August of 2015. Significant progress has been made during FY 2016 to correct this defect.

Recommendation 2015-028

DHSS should implement/enhance procedures that allow for review of manually priced claims.

DHSS concurs with the recommendation. The practice of manually pricing claims was temporarily used by the fiscal agent, XEROX, after converting to the Alaska Health Enterprise (AHE) system, and they relied on out-of-state staff to price Alaska claims to get the DME providers paid. While this practice was briefly implemented to address an emergent situation, the department took corrective action by disallowing it in August of 2015 due to insufficient training and guidance of the out-of-state staff.

Please contact Linnea Osborne if you have any questions or require additional documentation.

Sincerely,



Jay C. Butler, M.D.
Commissioner

Cc: Shawnda O'Brien, Assistant Commissioner
Jon Sherwood, Deputy Commissioner
Monique Martin, Deputy Commissioner
Merry Carlson, Acting Director of Public Health
Margaret Brodie, Director of Health Care Services
Clinton Lasley, Director of Alaska Pioneer Homes
Deb Etheridge, Acting Director of Senior and Disabilities Services
Monica Windom, Director of Public Assistance
Christy Lawton, Director of Children's Services
Tracy Dompeling, Director of Juvenile Justice
Gennifer Moreau-Johnson, Acting Director of Division of Behavioral Health
Marian Sweet, Deputy Director Finance and Management Services
Eric Demoulin, Finance Officer
Amy Burke, Grants and Procurement Manager
Linnea Osborne, Medicaid, Allocation, and Audit Services Manager

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THE STATE
of **ALASKA**

GOVERNOR BILL WALKER

Department of Labor and
Workforce Development

Office of the Commissioner

Post Office Box 111149

Juneau, Alaska 99811

Main: 907.465.2700

Fax: 907.465.2784

April 4, 2016

Ms. Kris Curtis
Alaska State Legislature
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

RECEIVED
APR 05 2016
LEGISLATIVE AUDIT

Dear Ms. Curtis,

This letter provides a response from the Department of Labor and Workforce Development (DLWD) to the Division of Legislative Audit confidential preliminary audit report on: *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2015*.

Recommendation No. 2015-029

The Division of Administrative Services' (DAS) director should ensure uncollectible accounts receivable in the Unemployment Compensation Fund (UCF) are reported in accordance with generally accepted accounting principles.

DLWD Response

DLWD concurs with the recommendation. The department adopted a policy and procedure for purposes of recording an allowance for uncollectible accounts receivable in the UCF in FY 15 based on information available in the system. The department shared the policy with the United States Department of Labor and they accepted the corrective actions as sufficient to address this finding. As articulated in the policy, the department will review the methods for estimating an allowance for doubtful accounts during FY 16 and each subsequent year, as a wider range of data becomes available.

The department considers this finding corrected.

Recommendation No. 2015-030

DLWD's DAS' director should work with the department's finance office to improve accounting for UCF activity.

Ms. Kris Curtis
April 4, 2016
Page 2

DLWD Response

DLWD concurs with the recommendation. The department is bringing on board a specialized accounting resource to review current UCF accounting activities, identify improvements, and ensure compliance with generally accepted accounting principles.

Thank you for the opportunity to respond to this report.

Sincerely,

A handwritten signature in black ink, appearing to read "Heidi Drygas". The signature is fluid and cursive, with a long, sweeping tail on the "g".

Heidi Drygas
Commissioner



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Commerce, Community,
and Economic Development

OFFICE OF THE COMMISSIONER

P.O. Box 110800
Juneau, AK 99811-0800
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Fax: 907.465.5442

April 7, 2016

Ms. Kris Curtis, CPA, CISA
Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

RECEIVED
APR 07 2016
LEGISLATIVE AUDIT

RE: Confidential Management Letter No. 1, Department of Commerce, Community and Economic Development (DCCED), FY15 Statewide Single Audit, Recommendation Nos. 2015-031 and 2015-032.

Dear Ms. Curtis:

This letter is in response to the findings and recommendations resulting from the FY15 Statewide Single Audit of the National Petroleum Reserve Alaska (NPR) special revenue fund (fund) and NPR impact mitigation grants (grants) administered under DCCED.

Recommendation No. 2015-031

DCCED's Division of Administrative Services (DAS) and Division of Community and Regional Affairs (DCRA) directors should work together to improve procedures to ensure all federal receipts deposited into the NPR fund are made available for NPR impact mitigation program grants.

The Department concurs with this recommendation and is in the process of implementing procedures to ensure all federal receipts deposited into the NPR fund are made available for NPR grants per AS 37.05.530(d). This will include written notification of available funding from DAS to the DCRA Director, the DCCED Commissioner, and the DCCED budget manager in the fall of each year. Timely notification will ensure that supplemental appropriations for additional NPR grants may be requested prior to available funds lapsing.

The Department has requested legal guidance from the Department of Law on whether the funds transferred from the NPR fund in FY15 can be redeposited to the NPR fund and made available for grants to eligible entities. Legislative action would be necessary to appropriate funds to the NPR fund.

Recommendation No. 2015-32

DCCED's DCRA director should develop and implement procedures to ensure compliance with federal suspension and debarment requirements.

Ms Kris Curtis, CPA, CISA
April 7, 2016
Page 2

The Division of Community and Regional Affairs has addressed this finding by implementing procedures to ensure compliance with federal suspension and debarment requirements. Specifically, the division has included the following question on the threshold review checklist which division staff complete at the time they receive applications: "Is the municipality compliant with federal suspension and debarment requirement as documented on www.sam.gov?"

Regards,



Chris Hladick
Commissioner

Cc: Catherine Reardon, Administrative Services Director, DCCED
Katherine Eldemar, Division of Community and Regional Affairs Director, DCCED
Micaela Fowler, Legislative Liaison, DCCED



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

**Department of Military and
Veterans Affairs**

Office of the Commissioner

P.O. Box 5800

JBER, AK 99505-0800

Main: 907.428.6003

Fax: 907.428.6019

April 6, 2016

Kris Curtis, CPA, CISA
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

RECEIVED
APR 07 2016
LEGISLATIVE AUDIT

RE: Confidential Preliminary Audit report on State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2015

Ms. Curtis,

I have reviewed the recommendation in the above referenced Preliminary Audit report and appreciate the opportunity to respond.

Recommendation No. 2015-033

DVMA's Army Guard Facilities Maintenance Division (ARNG FMD) operations manager and administrative services director (ASD) should provide for the training and monitoring of staff to ensure personal service expenditures are accurately charged to federal programs.

DMVA concurs with the recommendation. The Army Guard Facilities Maintenance Division Operations Manager will write and implement procedures and train and monitor Army Guard Facilities Maintenance staff to ensure personal services expenditures are accurately charged to federal programs. The Administrative Services Director will facilitate the training and monitoring of Division of Administrative Services (DAS) staff to ensure personal services expenditures are accurately charged to federal programs.

Sincerely,

A handwritten signature in black ink, appearing to read "Laurel J. Himmell".

Laurel J. Himmell
Commissioner

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THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Corrections

Office of the Commissioner

PO Box 112000
Juneau, Alaska 99811
Main: 907.465.4645

April 4, 2016

RECEIVED
APR 05 2016
LEGISLATIVE AUDIT

Kris Curtis, CPA
Legislative Auditor
Division of Legislative Audit
PO Box 113300
Juneau, AK 99811-3300

Dear Ms. Curtis:

Thank you for the opportunity to respond to the confidential preliminary report dated March 18, 2016 regarding the FY15 Statewide Single Audit, Department of Corrections (DOC). Our response to the preliminary report is as follows.

While the department has no new recommendations, prior year No. 2014-030 remains unresolved as stated for FY2015 and the DOC is continuing to work with the Student Loan Corporation to collect these funds in full.

Recommendation No. 2014-30

One recommendation was made to DOC in the State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2013. Prior year Recommendation No. 44 is not resolved and is reiterated as Recommendation No. 2014-030.

Outstanding Recommendation No. 44 from FY2013 reflected that the DOC's finance officer should take measures to resolve revenue shortfall issues for Appropriation 51303-09.

In FY2015, the potential shortfall was identified in the following amount.

<u>Appropriation</u>	<u>Appropriation Title</u>	<u>Amount</u>
51303-09	Deferred Maintenance, Repair, and Renovation	\$61,934

As of February 9, 2016 the DOC has received an additional \$37,704.48 in revenue which is currently pending posting to the prior year receivable in IRIS. We are currently working with the IRIS team to post this collected revenue to reduce the outstanding receivable leaving a new

outstanding balance of \$24,229.36. This amount is anticipated to be billed in full through requisition #10.

During FY2015, DOC collected \$318,737.64 of the outstanding balance from prior year and feels that the full amount will be collected from the Student Loan Corporation.

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.

Sincerely,

A handwritten signature in black ink, appearing to read "Dean Williams", written in a cursive style.

Dean Williams
Commissioner



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

**Department of Transportation and
Public Facilities**

OFFICE OF THE COMMISSIONER
Marc Luiken, Commissioner

3132 Channel Drive
P.O. Box 112500
Juneau, Alaska 99811-2500
Main: 907.465.3900
dot.state.ak.us

March 31, 2016

Kris Curtis, Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

RECEIVED
APR 05 2016
LEGISLATIVE AUDIT

Dear Ms. Curtis:

This is in response to the recommendations contained in the confidential preliminary audit report on *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2015*. The following are the responses for the audit recommendations.

Recommendation No. 2015-034

DOTPF's administrative services director should ensure financial transactions are properly coded to the correct fiscal year in the accounting system.

Department response: *The department concurs with this recommendation. This issue for FY15, related to the IRIS conversion and unclear instructions related to the treatment of these transactions. The department will work to ensure that future transactions are properly coded to the correct fiscal year.*

Recommendation No. 2015-035

DOTPF's administrative services director should ensure necessary revenue accruals are recorded at fiscal year-end.

Department response: *The department concurs with this recommendation. This issue for FY15, related to the IRIS conversion and unclear responsibilities related to the conversion of Third Party Billing. The department will work with Department of Administration to develop new procedures to record the necessary revenue accruals in IRIS.*

Recommendation No. 2015-036

DOTPF's program development director should develop and implement procedures to ensure accurate federal reporting.

Department response: *The department concurs with this recommendation. Procedures for filing the RU-20 reports were updated August 28, 2015 and were submitted to the auditor on September 2, 2015. These procedures have been updated to include a checklist provided by NTD.*

The department concurs with one of the inaccuracies found in the filing of the SF-425 reports. The report filed matched the backup ALDER report but on further investigation the ALDER report was pulled prior to the end of the filing period. Procedures for reviewing the SF-425 will be updated to confirm the dates of the backup ALDER reports.

Recommendation No. 2015-037

DOTPF's program development director should strengthen procedures to ensure sub recipients are informed of required federal award information.

Department response: *The department concurs with this recommendation. The SFY2016 agreements were updated to include the Catalogue of Federal Domestic Assistance (CFDA) title as required under the United States Office of Management and Budget Circular A-133.*

Recommendation No. 2015-038

DOTPF's program development director should maintain documentation that supports required federal reporting.

Department response: *The department concurs with this recommendation. Alaska Highway Safety Office staff will follow the recently established written procedures for retaining documentation, including screen prints and estimation methodology for each number in the HS-217 cost summary report, which is a part of the State's annual highway safety plan. This documentation will be retained in accordance with 2 CFR 200.333.*

Recommendation No. 2015-039

DOTPF's statewide design and engineering services director should ensure that the Alaska Construction Manual (ACM) complies with federal record retention policies.

Department response: *The department concurs with this recommendation. The Alaska Construction Manual (ACM) revision was completed and issued effective July 30, 2015. Until the revision modifying the records retention practice was in place on July 30, 2015, DOTPF staff was expected to continue to follow the previous (in place) procedural requirements. The July 30, 2015 revision in the ACM complies with federal record retention requirements.*

Recommendation No. 2015-040

DOTPF's administrative services director should ensure personal service expenditures charged to federal programs comply with federal cost principles.

Department response: *The department partially concurs with this recommendation. The effect of a delay in the processing of T&E transactions is corrected at the start of FY16 with the implementation of the State's new accounting system IRIS. The new T&E system has effective to and from date tables so if older transactions are entered or adjusted, they will process with the pay rates in effect during the time period of the transaction.*

An additional mitigating circumstance to this issue is that DOTPF negotiates their labor rates annually with FHWA for the next Fiscal year. Part of the Labor rate calculation and development includes a calculation to adjust the labor rate for the over or under collection of actual costs. If more actual costs are charged to the holding account then are recovered through hours charged out through the T&E system then a percentage increase is added to the next year's labor rates in addition to the percentages calculated for benefits, leave, and insurance costs. Conversely, if fewer actual costs are charged to the holding account then are recovered through hours charged out through the T&E system then a percentage decrease is deducted from the next year's labor rates for the percentages calculated for benefits, leave, and insurance costs.

It is the department's position that the financial effect of the delayed processing T&E transactions in years FY15 and earlier is accounted for and reconciled to our federal funding partners through the over/under calculation, which would adjust for these difference as well as any other differences between actual and recovered costs for benefits, leave, and insurance rates.

Recommendation No. 2015-041

DOTPF's administrative services director should ensure personal service expenditures charged to federal programs comply with federal cost principles.

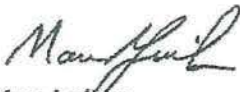
Department response: *The department concurs with this recommendation. With the implementation of the State's new accounting system IRIS, DOTPF's new T&E system requires a second review and approval designed to catch data entry errors as the one noted here in this recommendation. The department expects this to reduce data entry errors and comply with OMB Circular A-87. The department does not concur with the method of extrapolation, as with data entry errors it would be expected that there will be offsetting errors. For example costs charged to a state funded project that should have gone to a federal project. Nothing in this data entry error suggests a systematic over charging to federal projects, but simply a keying error.*

Recommendation No. 2015-042

DOTPF's statewide design and engineering services director should ensure certified payroll records are signed as required by federal law.

Department response: *The department concurs with this recommendation. The Alaska Standard Specifications for Airport Construction and Alaska Standard Specifications for Highway Construction both require the payroll be certified. And, our "Required Contract Provisions for Federal-Aid Construction Contracts" (FAA, FHWA, and FTA versions) is included in each federal-aid projects let by the department. Part IV for the FHWA and FAA versions and Part XVII for the FTA version of the required contract provisions includes the statement, "Each payroll submitted shall be accompanied by a "Statement of Compliance," signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract and shall certify..." Additionally, the ACM identifies the requirement for the contractor (and subcontractors) to submit certified payrolls.*

Sincerely,



Marc Luiken
Commissioner

cc: Roger Healy, Chief Engineer, Design & Engineering Services, DOT&PF
Mike Vigue, Director, Program Development, DOT&PF
June Gotschall, Finance Officer, Administrative Services Division, DOT&PF

(Intentionally left blank)

March 29, 2016

Kris Curtis, CPA, CISA
Legislative Auditor
333 Willoughby Ave, 6th Floor
PO Box 113300
Juneau, AK 99811-3300

RECEIVED
MAR 29 2016
LEGISLATIVE AUDIT

Re: Response to Preliminary State of Alaska Single Audit Report

Ms. Curtis:

I'm in receipt of the Preliminary State of Alaska Single Audit Report and have reviewed the one issue identified in the report as the responsibility of Alaska Housing Finance Corporation (AHFC). This issue along with AHFC's Management Response was initially presented to the AHFC Audit Committee on October 28th 2015. After further discussion with AHFC staff it is my understanding that the response remains unchanged and I respectfully request that you incorporate the response documented below into the final version of the State of Alaska Single Audit Report.

1. **Condition (CDFA 14.117 and 14.865):**

Loan guarantee amounts initially reported on the SEFA subject to audit were overstated by \$142,366,866.

Recommendation:

We recommend that management review spreadsheet formulas used in preparing the SEFA and reconcile guarantees to loans outstanding reported in the basic financial statements.

Response:

AHFC management considers this finding resolved as of October 1, 2015. Management has added an additional layer of review to the procedures for preparation of the Schedule of Expenditures of Federal Awards. In addition, the process that included the erroneous formula has been amended so that the formulas are no longer required.

Should you need any additional information regarding this matter please feel free to contact me at your earliest convenience.

Sincerely,


Brent LeValley
AHFC Board Chair



(Intentionally left blank)

Myron Dosch, CPA
Interim Vice President for Finance & Administration
Chief Financial Officer
Phone: (907) 450-8079
Fax: (907) 450-8071
mjdosch@alaska.edu



UNIVERSITY
of ALASKA
Many Traditions One Alaska

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Fairbanks, AK 99775-5120

RECEIVED
MAR 25 2016
LEGISLATIVE AUDIT

March 24, 2016

TO: Kris Curtis
Legislative Auditor
State of Alaska Division of Legislative Audit

FROM: Myron Dosch *Myron J. Dosch*
Interim Vice President for Finance and Administration/CFO

SUBJECT: Response to the Preliminary Audit Report Titled:
State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2015

The University of Alaska concurs with the finding and recommendation: *2015-044 (UA) Special Tests and Provisions: Enrollment Reporting – Significant Deficiency in Internal Controls*. Procedures and controls have been implemented to identify and timely report enrollment status changes to NSLDS for students who have unofficially withdrawn.

Contact Person: Wei Guo, Financial Accounting Manager
Telephone: (907) 450-8063

cc: Wei Guo, Financial Accounting Manager
Saichi Oba, Associate Vice President for Student and Enrollment Services

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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@akleg.gov

April 11, 2016

Members of the Legislative Budget
and Audit Committee:

Agency responses to audit recommendations have been incorporated into this report twice. Agency responses are first paired with the audit recommendations in Section II. The responses then reappear in Section IV of this report.

Generally, the agencies concur with the recommendations. There are, however, responses to six of these recommendations which we believe warrant further comments as shown below. Additionally, we note that at the time of our FY 15 audit, there was no method for identifying revenue shortfalls under the State's new accounting system, IRIS, which went live in July 2015. Consequently, no audit work was performed on potential revenue shortfalls for FY 15. Recommendation No. 2015-010 in Section II of this report addresses the lack of shortfall reporting. Departmental introduction paragraphs in Section II identify whether the status of a prior shortfall recommendation could not be evaluated, if applicable.

Recommendation No. 2015-005

We have reviewed DOA's response, and nothing in the response persuaded us to revise the recommendation. We reiterate that GASB 68 implementation guidance clearly indicated a special funding situation existed from an accounting standpoint. Furthermore, when it was identified that GASB's implementation guidance conflicted with the Department of Law's legal interpretation, the department should have immediately sought clarification from GASB staff.

Recommendation No. 2015-014

We have reviewed DOR's response, and nothing in the response persuaded us to revise the recommendation. We reiterate that procedures should be implemented to consistently record and report interest and penalty revenues for all tax types.

Recommendation No. 2015-018

We have reviewed DHSS' response, and nothing in the response persuaded us to revise the recommendation. We reiterate that state funds should be distributed in accordance with applicable procurement laws or grant regulations unless payments are specifically exempted by the State Procurement Code. DHSS' "sponsorship" awards do not constitute a valid exemption.

Recommendation 2015-040

We have reviewed DOTPF's response, and nothing contained in the response persuaded us to revise the recommendation. DOTPF states the annual labor rate development includes a calculation to adjust the labor rate for the over or under collection of actual costs. This could not be confirmed, as evidence supporting this statement was not provided during the course of the audit. We reaffirm our recommendation that DOTPF's administrative services director should ensure personal service expenditures charged to federal programs comply with federal cost principles.

Recommendation 2015-041

We have reviewed DOTPF's response, and nothing contained in the response persuaded us to revise the recommendation. The error was projected in accordance with audit standards. We reaffirm our recommendation that DOTPF's administrative services director should ensure personal service expenditures charged to federal programs comply with federal cost principles.

In summary, we reaffirm the findings and recommendations presented in this report.



Kris Curtis, CPA, CISA
Legislative Auditor

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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November 20, 2018

Members of the Legislative Budget
and Audit Committee:

Two immaterial errors in the preliminary report provided to the Legislative Budget and Audit Committee October 9, 2018 were identified. Questioned costs reported in the Schedule of Findings and Questioned Costs for Recommendation Nos. 2015-021 and 2015-025 on Section II page 117 are incorrect. The correct amounts are shown in the table below:

Recommendation No.	Amount Reported	Correct Amount	Difference
2015-021	\$1,267,415	\$1,223,729	\$43,686
2015-025	\$101	\$102	\$1

Questioned costs reported to management as shown in Section II on pages 56 and 61 are correct. We consider the errors in the Schedule of Findings and Questioned Costs to be immaterial.

Sincerely,

A handwritten signature in blue ink, appearing to read "Kris Curtis".

Kris Curtis, CPA, CISA
Legislative Auditor