ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit

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February 27, 2009

Honorable Members of the
Alaska State Legislature

The Honorable Sarah Palin
Governor
State of Alaska

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

We are pleased to transmit the Single Audit of the State of Alaska for the fiscal year ended June 30, 2008. The audit was conducted in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards* issued by the Comptroller General of the United States, and complies with the federal Single Audit Act Amendments of 1996 and the related Circular A-133 issued by the U.S. Office of Management and Budget.

The report includes an opinion on the basic financial statements of the State of Alaska for fiscal year 2008, recommendations on financial and compliance matters, and required auditor's reports on internal controls and compliance, and the Schedule of Expenditures of Federal Awards.

The findings and recommendations included in this report are organized by department and include prior financial/compliance findings not fully corrected by the departments. Our fiscal year 2007 Single Audit contained 20 recommendations; this report presents 22 recommendations, five of which were presented last year. Included in this year's recommendations are three recommendations, two made to Alaska Housing Finance Corporation and one made to the University of Alaska, whose audits were performed by other auditors. With your active support and encouragement, we hope to continue seeing improvement in the implementation of these recommendations by the state agencies.

Members of the Legislature
The Honorable Sarah Palin
The Honorable Daniel R. Levinson

February 27, 2009

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

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

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

Pat Davidson

Pat Davidson, CPA
Legislative Auditor

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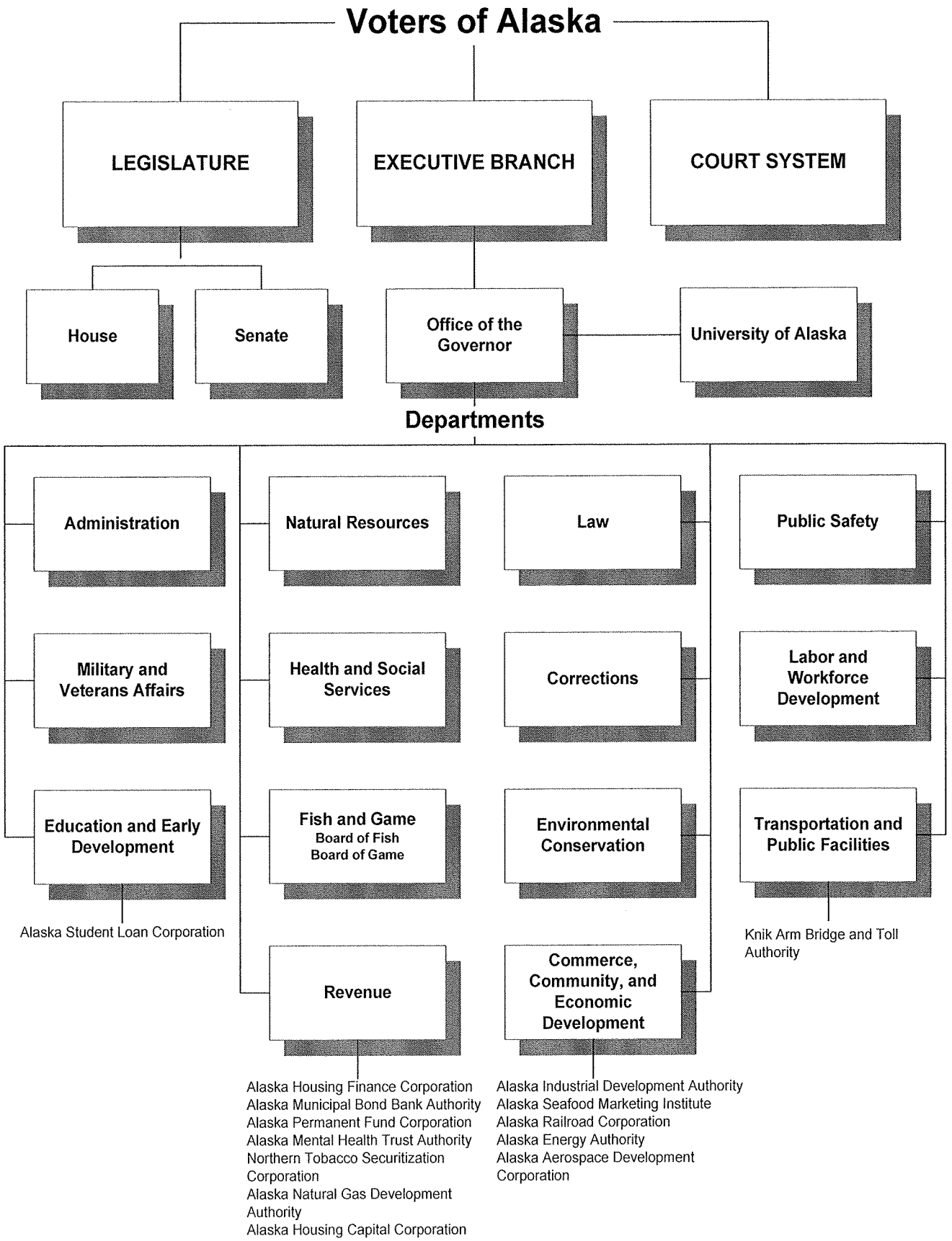
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Education and Early Development
Fish and Game
Board of Fish
Board of Game
Environmental Conservation
Transportation and Public Facilities
Alaska Student Loan Corporation
Knik Arm Bridge and Toll Authority
Revenue
Commerce, Community, and Economic Development
Alaska Housing Finance Corporation
Alaska Municipal Bond Bank Authority
Alaska Permanent Fund Corporation
Alaska Mental Health Trust Authority
Northern Tobacco Securitization Corporation
Alaska Natural Gas Development Authority
Alaska Housing Capital Corporation
Alaska Industrial Development Authority
Alaska Seafood Marketing Institute
Alaska Railroad Corporation
Alaska Energy Authority
Alaska Aerospace Development Corporation

SECTION I – AUDITOR'S REPORT AND FINANCIAL STATEMENT

ALASKA STATE LEGISLATURE
LEGISLATIVE BUDGET AND AUDIT COMMITTEE
Division of Legislative Audit

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Independent Auditor's Report

Members of the Legislative Budget
and Audit Committee:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alaska, as of and for the year ended June 30, 2008, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Alaska's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Alaska Permanent Fund, the Fiduciary Funds – Pension and Other Employee Benefit Trust Funds, and three Discretely Presented Component Units: Alaska Municipal Bond Bank Authority, Alaska Mental Health Trust Authority, and Alaska Natural Gas Development Authority. Those financial statements reflect total assets, net assets and revenues of the indicated opinion units:

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

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

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

plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Certain entities of the State of Alaska were not audited in accordance with *Government Auditing Standards*. These entities include: the Alaska Permanent Fund (Major Fund), Alaska Municipal Bond Bank Authority (Discretely Presented Component Unit), and Supplemental Benefit System, Public Employees Retirement System and Teachers Retirement System (Fiduciary Funds). An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the basic financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alaska, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2008, on our consideration of the State's of Alaska's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Pat Davidson, CPA
Legislative Auditor

December 12, 2008

STATE OF ALASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the State of Alaska, we offer readers of the State's financial statements this narrative overview and analysis of the financial activities of the State for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the preceding pages of this report, and the financial statements that follow.

Financial Highlights

Government-wide

- The assets of the State exceeded its liabilities at the close of FY 08 by $57.5 billion (net assets). Of this amount, $5.7 billion is invested in capital assets, $32.1 billion is restricted for various purposes (of which the Alaska Permanent Fund represents $30.9 billion), and unrestricted net assets are $19.7 billion. Unrestricted net assets may be used to meet the State's ongoing obligations to citizens and creditors.
- The State's total net assets increased by $5.4 billion. This increase is primarily attributable to higher taxes from petroleum production.

Fund level

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

Long-term debt

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

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

As mentioned earlier, the State has only two major governmental funds, the Alaska Permanent Fund and the General Fund. Together these two funds represent 96.7 percent of total government-wide cash and investments and 87.7 percent of total government-wide net assets (excluding component units). The governmental funds financial statements present detail on each of these funds, with summarized information on all other governmental funds. In addition, detail for each of the nonmajor governmental funds is available in combining statements elsewhere in this report.

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

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

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

The proprietary fund financial statements are statement numbers 1.21 through 1.23. The International Airports Fund is a major enterprise fund of the State of Alaska with 10.6 percent of total government-wide liabilities (excluding component units). The proprietary funds financial statements present detail on this fund with summarized information on all other proprietary funds. In addition, detail for each of the nonmajor proprietary funds is provided in the combining statements elsewhere in this report.

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

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

Notes to the Basic Financial Statements

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

Additional Required Supplementary Information

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

Other Supplementary Information

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

Government-wide Financial Analysis

As noted earlier, net assets should serve over time as a useful indicator of a government's financial position. State assets exceeded liabilities by $57.5 billion at the close of the most recent fiscal year (see table below). By far the largest portion of

the State's net assets (62 percent) reflects its investments held in the Alaska Permanent Fund. However, the majority of these assets are not available for future spending since the principal of the fund ($30.9 billion) may not be spent.

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

Net Assets
(Stated in millions)

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

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

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

Changes in Net Assets
(Stated in millions)

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

Financial Analysis of the State's Funds

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

Governmental Funds

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

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

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

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

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

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

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

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

Alaska Permanent Fund

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

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

The fund is made up of two parts.

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

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

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

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

General Fund Budgetary Highlights

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

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

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

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

Capital Assets and Debt Administration

Capital assets. The State's investment (net of related debt) in capital assets for its governmental and business-type activities as of June 30, 2008, amounts to $5.7 billion. The table below displays total capital assets, net of accumulated depreciation. Depreciation charges for FY 08 totaled $324 million for governmental activities and $39 million for business-type activities.

Capital Assets
(net of depreciation, in millions)

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

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

year are a direct result of these budgetary increases. Additional information on the State's capital assets can be found in Note 4 in the notes to the basic financial statements.

Long-term debt. At the end of the current fiscal year, the State had total bonded debt outstanding of $1,437 million. Of this amount, $376 million was general obligation bonds, and $1,061 million of revenue bonds payable is comprised of $381 million issued by the Northern Tobacco Securitization Corporation (NTSC), and $62 million of sport fishing revenue bonds. The general obligation bonds are secured by the full faith, credit, and resources of the State, whereas the NTSC bonds are secured by and payable solely from Tobacco Settlement Revenues (TSRs). Neither the State of Alaska, nor the Alaska Housing Finance Corporation (of which NTSC is a subsidiary) is liable for any debt issued by NTSC. The sport fishing revenue bonds are secured by the sport fishing facilities surcharge imposed under AS 16.05.340 and related federal revenues. The remaining $618 million are International Airports revenue bonds secured solely by specified revenue sources. The general obligation, NTSC, and sport fishing bonds are reported as governmental activities debt, and the International Airports bonds are reported as business-type activities debt.

Long-term Debt
(Stated in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 08	FY 07	FY 08	FY 07	FY 08	FY 07
Revenue Bonds Payable	$ 443	$ 452	$ 618	$ 633	$ 1,061	$ 1,085
General Obligation Debt	376	405	-	-	376	405
Capital Leases Payable	172	130	-	-	172	130
Deferred Revenues and Advances	261	206	5	5	266	211
Certificates of Participation	57	65	-	-	57	65
Compensated Absences	132	126	-	-	132	126
Claims and Judgments	61	72	-	-	61	72
Other Noncurrent Liabilities	1	2	3	5	4	7
Net Pension Obligation	138	140	4	5	142	145
Total	$ 1,641	$ 1,598	$ 630	$ 648	$ 2,271	$ 2,246

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

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

Significant Facts

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

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

Economic Factors and Next Year's Budgets and Rates

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

States unemployment rate at fiscal year end was 5.0 percent.

- The State's major source of unrestricted revenue for the General Fund is petroleum related, which accounted for 77 percent of total revenue, with federal revenue making up another 14 percent, and the balance coming from other sources. As a result, the State's budget is structured around these two revenue sources. Although oil production has declined, the high price per barrel and higher tax rates more than made up for this reduction, resulting in an increase of $5.7 billion in petroleum revenues. Federal funds are generally restricted for use in federal programs and therefore do not provide resources for balancing the State budget.

- FY 08 crude oil and natural gas liquids production for the Alaska North Slope and Cook Inlet averaged 727 thousand barrels per day. This is 29 thousand barrels per day less than in the prior year. FY 08 production, compared to peak production of 2.049 million barrels per day in FY 88, has declined by 64 percent.

- The State of Alaska FY 08 budgeted expenditures include certain items that are unique to Alaska, such as the Alaska Permanent Fund Dividend that is paid to each qualifying Alaskan ($1,654/resident, total $990 million in FY 08), and State-operated Pioneer Homes.

Requests for Information

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

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BASIC

FINANCIAL STATEMENTS

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

STATEMENT 1.01

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

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

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

STATEMENT 1.02

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

General Revenues:
Taxes:
Severance Taxes
Selective Sales/Use
Income Taxes
Property Taxes
Other Taxes
Interest and Investment Income (Loss)
Tobacco Settlement
Payments In from Component Units
Payments In from Primary Government
Other Revenues
Transfers - Internal Activity
Total General Revenues and Transfers
Change in Net Assets
Net Assets - Beginning of Year
Net Assets - End of Year

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

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

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

STATEMENT 1.11

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

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

STATE OF ALASKA **STATEMENT 1.12**

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

Total Fund Balances - Governmental Funds		$ 51,501,089
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (Note 4) These assets consist of:		
Equipment, net of depreciation	289,633	
Buildings, net of depreciation	758,901	
Infrastructure, net of depreciation	2,209,865	
Land	754,254	
Construction in progress	1,349,313	
		5,361,966
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. (See Statement 1.21)		288,017
Certain revenues are not available to pay for the current period's expenditures and therefore are not reported in the funds.		93,994
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 5)		
Capital lease obligations	(167,553)	
Compensated absences	(129,192)	
Claims and judgments (net of federal reimbursement)	(60,478)	
Pension benefit obligation	(135,668)	
Other post employment benefits	11,780	
		(481,111)
Long-term bonded debt is not due and payable in the current period and therefore is not reported in the funds. (Note 5)		
Notes and bonds payable	(876,139)	
Unamortized costs of issuance	5,553	
Accrued interest receivable	120	
Accrued interest payable	(10,006)	
		(880,472)
Net Assets of Governmental Activities		$ 55,883,483

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

STATE OF ALASKA **STATEMENT 1.13**

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

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

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

STATE OF ALASKA **STATEMENT 1.14**
Reconciliation of the Change in Fund Balances to the Statement of Activities
Governmental Funds
June 30, 2008
(Stated in Thousands)

Net Change in Fund Balances - Total Governmental Funds		$ 5,065,044
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Primarily this is the amount by which capital outlays exceeded depreciation in the current period (Note 4).		
Capital Outlay	452,371	
Depreciation Expense	(303,842)	
		148,529
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported in governmental activities in the Statement of Revenues, Expenses, and Changes in Fund Net Assets (Statement 1.22).		
Net current year revenue		26,387
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund.		26,836
Bond and other debt proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
Accrued interest	498	
Repayment of bond principal	45,870	
Amortization of bond issue costs	(608)	
		45,760
Some capital additions were financed through capital leases. In the governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability.		(59,651)
Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported on the Statement of Net Assets and have been eliminated from the Statement of Activities.		
Claims and judgments	10,798	
Compensated absences	(6,148)	
Capital lease payments	17,634	
Pension benefit obligation	1,966	
Other post employment benefits	11,780	
		36,030
Change in Net Assets of Governmental Activities		$ 5,288,935

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

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

STATEMENT 1.21

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

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

STATE OF ALASKA **STATEMENT 1.22**

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

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

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

STATE OF ALASKA **STATEMENT 1.23**
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2008
(Stated in Thousands)

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

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

This statement continued on next page.

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

STATEMENT 1.23

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

STATE OF ALASKA **STATEMENT 1.31**
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008
(Stated in Thousands)

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

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

STATE OF ALASKA **STATEMENT 1.32**

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

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

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

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

STATEMENT 1.41

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

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

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

STATEMENT 1.42

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

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

Net (Expense) Revenue and Changes in Net Assets				
University of Alaska	Alaska Housing Finance Corporation	Alaska Industrial Development and Export Authority	Nonmajor Component Units	Total Component Units
$ (354,163)	$	$	$	$ (354,163)
	(75,999)			(75,999)
		22,218		22,218
			(66,595)	(66,595)
(354,163)	(75,999)	22,218	(66,595)	(474,539)
2,640	56,922	20,992	14,324	94,878
36,170		3,518		39,688
374,049		550	10,806	385,405
2,600	776			3,376
415,459	57,698	25,060	25,130	523,347
61,296	(18,301)	47,278	(41,465)	48,808
1,053,411	1,684,472	898,664	1,642,769	5,279,316
$ 1,114,707	$ 1,666,171	$ 945,942	$ 1,601,304	$ 5,328,124

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

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. THE FINANCIAL REPORTING ENTITY

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

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

BLENDED COMPONENT UNITS

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

The **Alaska Permanent Fund Corporation** (APFC) is a public corporation and government instrumentality in the Department of Revenue (AS 37.13.040). A governor-appointed six-member board manages APFC. The Legislature approves APFC's budget. The purpose of APFC is to manage and invest the assets of the Alaska Permanent Fund (Fund) and other funds designated by law. The Fund is a savings device, restricted as to usage, which belongs to all the people of Alaska. It was created in 1976 when the voters approved an amendment to the State Constitution. The beneficiaries of the Fund are all present and future generations of Alaskans. The Fund represents 72 percent of the total cash and investments and 62 percent of total government-wide net assets excluding discretely presented component units. The Fund is reported as a permanent fund (a governmental fund type), and APFC operations are included in the fund statements. Separately issued financial statements may be obtained from the Alaska Permanent Fund Corporation, P.O. Box 115500, Juneau, AK 99811-5500, or from their web site at www.apfc.org.

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

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

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

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

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

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

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

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

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

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

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

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

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

DISCRETELY PRESENTED COMPONENT UNITS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B. BASIC FINANCIAL STATEMENTS

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

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

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

- **Invested in capital assets, net of related debt** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

- **Restricted net assets** result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted net assets** consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often are designated to indicate that management does not consider them available for general operations (see note 1.F.). Unrestricted net assets often have constraints on resources that are imposed by management, but can be modified or removed.

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

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

D. FINANCIAL STATEMENT PRESENTATION

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

GOVERNMENTAL FUND TYPES

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

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

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

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

PROPRIETARY FUND TYPES

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

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

FIDUCIARY FUND TYPES

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

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

E. FISCAL YEAR ENDS

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

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

CASH AND INVESTMENTS, CASH AND CASH EQUIVALENTS

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

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

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

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

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

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

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

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

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

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

RECEIVABLES

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

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

INTER/INTRAFUND TRANSACTIONS

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

INVENTORIES

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

CAPITAL ASSETS

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

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

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

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

COMPENSATED ABSENCES

Regulations governing annual/personal leave (vacation pay) provide that state employees will receive time off, or pay, for hours accumulated. Consequently, a liability exists with respect to accumulated annual/personal leave at any given time. As of June 30, 2008, this liability is recognized and reported in the government-wide and proprietary fund financial statements. The state's estimated liability for compensated absences, as reported in the government-wide Statement of Net Assets, is $132 million. There is no liability in the accompanying financial statements for unpaid accumulated sick leave. Accumulated sick leave may be used only for actual illness. When an employee separates from state service, any sick leave balance to their credit is reduced to zero without additional compensation to the employee. See Note 10 for disclosure of the amount of the sick leave contingency.

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

NET ASSETS / FUND BALANCE

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

FUND BALANCE RESERVES / DESIGNATIONS

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

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

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

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

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

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

RESTRICTED NET ASSETS

Permanent Funds

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

Net Assets Restricted by Enabling Legislation

The government-wide statement of net assets reports $32.1 billion of restricted net assets for the primary government, of which $24.1 million is restricted by enabling legislation.

NOTE 2 – BUDGETING, BUDGETARY CONTROL, AND LEGAL COMPLIANCE

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

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

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

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

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

SPENDING LIMITS

In 1982, the voters of Alaska approved an amendment to the Alaska Constitution to control state spending. Article IX, section 16, establishes an annual appropriation limit of $2.5 billion plus adjustments for changes in population and inflation since

July 1, 1981. Within this limit, one-third is reserved for capital projects and loan appropriations. For FY 08, the Office of Management and Budget estimated the limit to be approximately $7.9 billion. The FY 08 budget passed by the legislature and after vetoes was $5.5 billion (unrestricted General Fund revenues only), or $2.4 billion less than the constitutional spending limit.

CONSTITUTIONAL BUDGET RESERVE FUND

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

The fund was established to enhance budget stability by depositing certain monies into the budget reserve fund (where they could not be easily spent) rather than into the General Fund (where they would be readily available for appropriation for expenditure). Money may be appropriated from the fund in accordance with the provisions of section 17(b) and (c). To date, the only appropriations from the fund have been made under the provisions of section 17(c), which states "An appropriation from the budget reserve fund may be made for any public purpose upon affirmative vote of three-fourths of the members of each house of the legislature."

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 3 – DEPOSIT AND INVESTMENT RISK

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

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

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

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

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

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

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

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

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

Interest Rate Risk

Short-term Fixed Income Pool

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

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

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

Intermediate-term and Broad Market Fixed Income Pools

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

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

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

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

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

Other Fixed Income

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

Credit Risk

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

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

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

Intermediate-term and Broad Market Fixed Income Pool investments are limited to securities with a long-term credit rating of at least Baa3 or equivalent and securities with a short-term credit rating of at least P-1 or equivalent. Asset-backed and non-agency mortgage securities that are not rated by either Standard & Poor's or Moody's may be purchased if they have an AAA rating by two of the following: Standard & Poor's, Moody's, or Fitch.

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

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

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

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

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that deposits may not be returned in the event of a bank failure. Treasury's policy with regard to custodial credit risk is to collateralize state deposits to the extent possible. The bond indentures governing the investment of tobacco revenue related bond proceeds do not establish policy with regard to custodial credit risk. At June 30, 2008, the funds had the following uncollateralized and uninsured deposits:

	Amount (in thousands)
Non-interest Bearing Deposits	$ 5,197
International Equity Pool	347
	$ 5,544

Concentration of Credit Risk

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

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

Treasury's policy with regard to concentration of credit risk is to prohibit the purchase of more than five percent of a pool's holdings in corporate bonds of any one company or affiliated group. Federal National Mortgage Association and Federal Home Loan Mortgage Corporation securities are not classified as corporate bonds.

Foreign Currency Risk

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

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

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

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

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

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

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

The International Equity Pool includes foreign currency forward contracts to buy and sell specified amounts of foreign currencies at specified rates on specified future dates for the purpose of hedging existing security positions. The counterparties to the foreign currency forward contracts consist of a diversified group of financial institutions. Credit risk exposure exists to the extent of non-performance by these counterparties; however, the risk of default is considered to be remote. The market risk is limited to the difference between contractual rates and forward rates at the balance sheet date. At June 30, 2008 the International Equity Pool had no outstanding contracts. The International Equity Pool had no unrealized gains (losses) with respect to forward contracts at June 30, 2008.

Securities Lending

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

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

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

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

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

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

PENSION FUNDS

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

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

Actual investing is performed by investment officers in Treasury or by contracted external investment managers. ARMB has developed investment guidelines, policies and procedures for Treasury staff and external investment managers to adhere to when managing investments. Specifically, the International Fixed Income Pool, High Yield Pool, Domestic Equity Pool, International Equity Pool, Emerging Markets Equity Pool, Private Equity Pool, Absolute Return Pool, Other Investments Pool, Real Estate Pool investments (with the exception of real estate investment trust holdings), Common Trust Funds, Pooled Investment Funds, Collective Investment Funds, ERISA Commingled Funds, and Mutual Funds are managed by external management companies. Treasury manages the Retirement Fixed Income Pool, Enhanced Cash Pool, Treasury Inflation Protected Securities Pool, real estate investment trust holdings and cash holdings of certain external managers in addition to acting as oversight manager for all externally managed investments.

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

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

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

	Fair Value (in thousands)				
	Fixed Income Pools				
	Short-term	Retirement	Enhanced Cash	International	High Yield
Deposits	$ -	$ -	$ -	$ 1,175	$ -
Overnight Sweep Account (lmcs)	-	-	-	-	14,966
Short-term Investment Fund	-	-	-	2,008	-
Commercial Paper	16,117	-	-	-	-
Domestic Equity	-	-	-	-	77
International Equity	-	-	-	-	-
Bridge Loans	-	-	-	-	5,642
U. S. Treasury Notes	-	235,052	-	-	-
U. S. Treasury Bonds	-	94,985	-	-	-
U.S. Treasury - TIPS	-	-	-	-	-
U.S. Government Agency					
Discount Notes	-	-	-	-	-
U.S. Government Agency	104,312	42,570	-	-	-
Municipal Bonds	-	867	-	-	-
Foreign Government Bonds	-	-	-	177,882	-
Mortgage-backed	8,381	1,259,767	14,835	-	-
Other Asset-backed	48,592	126,798	18,311	-	734
Corporate Bonds	45,995	473,133	7,359	135,880	231,962
Convertible Bonds	-	-	-	-	955
Yankees:					
Government	-	11,066	-	-	-
Corporate	13,790	61,081	4,155	-	23,306
Domestic Equity Pool:					
Limited Partnership	-	-	-	-	-
Convertible Fonds	-	-	-	-	-
Treasury Bills	-	-	-	-	-
Equity	-	-	-	-	-
International Equity Pool:					
Convertible Bonds	-	-	-	-	-
Equity	-	-	-	-	-
Emerging Markets Equity Pool	-	-	-	-	-
Private Equity Pool:					
Limited Partnerships	-	-	-	-	-
Absolute Return Pool:					
Limited Partnerships	-	-	-	-	-
Other Investments Pool:					
Limited Partnerships	-	-	-	-	-
Agricultural Holdings	-	-	-	-	-
Real Estate Pool:					
Real Estate	-	-	-	-	-
Commingled Funds	-	-	-	-	-
Limited Partnerships	-	-	-	-	-
Real Estate Investment Trusts	-	-	-	-	-
Mortgages	-	-	-	-	-
Mutual Fund	-	-	-	-	102,387
Net Other Assets (Liabilities)	(13)	(73,989)	(3,720)	3,321	340
Other Pool Ownership	(187,260)	144,134	(40,940)	-	-
Total Invested Assets	$ 49,914	$ 2,375,464	$ -	$ 320,266	$ 380,369

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

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

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

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

Interest Rate Risk

Short-term Fixed Income Pool

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

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

Other Defined Benefit Fixed Income Pools

Through the ARMB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the Retirement Fixed Income portfolio to ± 20% of the Lehman Brothers Aggregate Bond Index. The effective duration for the Lehman Brothers Aggregate Bond Index at June 30, 2008 was 4.68 years.

Through the ARMB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the Enhanced Cash Fixed Income portfolio to one year.

Through the ARMB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the International Fixed Income portfolio to ± 25% of the Salomon Non-U.S. World Government Bond Index. The effective duration for the Salomon Non-U.S. World Government Bond Index at June 30, 2008 was 6.24 years.

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

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

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

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

Defined Benefit Common Trust Funds

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

Defined Contribution Pooled Investment Funds

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

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

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

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

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

Defined Contribution Collective Investment Funds

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

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

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

Credit Risk

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

Short-term Fixed Income Pool investments are limited to instruments with a long-term credit rating of at least A3 or equivalent and instruments with a short-term credit rating of at least P1 or equivalent. Asset-backed and non-agency mortgage securities that are not rated by both Standard & Poor's and Moody's may be purchased if they have an AAA rating by two of the following: Standard & Poor's, Moody's or Fitch. Unexpected daily cash surpluses that arise in this pool are invested overnight in the custodian's repurchase agreement sweep account. Treasury does not have a policy to limit credit risk associated with the sweep account.

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

Retirement Fixed Income:

- Commercial paper must carry a rating of at least P-1 by Moody's and A-1 by Standard & Poor's.
- Corporate debt securities must be investment grade.
- Corporate, asset-backed and non-agency mortgage securities must be investment grade. Investment grade is defined as the median rating of Standard & Poor's, Moody's and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA. Corporate bonds may be purchased if rated by two of these agencies.
- No more than 40 percent of the portfolio's assets may be invested in investment grade corporate debt.
- No more than 15 percent of the portfolio's assets may be invested in BBB+ to BBB- rated debt by Standard & Poor's Corporation or the equivalent by Moody's or Fitch.

Enhanced Cash Fixed Income:

- Commercial paper must carry a rating of at least P-1 by Moody's and A-1 by Standard & Poor's.
- The average portfolio credit quality shall be A3 or higher.
- No more than ten percent of the portfolio's assets may be invested in securities rated below investment grade as determined by the Lehman Brothers rating methodology.
- No more than two percent of the portfolio's assets may be invested in the bonds of any non-U.S. government agency or instrumentality rated below investment grade.

International Fixed Income:

- Corporate and asset-backed obligations must be rated investment grade or better by a recognized credit rating agency.
- Commercial paper and euro commercial paper must be rated A-1 by Standard & Poor's or P-1 by Moody's or the equivalent of a comparable rating agency.

High Yield:

- No more than ten percent of the portfolio's assets may be invested in securities rated A3 or higher.
- No more than 25 percent of the portfolio's assets may be invested in securities rated below B3.
- No more than five percent of the portfolio's assets may be invested in unrated securities.
- No more than ten percent of the portfolio's assets may be invested in countries not rated investment grade, including emerging markets.

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

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

TIPS:

- Commercial paper must be rated at least P-1 by Moody's and A-1 by Standard & Poor's.
- Corporate debt securities must be investment grade.
- No more than five percent of the portfolio's assets may be invested in investment grade corporate debt.

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

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

Domestic Equity, International Equity and Emerging Markets:

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

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

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

At June 30, 2008 invested assets consisted of securities with credit quality ratings issued by nationally recognized statistical rating organizations as follows (using Standard & Poor's Corporation rating scale):

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

[1]Rating modifiers are not disclosed.

Custodial Credit Risk – Deposits

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

International Fixed Income Pool	$ 1,175
International Equity Pool	7,536
	$ 8,711

Foreign Currency Risk

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

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

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

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

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

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

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

At June 30, 2008, the Pension Funds also had exposure to foreign currency risk in the Emerging Markets Equity Pool. This pool consists of investments in commingled investment funds; therefore, no disclosure of specific currencies is made.

Concentration of Credit Risk

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

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

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

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

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

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

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

Net Contract Sales	$ 61,719
Less: Fair Value	61,678
Net unrealized gains	$ 41

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

Securities Lending

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

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

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

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

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

DEFERRED COMPENSATION

The State's Internal Revenue Code Section 457 Deferred Compensation Plan holds investments in several collective investment funds and an Interest Income Fund. At December 31, 2007, Deferred Compensation Plan investments totaled $546 million.

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

Interest Rate Risk

Collective Investment and Money Market Funds

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

ARMB does not have a policy to limit interest rate risk for the Collective Investment Funds or the commingled money market portfolio. These investments with their related weighted average maturities at December 31, 2007, are as follows:

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

Interest Income Fund

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

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

> For constant duration synthetic investment contracts, duration cannot exceed the longer of six years or the duration of the Lehman Brothers Aggregate Bond Index plus one–half year. The aggregate duration of the constant duration synthetic investment contracts was 3.15 years at December 31, 2007. The duration of the Lehman Brothers Aggregate Bond Index was 3.10 years at December 31, 2007.
>
> Duration is a measure of interest rate risk. In the case of the Deferred Compensation Plan's constant duration synthetic investment contracts, duration is the fair value weighted average term to maturity using all fixed income securities underlying the contracts and their related cash flows. Duration of the Deferred Compensation Plan's structured payout synthetic investment contracts is the weighted average maturity of the contract payments.

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

Credit Risk

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

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

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

> Synthetic Investment contract issuers must have an investment grade rating,
> Supranational Agency and Foreign Government entity investments must have a minimum rating of A or equivalent,
> Corporate debt securities must have a minimum rating of BBB or equivalent,

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

Mortgage-backed securities are allowed if issued by Federal National Mortgage Association, Federal Home Loan Mortgage Corporation or Government National Mortgage Association,

Sequential class or type 1 or 2 planned amortization class collateralized mortgage obligations are allowed only if securitized by Agency mortgage-backed securities listed above,

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

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

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

Concentration of Credit Risk

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

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

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

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

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

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

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

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

Foreign Currency Risk

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

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

SUPPLEMENTAL BENEFITS SYSTEM

The State's Supplemental Benefits System (SBS) holds investments in several collective investment funds, the State's internally managed Short-term Fixed Income Pool (under the fiduciary responsibility of the Commissioner of Revenue), a Stable Value Fund and wholly-owned Pooled Investment Funds. At January 31, 2008, Supplemental Benefits System (SBS) investments totaled $2.216 billion.

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

Interest Rate Risk

Collective Investment and Money Market Funds

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

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

Short-term Fixed Income Pool

The Investment Loss Trust Fund and the SBS's cash and cash equivalents are invested in the State's internally managed Short-term Fixed Income Pool. As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to 14 months in maturity or 14 months expected average life. Floating rate securities are limited to three years in maturity or three years expected average life. Treasury utilizes the actual maturity date for commercial paper and 12 month prepay speeds for other securities. At January 31, 2008, the expected average life of individual fixed rate securities ranged from one day to seven months and the expected average life of floating rate securities ranged from 14 days to three years.

Stable Value Fund

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

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

> For constant duration synthetic investment contracts, duration cannot exceed the longer of six years or the duration of the Lehman Brothers Aggregate Bond Index plus one–half year. The aggregate duration of the constant duration synthetic investment contracts was 2.98 years at January 31, 2008. The duration of the Lehman Brothers Aggregate Bond Index was 3.06 years at January 31, 2008.
>
> Duration is a measure of interest rate risk. In the case of the SBS's constant duration synthetic investment contracts, duration is the fair value weighted average term to maturity of all fixed income securities underlying the contracts and their related cash flows. Duration of the SBS's structured payout synthetic investment contracts is the weighted average maturity of the contract payments.

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

Pooled Investment Funds

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

> For government and corporate debt securities, duration is limited to ± 0.25 years of the Lehman Brothers Government/Credit Index. At January 31, 2008, the duration of the government and corporate debt securities was 5.33 years and the duration of the Lehman Brothers Government Credit Index was 5.29 years.
>
> For mortgage–backed securities, duration is limited to ± 0.25 years of the Lehman GNMA Index. At January 31, 2008, the duration of the mortgage–backed securities was 2.88 years and the duration of the Lehman GNMA Index was 2.88 years.
>
> Duration is a measure of a security's sensitivity to a 100–basis point change in interest rates. Duration, for the securities in the pooled investment funds, is the fair value weighted average term to maturity for each security taking into account all related cash flows.

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

Credit Risk

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

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

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

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

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

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

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

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

Custodial Credit Risk

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

Concentration of Credit Risk

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

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

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

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

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

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

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

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

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

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

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

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

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

At January 31, 2008, SBS had no exposure to a single issuer in excess of five percent of total invested assets.

Foreign Currency Risk

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

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

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

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

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

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

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

ALASKA PERMANENT FUND CORPORATION

Investments and Related Policies

Carrying value of investments

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

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

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

Investment policy

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

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

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

Interest Rate Risk

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

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

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

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

Credit Risk

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

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

Custodial Credit Risk

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

Concentration of Credit Risk

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

Foreign Currency Risk

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

Forward Exchange Contracts

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

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

Equity Index Futures

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

Temporary Investments

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

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

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

Marketable Debt Securities

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

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

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

Marketable Debt Credit Ratings

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

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

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

Marketable Debt Duration

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

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

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

Concentration of Credit Risk

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

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

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

Preferred and Common Stock

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

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

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

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

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

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

Foreign Currency Exposure

Foreign currency risk is managed by the international investment managers in part through their decisions to enter into foreign currency forward contracts. Foreign currency risk is also managed through the diversification of assets into various countries and currencies. At June 30, 2008, the Fund's cash holdings and non-domestic public and private equity and debt securities had exposure to foreign currency risk as follows (shown in U.S. dollar equivalent at fair value, in thousands):

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

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

Real Estate

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

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

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

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

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

Alternative Investments

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

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

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

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

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

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

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

Alaska Certificates of Deposit

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

Securities Lending

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

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

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

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

Investment Income by Source

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

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

Foreign Exchange Contracts and Off-Balance Sheet Risk

Public equity and bond asset managers for the APFC enter into foreign currency forward exchange contracts (FX forward contracts) to buy and sell, on behalf of the Fund, specified amounts of foreign currencies at specified rates on specified future dates for the purpose of protecting existing or anticipated positions in these currencies. The maturity periods for outstanding contracts at June 30, 2008 ranged between 28 and 170 days.

The counterparties to the FX forward contracts consisted of a diversified group of financial institutions. The Fund is exposed to credit risk to the extent of non-performance by these counterparties; however, the APFC considers the risk of default to be remote. The Fund's market risk as of June 30, 2008 is limited to the difference between contractual rates and forward market rates determined at the end of the fiscal year.

Activity and balances related to FX forward contracts for the fiscal year ended June 30, 2008, are summarized as follows (in thousands):

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

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

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

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

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

NOTE 4 – CAPITAL ASSETS

PRIMARY GOVERNMENT

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

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

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

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

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

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

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

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

The following relates to the land owned by the State:

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

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

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

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

DISCRETELY PRESENTED COMPONENT UNITS

The estimated useful lives of capital assets range from 4 to 50 years. The following table summarizes net capital assets reported by the discretely presented component units at June 30, 2008 (in millions):

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

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

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

NOTE 5 – BONDS PAYABLE AND OTHER LONG-TERM OBLIGATIONS

A. SUMMARY OF CHANGES

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

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

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

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

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

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

B. GENERAL OBLIGATION BONDS AND REVENUE BONDS

GENERAL OBLIGATION BONDS

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

The full faith, credit, and resources of the state are pledged to secure payment of general obligation bonds. As of June 30, 2008, the following were the general obligation bond debt outstanding (in millions):

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

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

REVENUE BONDS

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

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

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

Northern Tobacco Securitization Corporation Revenue Bonds

The Northern Tobacco Securitization Corporation (NTSC) bonds were issued to purchase the right to a share of Tobacco Settlement Revenues (TSRs) received by the State of Alaska. These revenue bonds are secured by and payable solely from the TSRs and investment earnings pledged under the respective bond indentures and amounts established and held in accordance with those bonds indentures. Neither Alaska Housing Finance Corporation nor the State of Alaska is liable for any debt issued by NTSC. NTSC revenue bond total at June 30, 2008 includes $399.7 million in principal, $578 million in interest, $10 million in unamortized discount, $9.7 million deferred amount on refunding, and $1.4 million in accreted value on the Series 2006B and Series 2006C Bonds. At June 30, 2008, $183.6 million in NTSC revenue bonds were outstanding and considered defeased.

Alaska Sport Fishing Revenue Bonds

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

International Airports Revenue Bonds

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

C. CAPITAL AND OPERATING LEASES

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

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

D. CERTIFICATES OF PARTICIPATION

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

The following schedule presents future minimum payments as of June 30, 2008 (in millions):

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

E. DISCRETELY PRESENTED COMPONENT UNITS

Debt service requirements are (in millions):

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

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

F. ALASKA HOUSING FINANCE CORPORATION DERIVATIVES

SWAP OBJECTIVES

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

SWAP PAYMENTS AND ASSOCIATED DEBT

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

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

SIGNIFICANT TERMS

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

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

[1] Governmental Purpose Bonds
[2] Home Mortgage Revenue Bonds
[3] State Capital Project Bonds
[4] London Interbank Offered Rate
[5] Securities Industry and Financial Markets Municipal Swap Index
[6] Standard & Poor's/Moody's

FAIR VALUE

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

RISKS

Credit Risk

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

Basis Risk

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

Rollover Risk

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

Termination Risk

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS

A. STATE ADMINISTERED PLANS

DESCRIPTION OF PLANS

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

PERS-DB is a defined benefit, agent, multiple-employer public employee retirement plan established and administered by the State to provide pension and postemployment healthcare benefits for eligible State and local government employees. Benefit and contribution provisions are established by Chapter 35 of Alaska Statute Title 39, and may be amended only by the state legislature. PERS-DB provides for normal pension benefits and postemployment healthcare benefits. The 24th Alaska State Legislature enacted into law Senate Bill 141, which closed the PERS-DB to new members effective July 1, 2006 and created a Public Employees' Retirement System Defined Contribution Retirement Plan (PERS-DCR). Information regarding PERS-DCR is disclosed in Note 7.

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

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

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

State of Alaska	3
Municipalities	76
School Districts	53
Other	27
Total Employers	159

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TRS-DB is a defined benefit, cost-sharing, multiple-employer public employee retirement plan established and administered by the State to provide pension and postemployment healthcare benefits for teachers and other eligible participants. Benefit and contribution provisions are established by Chapter 25 of Alaska Statute Title 14 and may be amended only by the state legislature. TRS-DB provides for normal pension benefits, as well as death, disability, and postemployment healthcare benefits. The 24th Alaska State Legislature enacted into law Senate Bill 141, which closed the TRS-DB to new members effective July 1, 2006 and created a Teachers' Retirement System Defined Contribution Retirement Plan (TRS-DCR). Information regarding TRS-DCR is disclosed in Note 7.

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

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

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

State of Alaska	2
School Districts	53
Other	3
Total Employers	58

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

the supplemental contribution provision. The TRS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual-covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Employer contribution rates are determined using the entry age normal actuarial funding method. The TRS-DB Plan uses the level percentage of pay method to amortize the unfunded liability over a 25 year fixed period. The employer rate for the State of Alaska for the year ended June 30, 2008 was 12.56 percent of compensation. Employer contributions are accumulated in both the pension and healthcare funds based on the approved contribution rate for the fiscal year.

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

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

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

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

The Judicial Retirement System (JRS)

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

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

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

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

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

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

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

Actuarial Valuation Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liabilities (AAL)	Funding Excess (FE)/(Unfunded Actuarial Accrued Liabilities) (UAAL)	Funded Ratio	Covered Payroll	FE/(UAAL) as a Percentage of Covered Payroll
2002	$56,705	$ 63,970	$ (7,265)	88.6%	$5,942	(122.3%)
2004	53,601	69,505	(15,904)	77.1%	6,530	(243.6%)
2006	77,311	111,820	(34,509)	69.1%	7,131	(484.0%)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Elected Public Officers Retirement System (EPORS)

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

Plan members contribute seven percent of their compensation to EPORS. Employee contributions earn interest at 4.5 percent per annum, compounded semiannually. The remaining amount required to pay EPORS benefits is funded by legislative appropriation. The cost to the State for EPORS for the fiscal years ended June 30, 2008, 2007, and 2006 was $1.8 million, $1.7 million, and $1.7 million. The contributions received from employees totaled $2,310 in FY 08. EPORS is a closed plan and no separate financial statement is issued for EPORS. However, an actuarial valuation on EPORS was performed as of June 30, 2006.

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

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

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

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

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

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

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

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

ASSET VALUATION

See Note 3 for information on pension funds' deposits and investments risk categories. The table below discloses the fair value of each pension plan's cash and investments. All amounts are in thousands.

Systems	Fair Value
Public Employees' Retirement System	$10,777,763
Teachers' Retirement System	4,718,442
Judicial Retirement System	133,187
Alaska National Guard and Alaska Naval Militia Retirement System	27,262

PLAN MEMBERSHIPS

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

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

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

FUNDING STATUS AND PROGESS

Actuarial Method and Assumptions

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

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

The following main assumptions were used in the actuarial valuation.

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

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

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

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

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

B. NON-STATE ADMINISTERED PLANS

THE MARINE ENGINEERS' BENEFICIAL ASSOCIATION (MEBA) PENSION PLAN

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

NOTE 7 – DEFINED CONTRIBUTION PENSION PLANS

A. STATE ADMINISTERED PLANS

DESCRIPTION OF PLANS

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

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

The PERS-DCR Plan is a plan within the Public Employees' Retirement System (PERS). PERS is a component unit of the State of Alaska financial reporting entity. The PERS component unit is comprised of the PERS-DB (see note 6), PERS-DCR Plans, and the PERS Retiree Major Medical Insurance Plan and Health Reimbursement Arrangement Plan, and Occupational Death and Disability. PERS is reported as a pension (and other employee benefit) trust fund by the State. PERS separately issued financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Participants should refer to the plan agreement for more complete information. Copies of the audited financial statements and required supplementary information may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

As of June 30, 2008, there were 159 employers participating in PERS-DCR. There were no retirees or beneficiaries currently receiving benefits, 12 terminated plan members entitled to future benefits, and 5,125 active members, of which 4,735 are general employees and 390 are peace officers and firefighters.

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

On July 1, 2006, three pension trust sub-funds were created within PERS, the Retiree Major Medical Insurance (RMP), Health Reimbursement Arrangement (HRA), and Occupation Death and Disability (OD&D). RMP allows eligible members who retire directly from the plan to obtain medical benefits. The HRA allows medical care expenses to be reimbursed from individual savings accounts established for eligible persons. OD&D provides employees with benefits as a result of death or disability on the job. PERS-DCR participants are eligible members of RMP and HRA and their postemployment healthcare benefits are paid out of these funds. The employer RMP contribution rate for FY 08 for each member's compensation was 0.99 percent for medical coverage and 0.58 percent for death and disability (1.33 percent for peace officers and firefighters). HRA is $127.61 per month for full time employees and $.98 per hour for part time employees.

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

See note 3 for information on pension funds' deposit and investment risk categories. The fair value of the PERS-DCR cash and investments as of June 30, 2008 is $36,062 thousand. PERS-DCR investments in collective investment funds, held in trust, are stated at fair value based on the unit value as reported by the Trustees multiplied by the number of units held by PERS-DCR. The unit value is determined by the Trustees based on the fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

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

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

The TRS-DCR Plan is a plan within the Teachers' Retirement System (TRS). TRS is a component unit of the State of Alaska financial reporting entity. The TRS component unit is comprised of the TRS-DB (see note 6), TRS-DCR Plans, TRS Retiree Major Medical Insurance Plan and Health Reimbursement Arrangement Plan, and Occupation Death and Disability. TRS is reported as a pension (and other employee benefit) trust fund by the State. TRS separately issued financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Participants should refer to the plan agreement for more complete information. Copies of the audited financial statements and required supplementary information may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

As of June 30, 2008, there were 58 employers participating in TRS-DCR. There were no retirees or beneficiaries currently receiving benefits, 81 terminated plan members entitled to future benefits, and 1,203 active members.

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

On July 1, 2006, two pension trust sub-funds were created in TRS, the Retiree Major Medical Insurance (RMP) and Health Reimbursement Arrangement (HRA). The TRS Occupational Death and Disability (OD&D) trust sub-fund was created on July 1, 2007. RMP allows eligible members who retire directly from the plan to obtain medical benefits. The HRA allows medical care expenses to be reimbursed from individual savings accounts established for eligible persons. OD&D provides employees with benefits as a result of death or disability on the job. TRS-DCR participants are eligible members of RMP and HRA and their postemployment healthcare benefits are paid out of these funds. The employer RMP contribution rate for FY 08 for each member's compensation was 0.99 percent for medical coverage, 0.62 percent for death and disability. HRA is $127.61 per month for full time employees and $.98 per hour for part time employees.

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

See note 3 for information on pension funds' deposit and investment risk categories. The fair value of the TRS-DCR cash and investments as of June 30, 2008 is $17,658 thousand. TRS-DCR investments in collective investment funds, held in trust, are stated at fair value based on the unit value as reported by the Trustees multiplied by the number of units held by TRS-DCR. The unit value is determined by the Trustees based on the fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

Supplemental Benefits System

In addition to the pension plans (note 6) and deferred compensation plan (note 8), all state employees, as well as employees of political subdivisions, who have elected to participate in the program, are covered under the Alaska Supplemental Benefits System (SBS). SBS is comprised of the Supplemental Annuity Plan and the Supplemental Benefits Plan. The Supplemental Annuity Plan is a defined contribution plan that was created under Alaska statutes effective January 1, 1980, to provide

benefits in lieu of those provided by the federal Social Security System (Social Security). All state employees, who would have participated in Social Security if the State had not withdrawn, participate in SBS. Other employers whose employees participate in the State Public Employees' Retirement System and meet other requirements are eligible to have their employees participate in SBS as provided by Alaska Statute. As of January 31, 2008, there were sixteen other employers participating in SBS. There were approximately 36,000 participants in the Plan.

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

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

Mandatory contributions are made to the Supplemental Annuity Plan and voluntary contributions to the Supplemental Benefits Plan. Participating employees are vested at all times. Supplemental Annuity Plan contributions are made in lieu of contributions to Social Security. The State is required to contribute 12.26 percent of an employee's wages up to the taxable wage base in effect under Social Security regulations. Each employee is considered to have agreed to a wage reduction equal to one-half the contribution made on the employee's behalf. The State's mandatory contributions for the year ending January 31, 2008, were $111,323 thousand. The state's covered payroll was approximately $908,020 thousand.

Supplemental Benefit Plan contributions are voluntary based upon the optional benefits elected by each employee enrolled in SBS. Each employee agrees to a wage reduction based upon the benefit options selected. The benefit amounts are deducted from each employee's wages and remitted by the employer to SBS on the employee's behalf. State employee voluntary contributions for the year ending January 31, 2008, were $4,840 thousand.

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

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

Supplemental annuity contributions were deposited with investment managers under contract with SBS for the year ended January 31, 2008. Each participant's account is credited with the contributions and the increase or decrease in unit value for the investment funds and deduction for administrative fees.

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

B. NON-STATE ADMINISTERED PLANS

THE NORTHWEST MARINE RETIREMENT TRUST (NMRT)

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

NOTE 8 – DEFERRED COMPENSATION PLAN

The State of Alaska Deferred Compensation Plan was created by Alaska statutes. It is a deferred compensation plan under Section 457 of the Internal Revenue Code. It is available to all permanent and long term non-permanent employees, and elected officials of the State (and with the March 1, 2006 amendment, members of State of Alaska boards and commissions) who have completed a full pay period of employment. Participants authorize the State to reduce their current salary so that they can receive the amount deferred at a later date. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency, within the definition allowed by the applicable Internal Revenue Code. As of December 31, 2007 the Deferred Compensation Plan had approximately 8,800 participants.

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

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

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

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

NOTE 9 – INTERFUND TRANSACTIONS

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

INTERFUND RECEIVABLE / PAYABLE BALANCES

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

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

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

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

INTERFUND TRANSFERS

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

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

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. SICK LEAVE

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

The estimated amount of unused accumulated sick leave as of June 30, 2008, is $28,915,441. This amount was calculated using the base pay on file for each employee as of June 30, 2008. It does not include an estimate of the cost of fringe benefits (supplemental benefits, retirement, group insurance, etc.) which can vary depending on the status of the employee when leave is taken.

B. SCHOOL DEBT

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

Although the statute provides that the State may reimburse school districts 60, 70, 80, 90, or 100 percent of construction costs, the actual funding for the program is dependent on annual legislative appropriations to the school construction account. When amounts in the account are insufficient, the available funds are allocated pro rata among the eligible school districts. There is no contractual commitment by the State to make these payments. The amount for FY 08 expended for school debt was $91,103,263, which was 100 percent of the entitlement. The total debt requirement, assuming the State makes full payment of its share of school debt service, would be approximately $1,183,170,477. The State has in the past and may in the future appropriate less than the full amount to which the municipalities are entitled under statute.

C. RISK MANAGEMENT AND SELF-INSURANCE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

D. LITIGATION

The State is involved in a number of legal actions. The Department of Law estimates the probable maximum liability for the cases associated with the governmental fund types to be approximately $3,448,000, with an additional possible liability of $299,786,000. The probable loss amount has been reported as long-term debt obligations.

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

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

E. FEDERAL GRANTS

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

F. DISASTER RELIEF FUND

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

G. FUTURE LOAN COMMITMENTS

As of June 30, 2008, the Alaska Clean Water and the Alaska Drinking Water Funds are committed to funding loans for which they have entered into agreements for communities but funds have not yet been disbursed. The total amounts to be disbursed under these agreements is uncertain as not all of the loans are expected to be fully drawn and some loans may increase with changes in scope of the underlying projects; accordingly, they are not included in the financial statements for these funds.

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

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

H. INVESTMENT COMMITMENTS

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

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

I. DEFINED BENEFIT RETIREE HEALTH PROGRAM CONTINGENCY

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

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

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

NOTE 11 – SUBSEQUENT EVENTS

A. ALASKA MUNICIPAL BOND BANK AUTHORITY

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

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

B. ALASKA CLEAN WATER FUND

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

C. ALASKA DRINKING WATER FUND

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

D. ALASKA HOUSING FINANCE CORPORATION

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

E. PUBLIC EMPLOYEE RETIREMENT SYSTEM

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

F. INVESTMENT VOLATILITY

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

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

G. AGRICULTURAL REVOLVING LOAN FUND

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

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

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

H. RELATED PARTY ACTIVITY

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

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REQUIRED

SUPPLEMENTARY INFORMATION

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

STATEMENT 2.01

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

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

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

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

The types of differences are as follows:

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

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

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SECTION II – RECOMMENDATIONS AND QUESTIONED COSTS

INTRODUCTION

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

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

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

Other audit reports issued separately that have report conclusions and recommendations which are relevant to the FY 08 statewide single audit objectives are:

1. *A Report on the Department of Administration, Application Controls Over the Alaska State Payroll System From Implementation (May 29, 1990) through June 30, 1991.* Audit Control Number 02-1389-92.

2. *A Report on the Department of Administration, Application Controls Over the Alaska Statewide Accounting System, August 10, 2001.* Audit Control Number 02-10002-01.

3. *A Report on the Department of Revenue, Division of Treasury Revenue Division of Treasury, Treasury Revenue Management System, June 19, 2002.* Audit Control Number 04-10004-02.

4. *A Report on the Department of Health and Social Services, Division of Medical Assistance, Internal Control Over Medicaid Payments, January 31, 2003.* Audit Control Number 06-30018-03.

5. *A Report on the Department of Administration, Information System Controls Over Alaska Data Enterprise Reporting (ALDER). January 4, 2008.* Audit Control Number 02-10005-08.

6. *A Report on the Department of Administration, Governance Framework for Selected Information System Security Controls, July 15, 2008.* Audit Control Number 02 - 30046A-08.

In addition to the recommendations in the Component Units section, management letters of state corporations and the University of Alaska may have recommendations which are relevant to the FY 08 statewide single audit objectives. Copies of the management letters may be obtained directly from the state corporations and the University of Alaska.

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SUMMARY OF RECOMMENDATIONS
For FY 08

	----------Control Deficiencies----------					
	Basic Financial Statements		*Federal Programs*			
State Department	*Material Weakness*	*Significant Deficiency*	*Material Weakness*	*Significant Deficiency*	*Federal Compliance*	*Other State Issues*
GOV						
DOA						1
DOLaw						
DOR						2
DEED						
DHSS		4		3, 4, 7, 8, 9, 11, 12, 13, 14	5, 6, 8, 11, 12, 13, 14	10, 15
DLWD						
DCCED						
DMVA						16
DNR						
DFG						
DPS						
DEC						
DOC						17
DOTPF		18				19
Court System						
Component Units				22	20, 21, 22	

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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, 2007.*

No new recommendations have been made during the FY 08 statewide single audit.

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DEPARTMENT OF ADMINISTRATION

Two recommendations were made to the Department of Administration (DOA) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2007.* Prior year recommendation No. 2 is resolved. Prior year Recommendation No. 1 is not resolved and is reiterated in this report as Recommendation No. 1.

No new recommendations have been made during the FY 08 statewide single audit.

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Recommendation No. 1

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

Prior Finding

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

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

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

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

Legislative Audit's Current Position

The methodology and procedures for tracking capital assets remains unchanged for FY 08. As stated above, the current system does not provide for complete and accurate asset valuation. However, ETS implemented a tracking system in FY 08 to facilitate the identification of expenditures by project with plans for future enhancements to include capabilities for asset tracking.

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

Agency Response – Department of Administration

In my response to the management letter of January 14, 2009 I stated that the Enterprise Technology Services division (ETS) initiated a disaster recovery/continuity of operations plan and was initiating current asset management systems and both existing and future requirements across other divisions within DOA. I further indicated that ETS was exploring potential efficiencies that can be gained by developing an improved asset management tracking system and concomitant procedures that can offer a larger enterprise solution. This

would offer the potential for additional cost savings as well as efficiencies of a single asset management tool across multiple divisions.

Since the January 14, 2009 response, ETS has initiated a task order to secure a contractor to fully develop the asset management and tracking requirements for three divisions within DOA: ETS, The Division of General Services and the Division of Administrative Services. In addition, the contractor will develop a fully detailed RFP for use by ETS to secure the software and programming tools required to meet these collective asset management requirements. These Task Order products are scheduled for completion by August 2009. ETS is on schedule to secure the necessary enterprise asset management system software and programming tools and implement the system by February 2010.

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

DEPARTMENT OF LAW

No recommendations were made to the Department of Law (DOL) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2007.*

No new recommendations have been made during the FY 08 statewide single audit.

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DEPARTMENT OF REVENUE

One recommendation was made to the Department of Revenue (DOR) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2007*. Prior recommendation No. 3 is resolved.

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

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Recommendation No. 2

The Department of Revenue (DOR) Tax Division director should improve controls over the recording, monitoring, and auditing of severance tax revenues.

Review of severance tax accounting and auditing found deficiencies in the following areas:

1. Taxpayers' reported annual tax amount was not correctly reconciled to payments.
2. A taxpayer's interest refund of $1.3 million was posted to the wrong AKSAS account which misstated interest and severance tax.
3. Audit procedures and oversight lacked the following:
   - written audit procedures;
   - enforcement of standard audit forms;
   - documentation of the work conducted and corresponding supervisor reviews; and
   - communication between staff and management regarding audit issues.
4. The determination of whether certificate holders have been issued original certificates or obtained transferred certificates is difficult using the division's tax credit certificate tracking system.

Title 43 of the Alaska Statutes gives DOR the authority to collect tax revenues and ascertain the correctness of such revenues. Management is responsible for establishing and maintaining internal controls. Reconciling tax returns to payments received during the year is a key internal control. Not accurately reconciling tax returns to payments increases the likelihood of not accurately valuing and reporting severance taxes. Posting the $1.3 million to the wrong account should have been identified if the reconciliation process was operating effectively. The complexity of the new tax structure and inexperienced staff led to incorrectly reconciling returns.

The new tax structure provides for tax credits that can be transferred to other companies and, under certain circumstances, redeemed for cash. The division's method of accounting for the tax credits issued, transferred, and redeemed is still in its development phase and should be improved to prevent the possibility of incorrect payments.

DOR's audit of severance tax returns is the primary control to ensure that companies have paid the accurate amount of taxes. Tax audit procedures are not well documented and not enforced by management, thereby increasing the risk that incorrect payments will go undetected. The division's current audit procedures should be improved to provide better assurance that companies are paying the correct amount of taxes and audit issues are treated in a consistent manner.

We recommend the director of DOR's Tax Division take steps to improve the accounting, reporting and auditing of severance taxes. Specifically, staff training is required to ensure reconciliations are performed correctly; a better tracking mechanism should be implemented to monitor tax credit certificates; and audit procedures should be improved to more effectively plan and sufficiently document severance tax audits.

Agency Response – Department of Revenue

Item 1, Finding: Taxpayers' reported annual tax amount not correctly reconciled to payments.

Response: A key internal control objective for the Department is to ensure that taxpayers' reported annual tax is reconciled to payments received. The reconciliation function is an accounting function which was being performed by a Tax Technician for production taxes whereas the reconciliation for all other tax types was being performed by the accounting group in Juneau. In October, 2008 the responsibility for reconciling the payments for production tax was transferred to the accounting group and has shown improved accuracy.

Item 2, Finding: A taxpayer's interest refund of the $1.3 million was posted to the wrong AKSAS account which misstated interest revenue and severance tax.

Response: Posting for payments received is based on the information provided by the taxpayer on the remittance form received via OTIS. In this particular instance, the taxpayer did not identify on the remittance form that the taxpayer was adjusting a severance tax payment for interest the taxpayer calculated based on the taxpayer's estimation of overpayments of installments made pursuant to PPT for 2007. The amount for the PPT payment was combined with the ACES payment for 2007. The amount of interest was also not distinguishable on the taxpayer's annual filing form. It is an internal control objective of the Department to ensure that the taxpayers' reported annual tax amounts reconcile to the payments received. Audit management has been reviewing, and will continue to review our current procedures to ensure that these errors do not occur and will improve the supervisory review of reconciliation of information received from taxpayers. In addition, we have modified our monthly remittance form so that taxpayers must specifically indentify what they are paying at the time they make payment. With the new form in use, we believe this oversight will not occur again.

Item 3, Finding: Audit procedures and oversight lacked the following:

- *Written audit procedures;*
- *Enforcement of standard audit forms;*
- *Documentation of the work conducted and corresponding supervisor reviews;*
- *Communication between staff and management regarding audit issues.*

Response: The goal of audit management is to ensure that audit procedures are relevant and current and that members of the staff are properly trained in audit documentation standards and procedures. Management will ensure that audit staff is following the procedures and adhering to documentation standards which provide sufficient evidence to substantiate audit conclusions. The existing production tax audit manual contains listings of the documentation, audit programs, checklists, sample letters, forms, and other procedures to be followed in the completion of the various audits performed by the group. Production Audit management is in the process of reviewing these procedures and standards in light of the

changes in production tax statutes and will adapt them as necessary. The Production Audit group has undergone and will continue to undertake organizational changes to address necessary changes in audit strategy due to the changes in production tax statutes and regulations. Production Audit management will fully develop and implement a training program to ensure that audit staff know and follow audit procedures and protocols.

Item 4, Finding: The determination of whether certificate holders have been issued original certificates or obtained transferred certificates is difficult using the division's tax credit certificate tracking system.

Response: Legislative Audit reviewed an excel spreadsheet containing tax credit certificate information. A system of tracking tax credits has undergone further development since the time of the audit. We have in place a credit tracking database that contains the data necessary to determine whether a taxpayer has an original or transferred certificate. In addition, a new credit tracking application will go into effect which will enable electronic tracking of tax credits to ensure the timeliness of tax credit application and audit processes. The department is also seeking capital funding for an automated, integrated information management system for the Tax Division to replace information management processes in the Tax Division that are currently either manual or antiquated. Should funding be approved, the successful implementation of an automated information management system will allow the Department to more effectively monitor tax credit certificates in addition to other information management processes in the Tax Division.

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DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT

No recommendations were made to the Department of Education and Early Development (DEED) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2007.*

No new recommendations have been made during the FY 08 statewide single audit.

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DEPARTMENT OF HEALTH AND SOCIAL SERVICES

Nine recommendations were made to the Department of Health and Social Services (DHSS) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2007.* Prior year Recommendation Nos. 4, 5, 6, 9, and 12 have been resolved. Prior year Recommendation Nos. 10 and 11 have not been resolved and are reiterated in this report as Recommendation Nos. 7 and 8 respectively. Additionally, prior year Recommendation Nos. 7 and 8 were not significant audit issues in the current year and are not reiterated in this report. The current status of these recommendations is reported in Section III—Summary of Prior Audit Findings.

Furthermore, 11 new recommendations have been made and are included as Recommendation Nos. 3, 4, 5, 6, 9, 10, 11, 12, 13, 14, and 15.

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Recommendation No. 3

DHSS' Assistant Commissioner should develop adequate controls to ensure data entered into Maximus Cost Allocation and Rate System (MAXCARS) is accurate and complete.

The controls over the data entered into MAXCARS are inadequate. Expenditures, statistics, and adjustments entered into the system are not accurate or complete. There is not an adequate review process of the information entered into MAXCARS. Furthermore, the allocation process lacks an audit trail of system processing. If adequate compensating controls over data entered into MAXCARS existed, the lack of an audit trail may be mitigated. However, adequate compensating controls do not exist; therefore data processed within MAXCARS is unreliable. Consequently, DHSS is still adjusting their FY08 expenditure cost allocations in the middle of FY09.

These weaknesses stem from the staff lacking the knowledge to implement adequate controls over the information entered into MAXCARS.

The lack of controls over these processes has increased the risk that federal expenditures are being billed and reported inaccurately. We could not obtain sufficient evidence to determine the extent of misreporting, inaccurate federal billing, and inaccurate allocation of indirect expenditures. Lack of this critical audit evidence affects federal reporting and cash management requirements.

All DHSS federal program related expenditures are funneled through this system. These expenditures are used to report activity to federal agencies and to collect federal revenue (see Recommendation No. 4). The potential exists that DHSS is using the State General Fund to reimburse federal expenditures, and alternatively that DHSS is claiming unallowable costs for federal programs thus jeopardizing future federal funding.

The federal government requires states be responsible for the efficient and effective administration of federal awards though the application of sound management practices (OMB Circular A-87). Consequently, we recommend DHSS' assistant commissioner evaluate the federal expenditure and revenue identification processes to ensure its staff possesses adequate skills and that controls exist over the accuracy and completeness of the data entered into MAXCARS.

CFDA: 10.551, 10.557, 10.561, 93.558, 93.568, 93.659, 93.767, 93.777, and 93.778
Questioned Costs: Indeterminate

Federal Agency: USDHHS, UDSA
Significant Deficiency
Allowable Costs, Cash Management, Reporting

Agency Response – Department of Health and Social Services

The department concurs that adequate controls are needed to ensure that data entered into MaxCars is accurate and complete.

Under the direction of the Assistant Commissioner the department has initiated a project to appraise current processes and implement revisions to the DHSS federal reporting and revenue collection system. Wostmann and Associates (WAI) were contracted to provide a high level business gap assessment of the DHSS federal financial reporting systems, processes and procedures in relation to federal cost principles and procedures. WAI personnel met with DHSS staff during the month of January, 2009 to review the PACAP, current systems and reports, organizational structures, processes and procedures. They have recently provided the department with an analysis with recommendations.

A project leader has been identified and additional staffing will to be added to the project team soon as DHSS embarks on a comprehensive review, rebuild and documentation of the federal reporting and revenue collection system. The target date for completion of this department-wide initiative is June, 2010.

To date, a review of the PACAP is in progress to ensure it is current. AKSAS structures and MaxCars allocation basis's are under review to ensure they are in alignment with the PACAP.

A schedule for processing the quarterly CAP is in development and will be utilized for the 3rd and 4th quarter of FY09. A double review procedure is being implemented where statistics receive an initial review by the Revenue Unit, a second review by the Divisions, and a final review by the Revenue Unit prior to running the CAP.

Once the CAP has been run, reports will be provided to the Divisions for review of the final expenditures and allocations before the CAP is finalized.

MaxCars is a mature system, utilized for cost allocation in over 12,000 cost plans for over 4,000 governmental clients throughout the United States. MaxCars is designed for transparency and comes with 38 standard reports that can track the expenditures as raw data from AKSAS to the end product. These reports include allocated costs, detailed allocated costs, pre-allocated expenses, and allocation statistics. While these reports are used for Federal submission purposes they are also pivotal as management tools in reviewing the cost allocation plans and ensuring the consistency and quality of the results. While we agree that the procedures to verify the data going into MaxCars need to be strengthened, the MaxCars system itself performs as designed and is reliable. However, additional training of staff is necessary to assure that users better understand the function of the MAXCARS program, its capabilities and its limitations. This additional training need is true for each financial reporting process and system in the accounting and claiming of

federal and other revenue. One of the many goals of the federal revenue project is to improve system documentation and user understanding through improved training.

Over the last few months, the Revenue Unit has continued to review the quarterly allocation results from FY08, and make corrections where problems were identified. The allocation data entered into the system has been re-examined and the quarterly allocations were re-run to accurately allocate costs. The department is aware of the problems resulting from the untested switch to the new allocation system without having the additional revenue systems needed to complete the revenue cycle. Recognizing these problems, DHSS has increased diligence of the review of expenditures, statistics, and adjustments due to the transition to MaxCars, which has caused various corrections. DHSS can provide the back up to support expenditures, statistics, and adjustments used in the corrected plans.

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Recommendation No. 4

DHSS' assistant commissioner of Finance Management Services should implement controls over federal revenue collections.

DHSS' process of billing federal grants-in-aid revenues is inadequate. DHSS' method of calculating earned revenue is outdated. The staff has attempted to correct this process with a reconciliation of collected revenues to claimable expenditures that are calculated in MAXCARS. However, the reconciliation is ineffective because of control weaknesses in the reconciliation process and the control weaknesses discussed in Recommendation No. 3.

We cannot obtain sufficient evidence to ascertain if the revenue for each federal program has been over and understated. There is the potential that an over or under billing of federal programs will result in compliance issues with the federal cash management requirement.

With the implementation of MAXCARS, DHSS staff discontinued important processes previously used to ensure accuracy of federal revenue collections. These weaknesses over federal revenues are attributed to a lack of staff knowledge and limited resources. There is potential for misstatements of federal revenue in the State's Comprehensive Annual Financial Report, inaccurate collection of revenue by federal program, and use of the State's General Fund for federally reimbursable expenditures.

Generally accepted accounting principles require entities to adopt revenue accounting policies that appropriately recognize revenue and apply those policies consistently. Similarly, the federal government stipulates that states are responsible for the efficient and

effective administration of federal awards through the application of sound management practices of US Office of Management and Budget (OMB) Circular A-87.

We recommend the DHSS' assistant commissioner evaluate the federal revenue process and implement controls to ensure collections are supported by allowable federal expenditures and are identifiable by federal program.

CFDA: 10.551, 10.557, 10.561, 93.558, 93.568
93.659, 93.767, 93.777, and 93.778
Questioned Costs: Indeterminate

Federal Agency: USDHHS, UDSA
Significant Deficiency
Cash Management

Agency Response – Department of Health and Social Services

The department concurs and has begun to address this recommendation through the project described in Recommendation No.3 above.

As part of the Revenue review process, all components of the revenue system are being examined and new systems will be designed as needed and documented. As an interim measure the department is utilizing temporary systems to provide the information needed to accurately claim federal revenues. Allocated costs are downloaded from the MaxCars system into a spreadsheet where FFP rates are applied for a base estimate of federal claims. Each grantee's allocated costs are reviewed by revenue accountants to determine if they require adjustments. For example, if costs are appropriately allocated to a grant which does not allow indirect costs, the revenue accountant would identify the adjustment needed and would not report nor claim the indirect costs against the grant. The support for the federal claims reports are maintained by the assigned grant accountant.

In addition, the department is aware that a lack of knowledge transfer from outgoing staff over the years has seriously hindered the department's ability to ensure adequate training has occurred. In order to efficiently and effectively administer federal awards, the department recognizes the importance, and is committed to, developing systems to provide ongoing staff development for all staff involved with the federal revenue process.

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Recommendation No. 5

DHSS' assistant commissioner of Finance and Management Services should ensure that staff are adequately trained and supervised.

Due to a financial coding error, DHSS allocated $321,463 of expenditures using an inappropriate federal cost allocation methodology. Additionally, $33,197 of unallowable transportation and settlement costs were coded incorrectly to various federal programs. Because these cost allocations occur in MAXCARS which has an inadequate audit trail (see Recommendation No. 3), we were not able to identify the impact of questioned costs by federal program. However, these errors potentially misallocated $354,660 to DHSS' federal programs.

The expenditures were incorrectly charged to federal programs because staff did not have an adequate understanding of the impact the coding in the State accounting system would have on the federal cost allocation system. This recommendation is related to the significant deficiencies discussed in Recommendations No. 3 and 4.

OMB Circular A-87 states costs must be necessary and reasonable for proper and efficient performance of federal awards, and indirect costs should be distributed to federal programs based on the relative benefits received.

We recommend the assistant commissioner ensure staff receive adequate training and supervision so that expenditures charged to federal programs are allowable and allocated in accordance with approved federal cost methodologies.

CFDA: 10.551, 10.557, 10.561, 93.558, 93.568, 93.659, 93.767, 93.777, and 93.778
Questioned Costs: Indeterminate

Federal Agency: USDHHS, UDSA
Noncompliance
Allowable Costs

Agency Response – Department of Health and Social Services

The department concurs with this recommendation.

A payment of 321.5 was made for accounting and payroll chargeback costs from DOA. The code used was inappropriately allocating the costs. An adjustment was made in the current year to split the costs and allocate the accounting charges using SW-12 (accounting transactions) and the payroll charges using SW-13 (number of filled positions). Corrections have been made to correctly charge these costs in the current and future years.

A 10.0 settlement cost was made against an allocable code. Settlement costs are not allowed under A-87. The department is processing an adjustment to correctly bill these costs to a general fund code.

Unallowable transportation charges related to State Equipment Fleet (SEF) payments were coded incorrectly to various federal programs. New collocation codes were added to the OCS FY08 and FY09 accounting structure to record the unallowable SEF costs, and AJE's have been processed to correct the FY08 expenditures.

The remaining 23.2 of FY 08 charges, from other DHSS divisions that erroneously coded unallowable SEF charges to federally claimable codes, are being adjusted in the current year. Divisions established new accounting structures in FY09 to accurately charge these costs. There are currently no unallowable SEF costs being recorded to federal codes."

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Recommendation No. 6

DHSS Finance Officer should ensure that expenditures are supported by sufficient documentation.

DHSS was not able to locate sufficient supporting documentation for three expenditure transactions with the net effect on federal expenditures of $633,197. Staff did not maintain the documentation because of a lack of clear policy identifying the party responsible for maintaining the support.

Because staff could not provide adequate support, we were unable to verify the allowability of the expenditures. One of the transactions was $418,573 of grant expenditures charged directly to TANF. The other two transactions, totaling $214,624, for leases and administrative costs were allocated to various federal programs in MAXCARS. We were not able to identify the questioned costs for each federal program due to the MAXCARS concerns discussed in Recommendation No. 3.

OMB Circular A-87 requires that costs must be adequately documented to be allowable under federal awards. We recommend the DHSS finance officer ensure that expenditures are supported by sufficient documentation.

CFDA: 93.558
Questioned Costs: $418,573
CFDA: 10.551, 10.557, 10.561, 93.558, 93.568, 93.569, 93.767, 93.777, and 93.778
Questioned Costs: Indeterminate

Federal Agency: USDHHS, UDSA
Noncompliance
Allowable Costs

Agency Response – Department of Health and Social Services

The department concurs that expenditures should be supported by sufficient documentation.

There were two areas involved in this finding, missing support for adjustments in the allocation system and missing support for a payment made by the fiscal office.

Regarding allocation adjustment support, as addressed in the response to Recommendation No. 3, the department has begun a comprehensive review, rebuild and documentation of the federal reporting and revenue collection system. As a part of this project, procedures for the compilation and permanent retention of necessary supporting documentation are being developed and documented. The staff member primarily responsible for entering adjustments into the allocation system is responsible for verifying that supporting documentation is complete and retained.

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Recommendation No. 7

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

Prior Finding

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

There are two main federal ADP system security requirements. First, federal medicaid regulations[1] require state agencies to establish and maintain a program for conducting periodic risk analyses to ensure that appropriate, cost-effective safeguards are incorporated into new and existing ADP systems. Second, regulations[2] require state agencies to review the ADP system's security installations involved in the administration of U.S. Department of Health and Human Services programs. These reviews are required on a biennial basis and, at minimum, must include an evaluation of physical and data security, operating procedures, and personnel practices.

The MMIS is used to maintain provider and recipient information and to adjudicate claims. Through a weekly automated process, MMIS calculates amounts to reimburse providers for services provided to Medicaid eligible recipients. During FY 08, approximately $900 million in state and federal expenditures were processed through MMIS. Without an effective system in place to conduct periodic risk analysis, DHSS limits the information that would enable them to concentrate control efforts in areas that would be most susceptible to fraud or abuse. DHSS MMIS senior management was not aware of the requirements for periodic risk analyses.

DHSS has contracted with First Health Services Corporation (FHSC) to provide drug rebate services[3]. FHSC uses an automated system called "FirstRebate" to maintain drug and manufacturer information; generate invoices; and, track payments and deposits. Without periodic system reviews, DHSS lacked adequate assurance that effective system controls were in place over drug rebate processing. Due to oversight, MMIS senior management has not consistently required system security reviews from its Medicaid contractors.

Legislative Audit's Current Position

During FY 08, DHSS contracted for the replacement of the current MMIS system. The current system is expected to be replaced in June 2010. Per DHSS staff, risk analyses will be part of new MMIS development.

During FY 08, DHSS did not require FHSC obtain a biennial security review (commonly referred to as SAS 70 review) for its FirstRebate system. Additionally, we noted that the contract for third party liability[4] services issued in FY 08 did not require a system security review as part of the contract. During the fiscal year, the state received approximately $22 million in drug rebates from its drug rebate contractor and $6.8 million from its third party

[1] 45 CFR 95.621(f)(2)iii
[2] 45 CFR 95.621(f)(3)
[3] Medicaid regulations allow states to receive rebates for drug purchases. Based on data provided by drug manufacturers, the Center for Medicare and Medicaid Services calculates a unit rebate amount for each drug. The state Medicaid agency must provide manufacturers' drug utilization data which generate rebate payments to the State.
[4] The state pays for medical costs of Medicaid recipients that may have other insurance coverage. The Third Party Liability vendor searches for possible insurance coverage and recovers the reimbursements.

liability contractor. These recoveries were processed on systems that did not meet the Federal system security review requirements.

We again recommend the director of DHCS implement procedures to ensure periodic risk analyses and biennial security system reviews are performed on systems used in the administration of the Medicaid program. We further recommend system security reviews become standard contractual requirements for services subject to the requirements.

CFDA: 93.767
Questioned Costs: None
CFDA: 93.778
Questioned Costs: None

Federal Agency: USDHHS
Significant Deficiency
Special Tests and Provisions

Agency Response – Department of Health and Social Services

The department partially concurs with this recommendation.

Periodic risk analyses of the Medicaid Management Information System (MMIS) to ensure appropriate, cost effective safeguards of the existing automated data processing (ADP) system is accomplished through the DHSS requirement for biennial review of the MMIS by an independent contractor. This biennial review requirement includes evaluation of physical and data security, operating procedures and personnel practices.

The results of this review, known as the SAS-70 audit, are published in a service auditor report which describes findings relating to the general and application control procedures in place by the fiscal agent contractor responsible for management of the MMIS. The SAS-70 audit report is used by Alaska and other State Medicaid Agencies to satisfy federal requirements for periodic risk analysis of ADP systems. Procedures assessed in this audit include personnel policies, physical access controls, hardware and system software, systems development and maintenance, computer operations, data access controls, contingency and business recovery planning, and HIPAA compliance, as well as application input, processing, output and documentation. The most recent audit report, dated June 30, 2008, was completed by Boyce, Spady and Moore, PLC, Certified Public Accountants and Consultants. A copy of that report was provided to Legislative Audit staff during the FY 08 audit.

DHSS has contracted for the replacement of the current MMIS. The current system is expected to be replaced in June 2010. The Department will require annual SAS-70 audit reviews for the replacement system.

The Department has provided on site auditors with details on the role of the Division of Health Care Services Systems Unit in managing State security access over the MMIS, as well as the changes and updates to the automated data processing systems. In addition, our fiscal

agent maintains a strong data processing security administration as a function which is independent of data entry, programming and computer operations. This security administration function manages security procedures to minimize security risks. Standard procedures exist for physical security, HIPAA EPHI security and data processing security. Periodic management compliance reviews of these procedures are conducted to ensure compliance and effectiveness. CA-ACF2 security software controls access to all computer programs and files for both on site and remote access. Shift managers review a log of console commands and commands issued by alternative consoles on a daily basis. Periodic trend analyses are run on specific jobs for management review. The Security Administrator reviews and investigates system-generated reports of security violations. The system is designed to stop access when users attempt access or a function which they are not authorized to perform. The Security Administrator reviews these security violations to establish that inadvertent violations caused access cancellation before restoring access.

The Department concurs with the drug rebate component of this legislative audit finding. Legislative Audit noted that a system security review of the automated data processing (ADP) system used to process Medicaid drug rebates had not occurred. The June 30, 2008 SAS-70 audit service auditor report omitted review and findings relating to the ADP system for Medicaid drug rebates. DHSS has directed its contractor to correct this omission by obtaining independent review of the ADP system used to process drug rebates and filing an amendment to the June 30, 2008 SAS-70 audit report. When that amendment is received by the department a copy will be provided to Legislative Audit.

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Legislative Audit's Additional Comments:

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

DHSS contends that controls implemented by its fiscal agent and "the role of the Division of Health Care Services Systems Unit in managing State security access over the MMIS, as well as changes and updates to the automated data processing systems" are sufficient to fulfill federal requirements for a period risk analysis. We disagree. Federal regulations are explicit in their requirement that a state establish and maintain a program for conducting periodic risk analyses. DHSS describes various operational procedures – most of which are conducted by its fiscal agent. None of these operational procedures accomplish the purpose of a risk analysis. The risk analysis is separate and distinct from a SAS 70 review, and each is required by federal regulations.

We reaffirm this recommendation.

Recommendation No. 8

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

Prior Finding

State Medicaid agencies are required by the U.S. Department of Health and Human Services (USDHHS) to have methods and procedures in place to avoid unnecessary utilization of care and services. Additionally, states are required to have methods and criteria for identifying and investigating suspected fraud cases. Further, agencies are required to have procedures for ongoing post-payment review on a sample basis for the necessity, quality, and timeliness of Medicaid services.

DHSS relies on a contract with its Medicaid fiscal agent, First Health Services Corporation (FHSC), to carry out many of its program integrity and utilization functions. DHSS also utilizes quality control sections within each division that administers Medicaid programs.[5] The purpose of the quality control sections is to follow-up on complaints received directly from affected parties or indirectly upon referral from the State's fiscal agent, FHSC.

During FY 04 through FY 07, significant components of DHSS' utilization control and program integrity function were not operating effectively. Four main factors weaken DHSS' program integrity and utilization program: nonperformance by FHSC; decentralization of its program integrity and utilization function; staff vacancies and conflicting priorities, and lack of policies and procedures. These weaknesses were also noted in a federal review of DHSS' program integrity procedures published in April 2007.[6]

1. *Nonperformance by DHSS' Medicaid fiscal agent*

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

   In May 2005, the program integrity and utilization functions, as specified in the contract between FHSC and DHSS, were renegotiated. Under a contract amendment, FHSC continued to be responsible for its various activities at a reduced level. During FY 06,

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

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

FHSC improved its program integrity and utilization practices. No areas for improvement were noted in FY 07.

2. *Decentralization of DHSS' program integrity and utilization function*

   In FY 04, DHSS decentralized its program integrity function, breaking out responsibility into the three divisions. The decentralization of its program integrity and utilization program placed DHSS in an awkward position to monitor Medicaid payments that are reviewed and paid centrally by the Medicaid fiscal agent, FHSC. This continued to be a problem in FY 05.

   In FY 06, DHSS developed a central department-wide program integrity unit based in the commissioner's office and added additional staff positions. However, by the end of FY 07, DHSS' goals for its department-wide program integrity and quality assurance unit were still unclear. Responsibilities at both the department-wide and division levels were ill-defined. Policies and procedures have not been finalized or implemented.

3. *Staff Vacancies and Conflicting Priorities*

   Each division's quality assurance section was understaffed during FY 05 and lacked adequate written procedures to ensure a thorough, coordinated response to complaints or other indications of fraud and abuse. Additionally, the quality assurance sections did not have adequate case/complaint tracking tools. Divisional quality assurance staff could not identify the number or status of referrals made to the State Medicaid Fraud Control Unit during FY 05, 06, and 07.

   From FY 05 through FY 07, staff turnover and vacancies, poor communication, and overall lack of coordination hindered DHSS' program integrity and utilization activities. The divisional-level program integrity staff operate under the direct supervision of the division directors. The structure contributes to an inherent conflict of priorities. Under the current arrangement, department-wide priorities established by the unit can only be effectively implemented if the division directors approve.

4. *Lack of Policies and Procedures*

   During FY 06, the central program integrity unit drafted policies and procedures for referring cases to Medicaid Fraud Control Unit (MFCU), for addressing fraud and abuse (audit committee activities), and coordination of the division-level program integrity activities. However, the draft procedures were in various stages of development and were never finalized or approved; therefore, they did not have any effect on department activities during FY 07. The department did not make an attempt to draft policies and procedures for analysis and follow-up of program integrity activities performed by FHSC. The lack of policies and procedures contributes to a lack of systematic coordination of DHSS' program integrity activities and diminishes the usefulness of the Program Integrity and Quality Assurance unit.

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

- The State had no written policies and procedures for addressing fraud and abuse.
- There was no dedicated core group of staff responsible for the identification and investigation of potential fraud and abuse.
- The State lacked procedures for referring cases to MFCU and the memorandum of agreement between DHSS and MFCU was outdated.
- Responsibilities were not fully defined within the various divisions.
- The fragmentation of fraud and abuse responsibilities lessened the effectiveness of the State's fraud and abuse program.

Legislative Audit's Current Position

DHSS' Medicaid utilization control and program integrity program worsened during FY 08. The central program integrity unit was unable to become effective as the department reorganized for the third consecutive year. During FY 08, program integrity leadership turned over and program integrity staff positions were vacant. No progress was made to develop written procedures. Divisional program integrity staff continued to report to division directors. No improvements were made in the coordination between divisions and tracking and managing of program integrity cases.

Furthermore, DHSS' fiscal agent, First Health, responsible for many of its program integrity functions, did not fulfill its contractual obligations. First Health was unable to hire staff with technical expertise because its contract with the state was ending. The lack of technical expertise made First Health unable to conduct 25 utilization reviews per quarter as required in the contract. Instead, First Health performed less technical analyses with their available staff.

The lack of internal controls associated with the utilization control and program integrity program increases the risk associated with allowable costs, allowable activities, and eligibility. The financial effects of poor controls over program integrity and utilization function can be substantial. During FY 08, over $900 million was paid by the State of Alaska for Medicaid services (both state and federally funded).

We recommend the DHSS commissioner and the State Medicaid director improve the program integrity organizational structure, implement written policies and procedures for its

various activities, and improve coordination between department-wide and division program staff. We also recommend the DHSS commissioner and the State Medicaid director ensure their fiscal agent fulfills its contractual requirement to perform and report program integrity and utilization functions.

CFDA: 93.775
Questioned Costs: None
CFDA: 93.778
Questioned Costs: None
CFDA: 93.767
Questioned Costs: None

Federal Agency: USDHHS
Significant Deficiency, Noncompliance
Special Tests and Provisions

Agency Response – Department of Health and Social Services

The department concurs with the finding and Legislative Audit's Current Position.

It was unfortunate the program integrity leadership hired in FY 2008 turned over in early FY 2009. This was an unanticipated turn of events. However, a replacement program integrity manager was hired on November 1, 2008, and remains in place.

The Department also took the initiative to request an informal review by CMS Medicaid Integrity Group during FY 08. As part of his visit, Mr. Robb Miller commented that Alaska had a very good net result in identifying overpayments in federal fiscal year (2007) comparing Alaska's audit volume and recovery to other states.

The Program Integrity Section is organized under the Finance and Management Services portion of the department, and is finalizing written policies and procedures for its various activities. The Audit Committee, which is comprised, in part, of the quality assurance managers from the Medicaid divisions, meets monthly. The DHSS Program Integrity Section, along with the Medicaid divisions and Affiliated Computer Services (ACS), also meets with our Medicaid Fraud Control Unit on a regular basis in accordance with our Memorandum of Understanding.

Fiscal agent operations were assumed by our new contractor, Affiliated Computer Services, Inc. (ACS) on November 1, 2008, thus ensuring contract continuity and enhancing their ability to recruit and retain qualified SURS staff. This will help to ensure fiscal agent contractual obligations are met in the future.

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Recommendation No. 9

DHCS' director should implement written policies and procedures to improve the accounting and reporting of drug rebates.

The quarterly Medicaid report (CMS-64 report) for the quarter ended March 31, 2008 did not connect to support maintained by DHSS' fiscal agent. DHSS' fiscal agent is responsible for accounting for drug rebates and maintaining the subsidiary ledger. A USDHHS Office of Inspector General (OIG) review of drug rebates (report A-09-08-00051 issued November 2008) had similar findings. The OIG noted that in the CMS-64 report dated June 30, 2006, the State reported inaccurate drug rebate amounts and did not reconcile to the subsidiary ledger system. Furthermore, they found that the state did not verify the accuracy of drug rebate interest collections. The findings were caused by a lack of policies and procedures to guide in the accounting and reporting of drug rebates. The Commissioner of DHSS concurred with the OIG findings and stated that DHSS would implement changes with its fiscal agent and create written procedures.

According to Federal Law 42 CFR §433.32(a), the State is required to maintain an accounting system and supporting fiscal records to assure that claims for Federal funds are in accord with applicable federal requirements. Lack of written procedures increases the risk of reporting incorrect drug rebate information and failing to collect all drug rebate funds due including interest.

We recommend DHCS' director implement written procedures to ensure the drug rebates recorded in the state accounting system are properly reconciled to the subsidiary ledger maintained by its fiscal agent and the amounts are accurately reported on the CMS-64 report. We also recommend written procedures are implemented to verify the accuracy of the interest received from drug manufacturers.

CFDA: 93.778
Questioned Costs: None
CFDA: 93.767
Questioned Costs: None

Federal Agency: USDHHS
Significant Deficiency
Allowable Costs

Agency Response – Department of Health and Social Services

DHCS' director should implement written policies and procedures to improve the accounting and reporting of drug rebates.

DHCS concurs with this recommendation. It has begun to implement written policies and procedures between the three accounting offices located in Anchorage, AK, Juneau, AK, and

Richmond, Virginia. There are significant challenges for such an undertaking due to the geographical distances for holding face to face meetings to discuss accounting strategies that are complex and difficult to explain via teleconferencing. Within the next year, DHCS will attempt to arrange at least one face to face meeting with all staff involved in drug rebate accounting. This meeting will take place only after DHCS has completed a working draft of proposed policies and procedures for accounting and reporting of drug rebates. To date, there has not been a meeting of staff from all three accounting office's since DHCS has been involved in drug rebates.

"The quarterly Medicaid report for the quarter ended March 31, 2008 did not connect to support maintained by DHSS's fiscal agent." Since the department began financial reporting on the CMS-64, there have been timing issues between what the fiscal agent reports to CMS versus what the state has in its accounting system at the end of the quarter. The state has always used data in its accounting records at the end of the quarter. Financial data reported to CMS by the fiscal agent has always been more up to date due to the lag time of recorded financial entries into the state's accounting system. The state will work with the fiscal agent to improve or eliminate this discrepancy.

"The OIG noted that for CMS-64 dated June 30, 2006, the state reported inaccurate drug rebate amounts and did not reconcile to the subsidiary ledger system." This item was thoroughly research and subsequently corrected on the CMS-64 report dated September 30, 2008.

"Further, they found that the state did not verify the accuracy of drug rebate interest collections." The state addressed this issue in its rebuttal dated December 23, 2008 to the Draft Follow-up Audit of the Medicaid Drug Rebate Program in Alaska, November 2008:

Interest Accrual and Collection:

The Department concurs with the Office of the Inspector General on this finding. Until the June 2008 release of the Data Guide that replaced the CMS Operational Manual, CMS had the interest calculation in the ownership of the manufacturers. States were required to track the interest. This is done by estimating the calculation for manufacturer delivery. Through our fiscal agent, we are now in compliance with the CMS guidelines on the calculation of interest but it is not applied daily. It is applied on a quarterly cycle. Until CMS releases a more substantial program wide mandate, our fiscal agent, FHSC, will continue to track interest as it does today.

Contact Person: *Alison Elgee, Assistant Commissioner*
Finance and Management Services
Telephone: (907) 465-1630

Recommendation No. 10

We recommend DHSS' assistant commissioner responsible for program integrity take steps to ensure that Medicaid provider audits are audited in accordance with state law.

Procurement for Medicaid provider audits was not performed timely and the contract for audit services failed to include all pertinent Medicaid transactions.

Alaska Statute 47.05.200 states that DHSS shall annually contract for independent audits of a statewide sample of all medical assistance providers in order to identify overpayments and violations of criminal statutes. The audits may not be conducted by the department or employees of the department. To comply with this statute, DHSS typically contracts for 80 audits that cover a twelve month audit period.

There were 16 months between the prior audit contract that ended June 30, 2006 and the new contract that began on November 11, 2007. The DHSS central program integrity section was restructured and responsibility for procurement and oversight of the audit contract was transferred. This led to a delay in procuring the audit services.

Under the new contract, the audit period was changed which resulted in nine months worth of Medicaid transactions being exempt from audit. No Medicaid transactions made between March 30, 2005 and January 1, 2006 were subject to the provider audits.

The provider audits are conducted to identify overpayments and violations of criminal statutes. By not contracting for the audits timely and excluding nine months worth of transactions, DHSS may fail to identify overpayments and violations.

We recommend DHSS's assistant commissioner responsible for program integrity take steps to ensure that Medicaid provider audits are audited in accordance with state law.

Agency Response – Department of Health and Social Services

The DHSS acknowledges that there were delays in the contracting for auditors and that the new period under audit excluded the time period between April 1, 2005 and January 1, 2006. The DHSS is committed to ensuring future audits will be performed annually and that no gaps in periods under audit will occur.

Contact Person: *Alison Elgee, Assistant Commissioner*
Finance and Management Services
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Recommendation No. 11

We recommend the director of DHSS' Division of Behavioral Health take steps to ensure out-of-state providers of residential psychiatric treatment centers (RPTC) are paid in accordance with federal and state requirements.

Two of 17 out-of-state residential psychiatric treatment providers tested were paid at a rate higher than allowed per state regulation without adequate supporting documentation.

Alaska regulation 7 AAC 43.150 specifies that DHSS will pay out-of-state providers the lower of billed charges or the rate established by the Medicaid agency in the state where the service was provided, if the rate information is available. The department may negotiate a specific payment agreement for unique expertise, for specialized services not available in this state, or for specific services that are necessary to treat the recipient. Factors that the department must consider in making the decision to negotiate a specific payment agreement under include the following:

1. The medical necessity for the out-of-state service;

2. Whether the service is widely available out of state or available only from a limited number of out-of-state providers;

3. The professional standing of the provider within the health care services community for the unique expertise or specialized service;

4. Any extreme circumstance concerning the medical needs of the patient, and

5. Whether a specific payment agreement is necessary to ensure access to appropriate medical services which otherwise would not be available.

Federal law requires agencies maintain documentation of payment rates and make them available upon request.

During FY 08, the in-state rate for residential psychiatric treatment services was $357.58 and the rate paid by the State of Florida was $406. One Florida provider had an approved rate ranging from $565 to of $805 without documentation to show that the rates were negotiated in accordance with regulation. The Division of Behavioral Health is responsible for approving out-of-state rates. No written procedures exist to ensure the rate establishment complies with regulation. Furthermore, division staff was unaware of the documentation requirements. Based on the State of Florida's allowable rate of $406, the provider was paid $315,896 more than allowable during FY 08. Questioned costs are $155,533 for Medicaid and $12,840 for the State Children Health Insurance Program (SCHIP).

Additionally, a Texas provider was paid an additional fee for educational services. RPTCs must provide educational services to residents as a condition of payment. An additional charge for education services is not an allowable cost. The total unallowable education rate paid to the facility was $95,833 during FY 08. Questioned costs were $46,940 for Medicaid and $4,112 for SCHIP.

Further we found five RPTC claims were paid under the wrong billing code causing 43 therapeutic days to be paid at the non-therapeutic rate. According to 7 AAC 43.557 (e), *"The division will pay a flat rate of $211 per day to a residential psychiatric treatment center for each therapeutic transition day authorized for a recipient under 7 AAC 43.552(g)."* Instead of paying the $211 per day, the claims were paid at $590 per day for 36 days and $700 per day for 7 seven days resulting in a total overpayment of $17,802. The out-of-state providers were subject to a manual review that did not detect the error. Questioned costs for Medicaid are $9,362.

We recommend the director of DHSS' Division of Behavioral Health take steps to ensure rates for out-of-state providers of residential psychiatric treatment centers are negotiated in accordance with state regulation. Documentation that demonstrates compliance should be maintained. Moreover, we recommend the director of DHSS' Division of Behavioral Health work to ensure the fiscal agent responsible for reviewing RPTC claims is made aware of the errors and steps are taken to improve the fiscal agent's manual review and approval of claims.

CFDA: 93.767
Questioned Costs: $16,952
CFDA: 93.778
Questioned Costs: $211,835

Federal Agency: USDHHS
Noncompliance, Significant Deficiency
Allowable Costs

Agency Response – Department of Health and Social Services

The department concurs with the need to better document negotiated RPTC rates.

The department continues its efforts to establish a clear documented policy and procedure to support its negotiated rate agreements with providers. While rate negotiations are conducted in accordance with 7 AAC 43.380(c), each rate file will include the service, cost and/or rate information provided by the facility in support of the negotiated rate(s).

Contact Person: *Alison Elgee, Assistant Commissioner*
Finance and Management Services
Telephone: (907) 465-1630

Recommendation No. 12

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

DHSS did not meet the TANF MOE for federal fiscal year (FFY) 2007. Alaska's FFY 07 basic state MOE requirement was $38,604,043. However, eligible MOE costs were only $37,406,256 which is $1,197,787 less than the required MOE. Additionally, DHSS erroneously reported MOE expenditures of $40,432,046 on the September 30th, 2007 federal ACF-196 report.

The primary cause for the overstated MOE costs was the inappropriate inclusion of $2,679,130 in permanent fund dividend hold harmless subsidy payments which are not eligible MOE costs. Inclusion of the ineligible costs resulted from a lack of communication between the Financial and Management Services budget manager and DPA administrative manager regarding accounting structures used to record allowable MOE costs.

TANF regulations (45 CFR 263) establish the requirements for states to maintain an amount of qualified state expenditures – MOE. These regulations also establish a penalty if a State does not meet the basic MOE requirements for a given fiscal year. Furthermore, 45 CFR 92 requires that financial reports must be accurate, provide complete disclosure of financial activities, and must be supported by the accounting records.

To address the immediate issues and to avoid penalties, DHSS should process a decreasing claim adjustment of $1,197,787 and submit an amended report showing the FFY 07 MOE has been met. To avoid this in the future, the DPA administrative manager must effectively communicate with the Financial and Management Services budget manager regarding the TANF MOE requirements.

CFDA: 93.558
Questioned Costs: $1,197,787

Federal Agency: USDHHS
Noncompliance, Significant Deficiency
Reporting, Level of Effort

Agency Response – Department of Health and Social Services

DHSS concurs with the recommendation. During SFY 08, miscommunication occurred between the administrative manager and the Finance and Management Services budget manager resulting in unallowable costs totaling $2,679,130 being included in the reported MOE. DHSS inadvertently included the permanent fund dividend hold harmless subsidy payments in its MOE reported amount.

Currently, DHSS is in the process of revising all of the TANF quarterly reports. Recently, the DHSS revenue unit revised the quarterly MaxCars cost allocation plans for all SFY 08. These revisions resulted in additional unreported federal and MOE expenditures for the TANF program. Once the total financial effect is known, DHSS will submit a revised TANF report effective December 31, 2008 increasing the unreported federal expenditures and negating the unallowable MOE expenditures with these required financial adjustments

Contact Person: *Alison Elgee, Assistant Commissioner*
Finance and Management Services
Telephone: (907) 465-1630

Recommendation No. 13

The DPA program coordinator for the TANF program should improve procedures to ensure work participation activities are documented in accordance with Alaska's work verification plan and accurately report to the federal government.

Systematic inaccuracies and inadequate case file documentation indicate noncompliance with Alaska's work verification plan. Because there is insufficient documentation, we are unable to confirm the work participation activities reported on the March 3, 2008 quarterly federal ACF-199 report.

In six of 16 cases reviewed, the work participation data was either not documented or not documented in accordance with standards prescribed by Alaska's work verification plan.

Alaska's work verification plan, effective October 1, 2007, introduced more stringent work participation documentation guidelines. Verification procedures were not revised in a timely manner thereby contributing to an increase in work documentation inaccuracies. Additionally, work verification procedures performed by contractors employed by the department were not followed. This resulted from the contractors' misunderstanding or misinterpreting required procedures and lack of time to adequately follow up and document phone calls and/or visits with clients' supervisors or employers.

Under TANF regulations (45 CFR 261.62), state agencies must maintain adequate documentation, verification, and internal control procedures to ensure the accuracy of the data used in calculating work participation rates. Each State agency must comply with its United States Department of Health and Human Services (USDHHS) approved work verification plan in effect for the period that is audited.

According to 45 CFR 261.65, noncompliance with the work verification plan may result in a penalty not less than one percent and not more than five percent of the State's Family Assistance Grant (SFAG). This translates to a potential penalty range of approximately $536,204 to $2,681,020 based on FFY 08 SFAG amount of $53,620,393.

We recommend DPA improve controls over the work verification plan to ensure case files are maintained and contain required documentation to accurately report and support the adult work participation activities reported on the federal ACF-199 report.

CFDA: 93.558
Questioned Costs: None

Federal Agency: USDHHS
Significant Deficiency, Noncompliance
Reporting, Special Tests and Provisions

Agency Response – Department of Health and Social Services

The Division of Public Assistance concurs with the recommendation that documentation to substantiate reported activities needs to be improved. We are one of many states that are experiencing challenges meeting the strict requirements imposed by the new work verification rules. We continue to improve our methods for ensuring that Alaska's Work Verification Plan is followed and accurate work activity data is reported.

DPA contracts for case management services to work with clients to assign, document and verify work activities that are reported on the ACF-199 report. A number of DPA staff provides support for correct verification and accurate data entry of TANF client work activity through program guidance and policy clarification, technical assistance and supports, and monitoring of contractors data entry and documentation. Annual onsite reviews of each Work Services contractor are conducted, which focus on work assignment, documentation and verification, and are used to ensure compliance with program rules.

Alaska's Work Verification Plan was approved and implemented timely in October 2007. We prepared the contractors for the implementation by notifying them of the new requirements and procedures as information became available from ACF throughout the year and the plan was developed. New performance expectations for compliance with the plan were included in their contracts for FY 2007. However the changes made were significant and the contractors had difficulty following the new rules.

DPA staff began working with contractors individually as annual reviews were conducted to ensure that the new rules were followed. However, since the FY08 Legislative Audit was done for the second quarter of FFY08, only 3 months after the new Work Verification Plan was put in place, the new requirements were still in the implementation phase and we did not have an opportunity to identify all the problems with meeting them.

Based on the annual reviews during the past year, DPA has found that the substantial burden and complexity of the new work verification rules lengthened the time it took for contractors to implement the new procedures fully and effectively. In light of this

information, as well as the Legislative Audit findings, DPA instituted additional actions to ensure that contractors understand the verification requirements and implement necessary changes as quickly as possible.

- *A teleconference for all contracted Work Services providers addressing changes to Alaska's Work Verification Plan for FFY09 was held in September 2008 which included guidance on verification issues that have been identified as problematic.*

- *"Work Services Program Management Workshops" were provided in September and October of 2008, and January of 2009, to address contractor understanding and ability to comply with ATAP and Work Verification program rules.*

- *Guidance and procedures on how to verify and document specific work activities have been developed and provided to the contractors.*

In FY 2010, DPA plans to implement quarterly reviews of Work Services contractors using both data and case file reviews to identify compliance issues and review corrective action steps in a timely manner. These reviews will further ensure that work activity data entry is both accurate and verified in accordance with the Work Verification Plan.

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Finance and Management Services
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Recommendation No. 14

The Director of the Office of Children's Services (OCS) should ensure that Adoption Assistance subsidy payments are made in accordance with federal regulations.

Direct subsidy payments for Adoption Assistance exceeded the allowable rates. Additionally, transactions for non-recurring adoption assistance subsidy payments were for activities that are not allowable under this program. Our test sample was based on those transactions we considered to be higher risk for error. As a result of our selection, six of eleven transactions tested exceeded the allowable rates, and two transactions were for orthodontia services, which are not allowable costs for this program.

The rate errors occurred because OCS staff signed adoption agreements that exceeded the allowable rates for direct subsidy payments. The majority of the questioned costs are for two agreements that erroneously used a rate for Division of Mental Health and Developmental Disabilities (DMHDD) which were greater than the allowable foster care rate. Questioned costs due to using erroneous rates are $36,472. For each erroneous rate we determined the total questioned costs for the entire year.

The unallowable payments for orthodontia services were caused by failure to manually adjust the On-line Resources for the Children of Alaska (ORCA) subsystem for the unallowable non-recurring payments. Questioned costs related to these errors are $5,108. The OCS uses ORCA to process and track adoption assistance payments. ORCA interfaces with the State's accounting system (AKSAS). When payments are determined to be unallowable for federal reimbursement, the system must be manually adjusted to remove the payments from a federal reimbursable expenditure to a state only expenditure.

Per 42 USC 673, the amount of Adoption Assistance payments may not exceed the foster care maintenance payment. Any amount of an adoption assistance subsidy which exceeds the foster care rate must be paid with state general funds. Amendments to adoption assistance agreements cannot be made without the consent of the adoptive parents.

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

We recommend the Director of Office of Children's Services ensure Adoption Assistance subsidy payments are made in accordance with federal regulations by implementing procedures which charge federally unallowable expenditures to the State's general fund.

CFDA 93.659
Questioned Costs: $41,580

Federal Agency: USDHHS
Significant Deficiency, Noncompliance
Allowable Costs

Agency Response – Department of Health and Social Services

OCS concurs with the findings of 5 of the 11 cases mentioned in this recommendation, and has submitted a request for a system update in ORCA. OCS anticipates an ORCA service table update will permit adoption staff to bring existing adoption subsidies with non-allowable portions, such as the rates associated with mental health and developmental disabilities or orthodontia, into compliance. The majority of the cases found in error pre-date ORCA and current business practices. The system update is tentatively scheduled for release in June, 2009.

Contact Person: *Alison Elgee, Assistant Commissioner*
Finance and Management Services
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Recommendation No. 15

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

The State Budget Act provides that if actual collections fall short of appropriated program receipts, an agency is required to reduce its budget by the estimated reduction in collections. For FY 08, three potential shortfalls have been identified for DHSS as follows:

Appropriation	Appropriation Title	Amount
AR 22920-07	Division of Children's Services	$1,445,000
AR 22980-07	Departmental Support Services	$238,000
AR 22920-08	Division of Children's Services	$554,000

The revenue shortfalls are a result of weaknesses in internal controls over monitoring of revenue collections and untimely revenue billings.

We recommend that DHSS' finance officer work with the directors of the pertinent operating divisions to collect earned revenues where possible and request supplemental appropriations for the remaining revenue shortfall amounts. In addition, we recommend that DHSS strengthen internal controls over the billing and monitoring of revenue collections to prevent revenue shortfalls.

Agency Response – Department of Health and Social Services

The department concurs in part with this recommendation. The Revenue Unit should monitor revenue collections and work with the divisions to collect all earned revenue. The department recognizes that staff turnover and vacancies impact the timely collection of revenue. In response, the department has implemented a project to appraise current processes, hired a consultant to recommend revisions to the DHSS revenue collection system and plans to fill critical staff vacancies.

The department does not agree that all of the ARs identified in Legislative Audit's review are currently in shortfall situations. Legislative Audit identified three potential shortfalls to appropriations within the department:

- *AR 22920-07 Division of Children's Services. A review of this appropriation was recently completed and AJEs to correct revenue mis-postings are underway. Prior*

year RPs will be processed to clean up shortfalls within allocations as possible. The department believes that, while there will be a shortfall in the division, it will be significantly less than that identified in this Legislative Audit management letter. We anticipate the final shortfall amount will be determined soon and the department intends to seek ratification in the coming year.

- *AR 22980-07 Departmental Support Services. A review of this appropriation was recently completed and AJs to correct revenue mis-postings are underway. Prior year RPs will be processed to clean up shortfalls within allocations as possible. Once these actions are completed, the department believes that there will be no shortfall in this appropriation.*

- *AR 22920-08 Division of Children's Services. A review of this appropriation was recently completed and the department does not agree that a shortfall exists.*

Contact Person: *Alison Elgee, Assistant Commissioner*
Finance and Management Services
Telephone: (907) 465-1630

Legislative Audit's Additional Comments:

We reviewed DHSS' response and based on inspection of AR 22920-08 financial activity, multiple receivables exist that have been in the accounting system for a period of six months to over one year. We reaffirm this recommendation.

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

Two recommendations were made to the Department of Labor and Workforce Development (DLWD) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2007*. Prior year Recommendation Nos. 13 and 14 are considered resolved.

No new recommendations have been made during the FY08 statewide single audit.

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DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

One recommendation was made to the Department of Commerce, Community, and Economic Development (DCCED) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2007*. Prior year recommendation No. 15 has been resolved.

No new recommendations have been made during the FY 08 statewide single audit.

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DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS

No recommendations were made to the Department of Military and Veterans' Affairs (DMVA) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2007.*

One new recommendation has been made and is included as Recommendation No. 16.

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Recommendation No. 16

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

The State Budget Act provides that if actual collections fall short of appropriated program receipts, an agency is required to reduce its budget by the estimated reduction in collections. For FY 08, one potential shortfall has been identified for DMVA as follows:

Appropriation	Appropriation Title	Amount
AR 35091-08	Military and Veterans Affairs	$442,000

We recommend that DMVA's finance officer work with the director of the pertinent division to collect earned revenues where possible and request supplemental appropriation for the remaining revenue shortfall amount. In addition, we recommend that DMVA strengthen internal controls over the billing and monitoring of revenue collections to prevent revenue shortfalls.

Agency Response – Department of Military and Veterans Affairs

The department does not concur that there are revenue shortfall issues.

Specific items within AR35091-08 identified by Legislative Audit as potential problems include two lower level AR's with FY08 receivables in the amounts of $19.0 and $240.5, where billings were sent to the federal grant agencies in October and November of 2008; and a lower level AR that contains receivables in the amount of $182.5 which occurred in COA09. Because the $182.5 in receivables is current year activity, this considered to be a non-issue in this finding and recommendation.

The required federal billing mechanism for the Department of Veterans' Affairs (DVA) and the National Oceanic Atmospheric and Administration(NOAA) includes submitting a hardcopy bill for collection through the Unites States Postal Service. This is unique and unlike our other federal grants where we request reimbursement of funds over the internet. Historically the average length of time for NOAA to disburse funds to DMVA is two months, and DVA averages two and a half months.

Between the date the bills for collection were submitted for reimbursement until January of 2009, numerous personnel at DMVA were in contact with both agencies several times, and representatives from each agency assured payment would be processed. It was at this point the finance officer engaged in collection efforts on these two outstanding receivables. After several phone calls to the DVA in seeking resolution on the $19.0 outstanding asset, it was discovered the majority of delay in payment was due to several new staff throughout the DVA

payment approval and accounting process, as well as seasoned staff shortages which contributed to lack of training required to process reimbursements.

On March 18, 2009, the finance officer obtained a written document from the DVA stating a payment voucher was processed on March 17, 2009, and payment should be expected within one month from the date of the letter. A copy of said letter is attached to this response. On March 9, 2009, payment was received from NOAA in the amount of $240.5.

Again, based on this information, DMVA does not concur there are revenue shortfall issues. DMVA maintains that adequate controls are in place to ensure earned revenues are collected and that no revenue shortfall issues occur.

Contact Person: *Susan Colligan, Director*
Administrative Services Division
Telephone: (907) 465-4602

Legislative Audit's Additional Comments:

We have reviewed DMVA's response and note that sufficient revenues have been collected so the shortfall identified in AR 35091-08 no longer exists.

DEPARTMENT OF NATURAL RESOURCES

No recommendations were made to the Department of Natural Resources (DNR) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2007.*

No new recommendations have been made during the FY 08 statewide single audit.

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DEPARTMENT OF FISH AND GAME

No recommendations were made to the Department of Fish and Game (DFG) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2007.*

No new recommendations have been made during the FY 08 statewide single audit.

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DEPARTMENT OF PUBLIC SAFETY

No recommendations were made to the Department of Public Safety (DPS) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2007.*

No new recommendations have been made during the FY 08 statewide single audit.

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DEPARTMENT OF ENVIRONMENTAL CONSERVATION

No recommendations were made to the Department of Environmental Conservation (DEC) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2007.*

No new recommendations have been made during the FY 08 statewide single audit.

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DEPARTMENT OF CORRECTIONS

One recommendation was made to the Department of Corrections (DOC) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2007.* The prior year recommendation has been partially resolved and is reiterated in Recommendation No. 17.

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Recommendation No. 17

The DOC finance officer should take measures to resolve revenue shortfalls issues.

The State Budget Act provides that if actual collections fall short of appropriated program receipts, an agency is required to reduce its budget by the estimated reduction in collections. For FY08 one potential shortfall has been identified for DOC as follows:

Appropriation	Appropriation Title	Amount
AR 50582-07	Existing Community Residential Centers	$770,000

This shortfall results from DOC not collecting sufficient DUI/PFD revenue from the Department of Law. We recommend that DOC's finance officer work with the Administrative Services Director at the Department of Law to collect any remaining revenues and request supplemental appropriations for any outstanding revenue shortfall amounts. In addition, we recommend that DOC strengthen internal controls over the monitoring of revenue collections to prevent revenue shortfalls.

Agency Response – Department of Corrections

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

Appropriation	***Appropriation Title***	***Amount***
AR 50582-07	***Existing Community Residential Centers***	***$770,000***

Appropriation 50582-07 continues to have an Accounts Receivable open item reflecting the amount of restricted receipts collected by the Department of Law (DOL) on the behalf of the Department of Corrections for this appropriation. The dollar amount DOC used as support documentation when establishing this receivable was taken directly from a memorandum from DOL to DOC reporting the FY07 total dollar amount of judgments the Department of Law's Collection Unit had acknowledged as already collected for fiscal year 2007 for the Department of Corrections.

DOC is continuing to work diligently with the DOL administrative staff to collect this outstanding amount. The disposition of any transfers from DOL to DOC will be carefully reviewed to assure funds are posted to the correct fiscal year.

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

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DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

Two recommendations were made to the Department of Transportation and Public Facilities (DOTPF) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2007.* Prior year Recommendation No. 18 is considered resolved. Prior year Recommendation No. 17 has not been resolved and is reiterated in this report as Recommendation No. 18.

One new recommendation has been made during the FY 08 statewide single audit and is included as Recommendation No. 19.

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Recommendation No. 18

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

Prior Finding

DOTPF incorrectly reported over $159 million of capital asset activity to the Department of Administration, Division of Finance (DOF) for the FY 07 CAFR. This inaccurate reporting was caused by staff not being adequately trained and information not being adequately reviewed.

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

Legislative Audit's Current Position

In FY 08, DOTPF again reported inaccurate capital asset information to DOF for the State's CAFR. DOTPF's presentation amounted to over $519 million of error. Without correction, the errors would have significantly misstated the State's CAFR. These errors encompassed a variety of issues including: (1) not adhering to the Alaska Administrative Manual capital asset guidelines, (2) misreporting capital asset values, and (3) inconsistently reporting capital asset classifications by account and year.

We reiterate our recommendation that DOTPF's finance officer improve employee training and implement a review mechanism to ensure capital assets are reported correctly for inclusion in the State's CAFR.

Agency Response – Department of Transportation and Public Facilites

DOT&PF agrees with this recommendation. Training and adequate follow-up will be provided to staff. Procedures will be reviewed and updated regarding the development of the infrastructure report. Previous staff turnover in key positions related to capital assets have stabilized and we look forward to refining our processes and procedures relating to this critical portion of the State's CAFR.

Contact Person: *Nancy Slagle, Director*
Division of Administrative Services
Telephone: (907) 465-3911

Recommendation No. 19

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

The State Budget Act provides that if actual collections fall short of appropriated program receipts, an agency is required to reduce its budget by the estimated reduction in collections. For FY08 one potential shortfall has been identified for DOTPF as follows:

Appropriation	Appropriation Title	Amount
AR 68983-08	SHSGP II Critical Infrastructure Protection	$4,000

The revenue shortfall is the result of allocating indirect costs to a reimbursable service agreement. The federal program to which the charges are billed does not allow indirect costs. We recommend that DOTPF's finance officer work with the director of the pertinent division to collect earned revenues where possible and request a supplemental appropriation for the remaining revenue shortfall amount. In addition, we recommend that DOTPF strengthen internal controls over the billing and monitoring of revenue collections to prevent revenue shortfalls.

Agency Response – Department of Transportation and Public Facilities

The administrative manager in charge of this RSA requested funds from the Commissioner's office to cover the non-payment of indirect costs charged to the project. The request was approved and staff began work to finalize the transfer to the affected appropriation. Unfortunately, the appropriation terminated in 2008 and thus we were unable to record the authorized general funds to resolve the issue. Review of other DOT&PF appropriations revealed that there was no over collection of the same funding source so preparing a retroactive revised program was not possible. Attached is our request to OMB for ratification of this under collection related to this appropriation.

Contact Person: *Nancy Slagle, Director*
Division of Administrative Services
Telephone: (907) 465-3911

ALASKA COURT SYSTEM

No recommendations were made to the Alaska Court System (ACS) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2007.*

No new recommendations have been made during the FY 08 statewide single audit.

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COMPONENT UNITS

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

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Alaska Housing Finance Corporation

Recommendation No. 20

Department of Housing and Urban Development – Section 8 Housing Choice Vouchers CFDA 14.871

***Criteria or Specific Requirements*:** According to OMB A-133 Compliance Supplement, the public housing agency's (PHA's) administrative plan must state the methods used to determine that the rent to owner is reasonable in comparison to rent for other comparable unassisted units. The PHA must determine that the rent to owner is reasonable at the time of initial leasing, and must maintain records to document the basis for such determination. The PHA determination must consider unit attributes such as the location, quality, size, unit type, age of unit, amenities, housing services, and maintenance and utilities provided by the owner. The Corporation's policies state that Form SE315 (Unassisted Unit Comparability Survey) will be used to document the information necessary to make a reasonable rent determination. As stated in procedures, two forms shall be placed in the client folder.

***Condition*:** Of the 23 participant files tested, three files were found to have deficiencies in the documentation of a reasonable rent determination. Two files were missing all documentation for rent reasonableness (no "Unassisted Unit Comparability Survey"). The third file had filled out forms which contained two "Unassisted Unit Comparability Survey" with amounts but they were substantially lower than the accepted unit and no explanation was document on their forms.

***Questioned Costs*:** None identified.

***Context*:** We reported a similar finding when we tested the files for this program in 2005. At that time, AHFC revised the Unassisted Unit Comparability Survey form and trained staff on the proper procedures for the program. During our current testing we still found that 3 of the 23 files tested were deficient in this area.

***Effect*:** The Corporation may be paying unreasonable rent for participants.

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

***Recommendation*:** We recommend that management review their process for documenting rent reasonableness, and establish controls to ensure that the procedures are followed ant that documentation in adequate. We also recommend that AHFC continue to perform periodic file reviews, in order to identify and correct deficiencies in documentation.

CFDA: 14.871
Questioned Costs: None

Federal Agency: HUD
Noncompliance
Special Tests and Provisions

Agency Response – Alaska Housing Finance Corporation

The Public Housing Division responded to the audit funding by first reviewing the particular files in question. Two files failed to contain the documentation required for rent reasonableness; corrections were made to both to ensure the rent fell within a comparable rate for similar units. One file contained comparisons, but the comparable units had much lower rent, and there was no documentation to support why it was determined the unit in question is rent reasonable. The unit contains five bedrooms, which are difficult to find in the Anchorage rental market. Unit comparables from three different areas of the city were required to establish comparable rent.

All of the questioned files were located in Anchorage. Central Office staff conducted staff training during the month of August to address these and other voucher related issues. Time is also set aside during the statewide staff training in October. A contributing part of the rent reasonableness issue is the fact that Public Housing Division software is outdated. PHA relies on paper files to pull comparable rents, which can prove difficult in the case of the five-bedroom unit cited above. AHFC received legislative authority in FY09 to acquire new software. Regarding periodic file reviews, PHD conducts quarterly file reviews that include rent reasonableness documentation. Staff will reexamine the data for the past four quarters and use that information as an aid in the October staff training.

Contact Person: *Kevin Tune, Director*
Audit Department
Telephone: (907) 330-8410

Recommendation No. 21

Department of Housing and Urban Development – Section 8 Housing Choice Vouchers CFDA 14.871

***Criteria or Specific Requirements*:** According to 24 CFR 982.308(b)(1) "The tenant and the owner must enter a written lease for the unit. The lease must be executed by the owner and the tenant."

***Condition*:** Of the 23 participant files tested, one instance was found in which a Housing Assistance Payment (HAP) was made on behalf of a participant to a landlord when an executed lease between the tenant and landlord wasn't in place.

***Questioned Costs*:** None identified.

***Context*:** The population of participant files tested includes files of tenants who have been clients of AHFC for several years.
Some file documentation may have been missing for some time, without being detected and corrected by the file review process. Of the 23 participant files tested, one was found to be deficient in this requirement.

***Effect*:** The Corporation may be making HAPs for participants who haven't officially entered into a lease agreement with their landlord.

***Cause*:** The Corporations field staff failed to obtain and executed lease agreement.

***Recommendation*:** We recommend that management develop a process to ensure that field staff are adequately educated about applicable policies, and establish controls to ensure that documentation is adequate. We also recommend that AHFC continue to perform periodic file reviews, in order to identify and correct deficiencies in documentation.

CFDA: 14.871
Questioned Costs: None

Federal Agency: HUD
Noncompliance
Special Tests and Provisions

Agency Response – Alaska Housing Finance Corporation

A copy of the lease was requested for inclusion in the file. Obtaining a copy of landlord lease is standard operating procedure. An unsigned copy is typically obtained with the 'landlord papers;' a copy of the signed lease is believed to be a non-typical error; nevertheless, PHD staff will examine the quarterly file reviews to determine if other examples exist and use that information in the fall training.

Contact Person: *Kevin Tune, Director*
Audit Department
Telephone: (907) 330-8410

University of Alaska

Recommendation No. 22

Department of Education (DOE), Student Financial Assistance (SFA) Programs Cluster, Federal Family Education Loans (FFEL) (CFDA #84.032) and Federal Pell Grant Program (CFDA #84.063)

***Criteria or Specific Requirements*:** According to the Code of Federal Regulations (CFR), Title 34, Section 668-22, when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period in which the recipient began attendance, the institution must determine the amount of Title IV assistance earned by the student as of the student's withdrawal date. If the total amount of the Title IV assistance earned by the student is less than the amount that was disbursed to the student or ion his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to Title IV programs. In accordance to CFR, Title 34, Section 668-22, returned funds are to be allocated in the following order: unsubsidized, subsidized and then Pell Grants.

According to CFR, Title 34, Section 668-173, returns of Title IV funds are required to be deposited or transferred into the Student Financial Assistance account or electronic fund transfers initiated to the Department of Education or the appropriate Federal Family Education Loans lender as soon as possible, but no later than thirty days after the date the institution determines the student withdrew.

***Condition*:** For the program year 2007-2008, the University of Alaska Fairbanks failed to identify withdrawn Title IV recipients in a timely manner, incorrectly calculated return amounts for some students, and allocated one return to the wrong find.

For the program year 2007-2008, the University of Alaska Anchorage and the University of Alaska Southeast failed to identify withdrawn Title IV recipients in a timely manner.

***Questioned Costs*:** None.

***Effect*:** The University of Alaska Fairbanks returned Title IV funds untimely for 11 students that withdrew from the institution. For 9 of the 11 returns, no returns of funds calculations was made for $2,095, $2,394, and $1,854 in subsidized loans, unsubsidized loans and Pell Grant awards, respectively. In addition, due to a manual entry error, a return for $2,036 was allocated to the wrong loan fund.

The University of Alaska Anchorage returned Title IV funds untimely for 5 students that withdrew from the institution.

The University of Alaska Southeast returned Title IV funds untimely for 3 students that withdrew from the institution.

Recommendation: The University should make every effort to properly calculate and return Title IV funds within the allowable time period.

CFDA: 84.032, 84.063
Questioned Costs: None

Federal Agency: USDOE
Significant Deficiency, Noncompliance
Special Tests and Provisions

Agency Response – University of Alaska

For the program year 2008-2009, a new report has been designed to capture withdrawn students that have received federal financial aid. Procedures are in place to identify and process withdrawals on a daily to weekly basis at each campus. In addition, the University of Alaska Fairbanks has processed returns for the $2,095, $2,394, and $1,854 in subsidized loans, unsubsidized loans and Pell Grant awards, respectively, and has contacted the lender and requested the return for $2,036 to be corrected and properly allocated to the appropriate loan fund.

Contact Person: *Janice Coker, Financial Accounting Director*
University of Alaska
Telephone: (907) 450-8063

State of Alaska Division of Legislative Audit
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2008

Part I – Summary of Auditor's Results

a) An unqualified opinion was issued on the basic financial statements of the State of Alaska.

b) Significant deficiencies, but no material weaknesses, in internal controls over financial reporting were disclosed by the audit of the basic financial statements.

c) There was no noncompliance which was material to the basic financial statements.

d) Significant deficiencies, but no material weaknesses, in internal controls over major federal programs were disclosed by the audit.

e) The independent auditor's report on compliance with requirements applicable to each major federal program expressed an unqualified opinion for all 35 programs, except for disclaimers on the following seven programs for cash management:

- CFDA 10.551, 10.561 Food Stamp Cluster;
- CFDA 10.557 Special Supplemental Food Program For Women, Infants, and Children;
- CFDA 93.558 Temporary Assistance for Needy Families;
- CFDA 93.568 Low-Income Home Energy Assistance;
- CFDA 93.659 Adoption Assistance;
- CFDA 93.767 State Children's Insurance Program;
- CFDA 93.775, 93.777, 93.778 Medicaid Cluster;

and disclaimers on the following four programs for reporting:

- CFDA 10.551, 10.561 Food Stamp Cluster;
- CFDA 93.558 Temporary Assistance for Needy Families;
- CFDA 93.568 Low-Income Home Energy Assistance;
- CFDA 93.767 State Children's Insurance Program.

f) There were several audit findings that were required to be reported under Section 510(a) of Office and Management and Budget (OMB) Circular A-133. These are summarized in Part III of this schedule of findings and questioned costs. The detail findings and recommendations can be read in Section II – Recommendations and Questioned Costs of his report.

g) The State of Alaska has 35 major federal programs for the fiscal year ended June 30, 2008 as follows:

Part I – Summary of Auditor's Results (*continued*)

CFDA or Other Identifying Number	Title of Federal Program
10.410	Very Low to Moderate Income Housing Loans
10.551, 10.561	Food Stamps Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.558	Child and Adult Care Food Program
10.665	School and Roads Cluster
10.760	Water and Waste Disposal Systems for Rural Communities
10.L83008	USDA Forest Service Fire Suppression Cooperative Agreement
11.300, 11.307	Public Works and Economic Development Facilities Cluster
12.400	Military Construction, National Guard
12.401	National Guard Military Operations and Maintenance (O&M) Projects
12.999	Track Realignment Projects
14.117	Mortgage Insurance - Homes
14.871	Section 8 Housing Choice Vouchers
17.225	Unemployment Insurance
17.258, 17.259, 17.260	Workplace Investment Act Cluster
20.500, 20.507	Federal Transit Cluster
20.999	Rail Safety and Rehabilitation Projects
64.114	Veterans Housing - Guaranteed and Insured Loans
66.202	Congressionally Mandated Projects
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Funds
81.087	Renewal Energy Research and Development
84.007, 84.032, 84.033, 84.063, 84.375, 84.376	Student Financial Assistance Cluster
84.010	Title I Grants to Local Educational Agencies
84.027, 84.173	Special Education Cluster
84.031	Higher Education – Institutional Aid
84.356	Alaska Native Educational Programs
90.100	Denali Commission Program
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.568	Low Income Housing Energy Assistance
93.659	Adoption Assistance

Part I – Summary of Auditor's Results (*continued*)

CFDA or Other Identifying Number	Title of Federal Program
93.767	State Children's Insurance Program
93.775, 93.777, 93.778	Medicaid Cluster
97.053, 97.067, 97.071, 97.073, 97.074	Homeland Security Cluster

h) A threshold of $7,631,827 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.

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

Part II – Findings related to the Basic Financial Statements

Significant Deficiencies

State Department	Recommendation Number	Comments
Health and Social Services	Recommendation No. 4	
Transportation and Public Facilities	Recommendation No. 18	

Irregularities and Illegal Acts

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

Part III – Federal Findings and Questioned Costs

Federal Agency/ Recommendation Number	Questioned Costs	Comments
USDA		
Recommendation No. 3	Indeterminate	Significant Deficiency
Recommendation No. 4	Indeterminate	Significant Deficiency
Recommendation No. 5	Indeterminate	Noncompliance
Recommendation No. 6	Indeterminate	Noncompliance
USDOE		
Recommendation 22	None	Significant Deficiency, Noncompliance

Part III – Federal Findings and Questioned Costs (*continued*)

USDHHS

Recommendation No. 3	Indeterminate	Significant Deficiency
Recommendation No. 4	Indeterminate	Significant Deficiency
Recommendation No. 5	Indeterminate	Noncompliance
Recommendation No. 6	$ 418,573	Noncompliance
Recommendation No. 7	None	Significant Deficiency
Recommendation No. 8	None	Significant Deficiency, Noncompliance
Recommendation No. 9	None	Significant Deficiency
Recommendation No. 11	228,787	Significant Deficiency, Noncompliance
Recommendation No. 12	1,197,787	Significant Deficiency, Noncompliance
Recommendation No. 13	None	Significant Deficiency, Noncompliance
Recommendation No. 14	41,580	Significant Deficiency, Noncompliance

HUD

Recommendation No. 20	None	Noncompliance
Recommendation No. 21	None	Noncompliance

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

Members of the Legislative Budget
and Audit Committee:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discreetly presented component units, each major fund, and the aggregate remaining fund information of the State of Alaska as of and for the year ended June 30, 2008, which collectively comprise the State of Alaska's basic financial statements and have issued our report thereon dated December 12, 2008. Our report, presented in Section I, was modified to include a reference to other auditors and describes our division of responsibility with other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of Alaska Permanent Fund, the Fiduciary Funds – Pension and Other Employee Benefit Trust Funds and three Discretely Presented Component Units: Alaska Municipal Bond Bank Authority, Alaska Mental Health Trust Authority, and Alaska Natural Gas Development Authority. This report does not include results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. Certain entities of the State of Alaska were not audited in accordance with *Government Auditing Standards*. These entities include: the Alaska Permanent Fund (Major Fund), Alaska Municipal Bond Bank Authority (Discretely Presented Component Unit) and Supplemental Benefit System, Public Employees Retirement System and Teachers Retirement System (Fiduciary Funds).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of Alaska's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Alaska's internal control over

financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State of Alaska's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider some of the deficiencies described in the preceding section of Recommendations and Questioned Costs to be significant deficiencies in internal control over financial reporting. Our recommendations for these instances are identified in the Summary of Recommendation under *Significant Deficiency-Financial Statements*.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Alaska's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain 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 Recommendation under *Other State Issues*.

The state agencies' responses to the findings identified in our audit are included in the proceeding Section II – Recommendations and Questioned Costs as well as in the succeeding Section IV – Appendices. We did not audit these responses to the findings and, accordingly, we express no opinion on them.

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

Pat Davidson, CPA
Legislative Auditor

December 12, 2008

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ALASKA STATE LEGISLATURE
LEGISLATIVE BUDGET AND AUDIT COMMITTEE
Division of Legislative Audit

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

Members of the Legislative Budget
and Audit Committee:

Compliance

We have audited the compliance of the State of Alaska with the types of compliance requirements described in the U.S. Office of Management and Budget's (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008. The State of Alaska's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the State of Alaska's management. Our responsibility is to express an opinion on the State's compliance based on our audit.

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

We were unable to obtain sufficient documentation supporting the compliance of the State of Alaska with the following major federal programs administered by the department of Health and Social Services regarding the compliance type indicated:

Compliance Type	Federal Programs	
Cash Management	• Food Stamps Cluster • Specials Supplemental Food Program for Women, Infants, and Children • Temporary Assistance for Needy Families	• Low-Income Home Energy Assistance • Adoption Assistance • State Children's Insurance Program • Medical Assistance Cluster
Reporting	• Food Stamps Cluster • Temporary Assistance for Needy Families	• Low-Income Home Energy Assistance • States Children's Insurance Program

Nor were we able to satisfy ourselves as to the State of Alaska's Compliance with those requirements by other auditing procedures.

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the State of Alaska's compliance with the requirements of the major federal programs administered by the Department of Health and Social Services regarding cash management and reporting, the State of Alaska complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008. The results of our auditing procedures also disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133. These instances are summarized in the accompanying Summary of Recommendations and Schedule of Findings and Questioned Costs and described in detail in Section II - Recommendations and Questioned Costs section.

Internal Control Over Compliance

The management of the State of Alaska is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the State of Alaska's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not

express an opinion on the effectiveness of the State of Alaska's internal controls over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the State's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. The significant deficiencies in control over compliance we identified are summarized in the accompanying Summary of Recommendations and Schedule of Findings and Questioned Costs and described, in detail, in the preceding Section II - Recommendations and Questioned Costs section.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the State's internal control. We did not consider any of the deficiencies described in the preceding Section II to be material weaknesses.

The state agencies' responses to the findings identified in our audit are included in the preceding Section II – Recommendations and Questioned Costs as well as the succeeding Section IV - Appendices. We did not audit the responses to the findings and, accordingly, we express no opinion on them.

Schedule of Expenditure of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alaska as of and for the year ended June 30, 2008, and have issued our report thereon dated December 12, 2008. That report, presented in Section I, was modified to include a reference to other auditors and describes our division of responsibility with the other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the State of Alaska's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the

auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Pat Davidson, CPA
Legislative Auditor

February 27, 2009, except for the
Schedule of Expenditures of
Federal Awards, which is
dated December 12, 2008

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2008
By Federal Agency

State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
		U.S. Department of Agriculture					
AEA	10.001	UAF 07-0127		Agricultural Research - Basic and Applied Research	10,266		
UofA	10.001		R&DC	Agricultural Research - Basic and Applied Research	985,187		295,664
	10.001 Total				**995,453**		**295,664**
DEC	10.025			Plant and Animal Disease, Pest Control and Animal Care	247,393		
DFG	10.025			Plant and Animal Disease, Pest Control and Animal Care	106,315		
DNR	10.025			Plant and Animal Disease, Pest Control and Animal Care	757,099	5,6	
UofA	10.025		R&DC	Plant and Animal Disease, Pest Control and Animal Care	3,934		
	10.025 Total				**1,114,741**		-
DNR	10.156			Federal-State Marketing Improvement Program	8,943	5	
DNR	10.162			Inspection Grading and Standardization	8,965		
DNR	10.163			Market Protection and Promotion	205,730		
DNR	10.169			Specialty Crop Block Grant Program	57,372	6	38,450
UofA	10.200		R&DC	Grants for Agricultural Research, Special Research Grants	4,526,711		504,560
UofA	10.200			Grants for Agricultural Research, Special Research Grants	66,984		
UofA	10.200	61553007	R&DC	Grants for Agricultural Research, Special Research Grants (**Pass-through from Utah State University**)	77,006		
	10.200 Total				**4,670,701**		**504,560**
UofA	10.202		R&DC	Cooperative Forestry Research	216,323		
UofA	10.203		R&DC	Payments to Agricultural Experiment Stations Under the Hatch Act	114,875		
UofA	10.206			Grants for Agricultural Research - Competitive Research Grants	80,403		
UofA	10.206		R&DC	Grants for Agricultural Research - Competitive Research Grants	258,119		
UofA	10.206	Z507223/2005-35605-15388 PENDI	R&DC	Grants for Agricultural Research - Competitive Research Grants (**Pass-through from University of Maryland**)	352,407		
	10.206 Total				**690,929**		-
UofA	10.228			Alaska Native Serving and Native Hawaiian Serving Institutions Education Grants	1,668,908		8,580
UofA	10.228		R&DC	Alaska Native Serving and Native Hawaiian Serving Institutions Education Grants	164,009		
	10.228 Total				**1,832,917**		**8,580**
UofA	10.303			Integrated Programs	6,476		
UofA	10.303	K009607-AK Amendment 5		Integrated Programs (**Pass-through from University of California, Davis**)	29,639		
UofA	10.303		R&DC	Integrated Programs	37,968		
UofA	10.303	BJKE27-UA (PO013815)		Integrated Programs (**Pass-through from University of Idaho**)	53,937		
	10.303 Total				**128,020**		-

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2008
By Federal Agency

State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
UofA	10.304	07-002558-12		Homeland Security-Agricultural (**Pass-through from University of California, Davis**)	36,512		
AHFC	10.410			Very Low to Moderate Income Housing Loans	93,786	3, 13	
UofA	10.443	PO Z738018	R&DC	Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers (**Pass-through from University of Hawaii, HILO**)	4,538		
UofA	10.455			Community Outreach and Assistance Partnership Program	35,059		
DEC	10.479			Food Safety Cooperative Agreements	119,143		
UofA	10.500		R&DC	Cooperative Extension Service	113,833		7,851
UofA	10.500	K007797-02	R&DC	Cooperative Extension Service (**Pass-through from University of California, Davis**)	(104)		
UofA	10.500	UTSTUNV46460AK		Cooperative Extension Service (**Pass-through from University of Wyoming**)	4,992		
UofA	10.500	S08023		Cooperative Extension Service (**Pass-through from Kansas State University**)	53,378		
UofA	10.500	G002219		Cooperative Extension Service (**Pass-through from Washington State University**)	256,053		
UofA	10.500			Cooperative Extension Service	1,797,860		
	10.500 Total				**2,226,012**		**7,851**
DEED	10.550			Food Donation	2,695,609	15	2,695,609
DHSS	10.551		FSC	Supplemental Nutrition Assistance Program (Formerly: Food Stamp Program)	92,068,615	3,7,10	
DEED	10.553	17131	CNC	School Breakfast Program	5,224,182	10	5,224,182
DEED	10.555	17132	CNC	National School Lunch Program	23,684,231	10	23,684,231
DEED	10.556	17133	CNC	Special Milk Program for Children	18,110	10	18,110
DHSS	10.557			Special Supplemental Nutrition Program for Women, Infants and Children	23,228,001	3,8	5,142,181
UofA	10.557	PO 3409010318 Rev 1		Special Supplemental Nutrition Program for Women, Infants, and Children (**Pass-through from Oklahoma State Department of Health**)	12,576		
	10.557 Total				**23,240,577**		**5,142,181**
DEED	10.558	17134		Child and Adult Care Food Program	7,735,186	3	7,672,983
DEED	10.559	17137	CNC	Summer Food Service Program for Children	490,885	10	420,589
DEED	10.560	17135		State Administrative Expenses for Child Nutrition	635,385		
DHSS	10.561		FSC	State Administrative Matching Grants for the Special Nutrition Assistance Program	10,773,550	3,10	
DHSS	10.565			Commodity Supplemental Food Program	-		112,065
DEED	10.568	17138	EFAC	Emergency Food Assistance Program (Administrative Costs)	127,800	10	109,262
DEED	10.574	17400		Team Nutrition Grants	69,843		

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State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
DHSS	10.576			Senior Farmers Market Nutrition Program	-		66,507
UofA	10.578	ASO Log 08-092		WIC Grants to States (WGS) **(Pass-through from State of Hawaii - Department of Health Honolulu)**	23,810		
ASMI	10.601	Export Marketing		Market Access Program	5,026,793		
ASMI	10.605	Quality Samples		Quality Samples Program	25,534		
UofA	10.652		R&DC	Forestry Research	190,401		7,695
DNR	10.664			Cooperative Forestry Assistance	2,953,059	5,6	424,989
UofA	10.664		R&DC	Cooperative Forestry Assistance	49,213		3,050
	10.664 Total				**3,002,272**		**428,039**
DCCED	10.665	National Forest Receipts	SRC	Schools and Roads - Grants to States	9,155,079	3, 10	9,155,079
DOTPF	10.665		SRC	Schools and Roads - Grants to States	170,000	10	
	10.665 Total				**9,325,079**		**9,155,079**
DCCED	10.672	Mini Grant		Rural Development, Forestry, and Communities	9,972		8,248
DNR	10.676			Forest Legacy Program	10,134	5	
DNR	10.677			Forest Land Enhancement Program	188,075	6	30,240
DNR	10.680			Forest Health Protection	21,214	5,6	
UofA	10.680		R&DC	Forest Health Protection	104,373		
	10.680 Total				**125,587**		**-**
DEC	10.760			Water and Waste Disposal Systems for Rural Communities	17,925,567	3	2,107,580
UofA	10.760			Water and Waste Disposal Systems for Rural Communities	129,972		
	10.760 Total				**18,055,539**		**2,107,580**
DCCED	10.766	Rural Internet Access		Community Facilities Loans and Grants	944,520		923,845
DCCED	10.769	Rural Business Enterprise		Rural Business Enterprise Grants	45,710		17,169
UofA	10.769			Rural Business Enterprise Grants	21,096		
	10.769 Total				**66,806**		**17,169**
UofA	10.771			Rural Cooperative Development Grants	86,364		
DCCED	10.857	Bulk Fuel Bridge Loans		State Bulk Fuel Revolving Fund Grants	10,517		140,517
AEA	10.859			Assistance to High Energy Cost Rural Communities	459,294		156,062
UofA	10.861	Letter Dated 07/01/2006		Public Television Station Digital Transition Grant Program **(Pass-through from Alaska One)**	50,435		
DNR	10.902			Soil and Water Conservation	26,541	5	
DNR	10.905			Plant Materials for Conservation	301,383	6	
DFG	10.914			Wildlife Habitat Incentive Program	69,671		
ARRC	10.999	05DG11100000226		U.S. Forest Service - Whistle Stop	543,797	9	
DFG	10.999			Miscellaneous U.S. Forest Service	669,157		
DNR	10.999			Miscellaneous U.S. Forest Service Fire Suppression	2,974		
DOTPF	10.999	USDA-NRM0999K060		Contract with USDA to replace culvert on Plack Rd. PJ 76740	(2)	6	
DOTPF	10.999	USFS 07-RO-11100100-076		Contract with USFC for fish passage-ways on Mitkof, Hydaburg, and Yakutat Highways	18,244	6	

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DOTPF	10.999	USDA 05RO-11100100-120		Design 24' bridge on USFC Road 81 A-Lewis Reef Road	21,198	6	
DOTPF	10.999	USDA 68-0150-5-009		Design & construct facility for the Plant Materials Center in Palmer	181,905	6	
UofA	10.999	Contract Signed 1-9-07	R&DC	Miscellaneous (**Pass-through from Organic Seed Alliance**)	1,822		
UofA	10.999	SA# TNC/AKNHP LDFIRE 2007	R&DC	Miscellaneous (**Pass-through from The Nature Conservancy**)	7,219		
UofA	10.999	ALF $120,000 4/31/08		Miscellaneous (**Pass-through from State of Arizona Women, Infants and Children**)	36,865		
UofA	10.999			Miscellaneous	368,557		
UofA	10.999		R&DC	Miscellaneous	484,332		
	10.999 Total				**2,336,068**		-
DPS	10.02CA-111001-039			Cooperative Law Enforcement Agreement	44,187		
DEC	10.12-25A-4790			Pesticide Recordkeeping	17,284		
DNR	10.43-0120-4-0169			Spot Revegetation (purchase order)	11,289		
DNR	10.43-0120-5-0113			Spot Revegetation #2 (purchase order)	9,692		
DEC	10.AG-0109-P-07-0012			Forest Service Regulatory Oversight	7,412		
DEC	10.AG-0109-P-08-0028			Forest Service Regulatory Oversight	7,266		
DNR	10.L83008			USFS Fire Suppression	8,214,392	3,5,6	
DNR	10.PO-0150-05-030	PO-0150-05-030		NRCS Imagery Purchase	70,445	6	
		U.S. Department of Agriculture			**228,040,754**		**58,975,298**
		U.S. Department of Commerce					
AIDEA	11.300	07-01-05278	PWEDC	Investments for Public Works and Economic Development Facilities	690,000	3, 10	
DLWD	11.300	805	PWEDC	Investments for Public Works and Economic Development Facilities	1,368	10	
	11.300 Total				**691,368**		-
UofA	11.303			Economic Development - Technical Assistance	110,104		
AIDEA	11.307	07-79-05820	PWEDC	Economic Adjustment Assistance	1,019,311	3, 10	
DCCED	11.307	Coalition For Economic Development	PWEDC	Economic Adjustment Assistance	757,671	10, 24	760,242
DFG	11.307		PWEDC	Economic Adjustment Assistance	21,234	10	
UofA	11.307		PWEDC	Economic Adjustment Assistance	256,251	10	
	11.307 Total				**2,054,467**		**760,242**
UofA	11.400			Geodetic Surveys and Services (Geodesy and Applications of the National Geodetic Reference System)	13,530		
DFG	11.405			Anadromous Fish Conservation Act Program	327,124		
DFG	11.407			Interjurisdictional Fisheries Act of 1986	179,669		
DFG	11.417			Sea Grant Support	496,020		
UofA	11.417		R&DC	Sea Grant Support	1,687,152		9,007
UofA	11.417			Sea Grant Support	632,898		
	11.417 Total				**2,816,070**		**9,007**
DCCED	11.419	Coastal Zone Management		Coastal Zone Management Administration Awards	692,255	4	626,973
DMVA	11.419			Coastal Zone Management Administration Awards	232,149		

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State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
DNR	11.419			Coastal Zone Management Administration Awards	1,664,898	5,6	7,106
	11.419 Total				**2,589,302**		**634,079**
DFG	11.420			Coastal Zone Management Estuarine Research Reserves	475,976		
UofA	11.420		R&DC	Coastal Zone Management Estuarine Research Reserves	8,719		
	11.420 Total				**484,695**		-
UofA	11.430		R&DC	Undersea Research	1,159,646		361,132
UofA	11.431		R&DC	Climate and Atmospheric Research	1,856,212		
UofA	11.432		R&DC	Office of Oceanic and Atmospheric Research (OAR) Joint and Cooperative Institutes	2,608,648		38,830
DFG	11.437			Pacific Fisheries Data Program	5,198,137		
DFG	11.437			Pacific Fisheries Data Program (**Pass-through Pacific States Marine Fisheries Commission**)	2,223,006		
	11.437 Total				**7,421,143**		-
DCCED	11.438	Fish Revitalization-Fish & Game		Pacific Coast Salmon Recovery - Pacific Salmon Treaty Program	2,095,798	4	2,076,930
DFG	11.438			Pacific Coast Salmon Recovery - Pacific Salmon Treaty Program	23,945,964	4	5,446,946
UofA	11.438	L1300-01	R&DC	Pacific Coast Salmon Recovery - Pacific Salmon Treaty Program (**Pass-through from Seward Association for Advancement of Science**)	10,704		
	11.438 Total				**26,052,466**		**7,523,876**
DFG	11.439			Marine Mammal Data Program	2,603,414		
UofA	11.439	NA05NMF4391068	R&DC	Marine Mammal Data Program (**Pass-through from North Pacific Marine Science Foundation**)	16,638		
UofA	11.439			Marine Mammal Data Program	119,327		
UofA	11.439	ADN 1175033	R&DC	Marine Mammal Data Program	754,560		
	11.439 Total				**3,493,939**		-
ASMI	11.452	Alaska Fish Marketing Board		Unallied Industry Projects	502,246		
DCCED	11.452	Fish Revitalization-Governor's Office		Unallied Industry Projects	315,466	4	236,615
OG	11.452			Unallied Industry Projects	453,973		
	11.452 Total				**1,271,685**		**236,615**
UofA	11.454	AC-598	R&DC	Unallied Management Projects (**Pass-through from Bering Sea Fisherman's Association**)	32,351		
UofA	11.460		R&DC	Special Oceanic and Atmospheric Projects	518,330		
DFG	11.463			Habitat Conservation	34,940		
UofA	11.463	2006-0093-012	R&DC	Habitat Conservation (**Pass-through from National Fish and Wildlife Foundation**)	3,380		
	11.463 Total				**38,320**		-

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UofA	11.467	S08-68871	R&DC	Meteorologic and Hydrologic Modernization Development **(Pass-through from University Corporation for Atmospheric Research)**	10,120		
DFG	11.472			Unallied Science Program **(Pass-through North Pacific Research Board)**	66,624		
UofA	11.472	PO 10263677	R&DC	Unallied Science Program **(Pass-through from University of California, San Diego)**	8,461		
UofA	11.472	A100501	R&DC	Unallied Science Program **(Pass-through from Woods Hole Oceanographic Institution)**	39,548		
UofA	11.472	R0326 F0326-00		Unallied Science Program **(Pass-through from North Pacific Research Board)**	50,378		
UofA	11.472	R0320	R&DC	Unallied Science Program **(Pass-through from North Pacific Research Board)**	1,169,053		
	11.472 Total				**1,334,064**		-
DFG	11.473			Coastal Services Center	75,976		
UofA	11.473	07-5-25535.3734 CA05-22	R&DC	Coastal Services Center **(Pass-through from University of Maryland - UMCES)**	127,261		60,553
UofA	11.473	H2100-12		Coastal Services Center **(Pass-through from Alaska Ocean Observing System)**	1,334		
UofA	11.473	Project H2100-13, Amd 2	R&DC	Coastal Services Center **(Pass-through from Alaska Ocean Observing System)**	205,829		
UofA	11.473	H-2201	R&DC	Coastal Services Center **(Pass-through from Seward Association for Advancement of Science)**	448,784		
	11.473 Total				**859,184**		**60,553**
DFG	11.477			Fisheries Disaster Relief	176,188		
UofA	11.478		R&DC	Center for Sponsored Coastal Ocean Research - Coastal Ocean Program	72,762		
UofA	11.481	Subagreement 270040E	R&DC	Educational Partnership Program **(Pass-through from North Carolina A&T State University)**	136,818		
UofA	11.481			Educational Partnership Program	194,728		
	11.481 Total				**331,546**		-
DMVA	11.555			Public Safety Interoperable Communications Grant Program	33,606		
DFG	11.999			Miscellaneous NOAA	588,758		
DOTPF	11.999			Space leased by National Weather Service at DOTPF facility in Slana and Ernestine	20		
UofA	11.999	CA- 07-11 Z7315-1	R&DC	Miscellaneous **(Pass-through from University of Maryland, UMCES)**	107,688		36,034
UofA	11.999	F0401	R&DC	Miscellaneous **(Pass-through from North Pacific Research Board)**	(1,267)		
UofA	11.999		R&DC	Miscellaneous	11,514		
UofA	11.999	ADN 180022		Miscellaneous	27,206		
	11.999 Total				**733,919**		**36,034**
DPS	11.04 and 05/06/07-NMFS-JEA			National Marine Fisheries Joint Enforcement	1,659,714		

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State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
				Agreement			
DEC	11.45ABNAON0252			Miscellaneous Inspection Service	12,703		
DEC	11.AB133C06SE3435			NOAA Pribilof Island Restoration	7,767		
		U.S. Department of Commerce			**58,950,642**		**9,660,368**
		U.S. Department of Defense					
UofA	12.002			Procurement Technical Assistance for Business Firms	260,696		
DEC	12.113			State Memorandum of Agreement Program for the Reimbursement of Technical Services	1,929,422		
UofA	12.114	UM 07-11-041	R&DC	Collaborative Research and Development (**Pass-through from University of Mississippi**)	340,465		
UofA	12.300		R&DC	Basic and Applied Scientific Research	2,431,344		314,064
UofA	12.300	R00427 FSU 091004-520-015474	R&DC	Basic and Applied Scientific Research (**Pass-through from Florida State University**)	18,203		
UofA	12.300	A100585	R&DC	Basic and Applied Scientific Research (**Pass-through from Woods Hole Oceanographic Institution**)	31,074		
UofA	12.300	Index 332520 PO 426688	R&DC	Basic and Applied Scientific Research (**Pass-through from Wayne State University**)	81,332		
	12.300 Total				**2,561,953**		**314,064**
AADC	12.400	W91ZRU-06-2-3038		Military Construction, National Guard	726,582	3	
DMVA	12.400			Military Construction, National Guard	29,487		
	12.400 Total				**756,069**		-
DMVA	12.401			National Guard Military Operations and Maintenance (O&M) Projects	16,993,287	3	
DMVA	12.404			National Guard Civilian Youth Opportunities	3,011,694		
UofA	12.420		R&DC	Military Medical Research and Development	1,885,157		
UofA	12.431	07-41		Basic Scientific Research (Pass-through from Academy of Applied Science)	1,209		
UofA	12.431	07-40		Basic Scientific Research (Pass-through from Academy of Applied Science)	2,600		
UofA	12.431			Basic Scientific Research	3,958		
UofA	12.431		R&DC	Basic Scientific Research	167,812		
	12.431 Total				**175,579**		-
UofA	12.630		R&DC	Basic, Applied, and Advanced Research in Science and Engineering	395,375		1,718
UofA	12.800	Sub Q01193	R&DC	Air Force Defense Research Sciences Program (**Pass-through from New Mexico State University**)	132,349		
UofA	12.800		R&DC	Air Force Defense Research Sciences Program	161,969		
	12.800 Total				**294,318**		-
UofA	12.910		R&DC	Research and Technology Development	1,932,157		

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ARRC	12.999	DTFRDV-04-G-00006		Track Realignment – Elmendorf AFB and Ft. Richardson 2004 (**Pass-through from FRA**)	1,351	3, 9	
ARRC	12.999	DTFRDV-07-G-00005		Track Realignment - Ft. Wainwright 2007	55,449	3, 9	
ARRC	12.999	DTFRDV-07-G-00006		Northern Line Extension - 2007	302,018	3, 9	
ARRC	12.999	DTFRDV-06-G-00008		Track Realignment - Ft. Wainwright 2006	1,226,297	3, 9	
ARRC	12.999	DTFRDV-05-G-00005		Track Realignment – Elmendorf AFB and Ft. Richardson 2005 (**Pass-through from FRA**)	1,812,550	3, 9	
ARRC	12.999	DTFRDV-05-G-00006		Northern Line Realignment & Extension - 2005	2,550,819	3, 9	
ARRC	12.999	DTFRDV-06-G-00007		Locomotive/Railcars to Support Stryker Brigade - 2006	8,104,574	3, 9	
DCCED	12.999	Delta Junction Missile Defense		Delta Junction Missile Defense Test Bed Facilities Impact	951,922		949,316
DEED	12.999	17178		Troops to Teachers	5,751		
DFG	12.999			Miscellaneous Army	53,689		
DNR	12.999	F1U3CE6089G001		Satellite Imagery Purchase	49,500		
DOTPF	12.999	F65501-95C0017		Maintain Galena Airport to USAF Safety Standards	182,266		
DOTPF	12.999	F65501-96C0006		Maintain King Salmon Airport to USAF Safety Standards	363,987		
DOTPF	12.999	N6871104MDC4010		Funding from US Navy for Adak Airport Operations	1,102,976		
UofA	12.999	06-84 and 06-85		Miscellaneous (**Pass-through from Academy of Applied Science**)	372		
UofA	12.999	885205	R&DC	Miscellaneous (**Pass-through from John Hopkins University**)	742		
UofA	12.999	Sub UM 07-04-095	R&DC	Miscellaneous (**Pass-through from University of Mississippi**)	19,833		
UofA	12.999	2-340-0210766	R&DC	Miscellaneous (**Pass-through from RTI International**)	45,673		
UofA	12.999	Sub UNDER CA W56HZV-04-2-0001	R&DC	Miscellaneous (**Pass-through from University of Michigan**)	55,150		
UofA	12.999		R&DC	Miscellaneous	418,134		
	12.999 Total				**17,303,053**		**949,316**
DEC	12.USAF Elmendorf Site cleanup			USAF Elmendorf Site Cleanup	3,534		
		U.S. Department of Defense			**47,842,759**		**1,265,098**
		U.S. Department of Housing and Urban Development					
AHFC	14.117			Mortgage Insurance - Homes	1,639,091	3, 13	
AHFC	14.182		S8PBC	Section 8 New Construction/Substantial Rehabilitation	2,303,567	10	
AHFC	14.195		S8PBC	Section 8 Housing Assistance Payments Program - Special Allocations	6,316,279	10	6,025,561
AHFC	14.227			Community Development Block Grants /Technical Assistance Program	69,917		69,354
DCCED	14.228	Community Development Block Grants		Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	2,883,677		2,722,545

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DCCED	14.231	Emergency Shelter Grants Program		Emergency Shelter Grants Program	108,201		108,201
AHFC	14.235			Supportive Housing Program	9,651		9,651
AHFC	14.238			Shelter Plus Care	503,294		503,294
AHFC	14.239			HOME Investment Partnerships Program	3,342,085		3,342,085
AHFC	14.241			Housing Opportunities for Persons with AIDS	466,593		458,858
AHFC	14.249		S8PBC	Section 8 Moderate Rehabilitation Single Room Occupancy	334,597	10	298,390
UofA	14.515			Alaska Native / Native Hawaiian Institutions Assisting Communities	2,040,219		872,572
AHFC	14.850			Public and Indian Housing	9,032,583		
AHFC	14.871			Section 8 Housing Choice Vouchers	30,428,293	3	
AHFC	14.872			Public Housing Capital Fund	2,703,676		
AHFC	14.875			Public Housing Neighborhood Networks Grants	32,736		32,736
		U.S. Department of Housing and Urban Development			**62,214,459**		**14,443,247**
		U.S. Department of Interior					
UofA	15.114			Indian Education - Higher Education Grant Program	29,473		
DFG	15.222			Cooperative Inspection Agreements With States and Tribes	19,835		
DNR	15.222			Cooperative Inspection Agreements with States and Tribes	287,001	6	
	15.222 Total				**306,836**		-
DFG	15.224			Cultural Resource Management	310		
DNR	15.224			Cultural Resource Management	1,369,773	6	94,492
UofA	15.224	G245-06-W0094	R&DC	Cultural Resource Management (**Pass-through from Montana State University**)	(13)		
UofA	15.224	1076020	R&DC	Cultural Resource Management	35,564		
UofA	15.224			Cultural Resource Management	205,642		
	15.224 Total				**1,611,276**		**94,492**
DFG	15.225			Recreation Resource Management	57,313		
UofA	15.225		R&DC	Recreation Resource Management	95,806		
	15.225 Total				**153,119**		-
DCCED	15.226	Payments in Lieu of Taxes		Payments in Lieu of Taxes	6,465,085		6,465,085
APFC	15.227	National Petroleum Reserve - Alaska special revenue fund transfer to Permanent Fund principal		Distribution of Receipts to State and Local Governments	552,270	4	
DCCED	15.227	National Petroleum Reserve Alaska Impact Mitigation		Distribution of Receipts to State and Local Governments	11,288,848		9,643,083
	15.227 Total				**11,841,118**		**9,643,083**
DNR	15.228			National Fire Plan - Wildland Urban Interface Community Fire Assistance	15,281	6	

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DFG	15.231			Fish, Wildlife and Plant Conservation Resource Management (**Pass through National Fish & Wildlife Foundation**)	57,689		
DFG	15.231			Fish, Wildlife and Plant Conservation Resource Management	96,135		
UofA	15.231		R&DC	Fish, Wildlife and Plant Conservation Resource Management	(394)		
	15.231 Total				**153,430**		-
DNR	15.250			Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	163,966	5,6	
DNR	15.252			Abandoned Mine Land Reclamation (AMLR) Program	1,493,074	6	
UofA	15.421		R&DC	Alaska Coastal Marine Institute	158,236		
UofA	15.423		R&DC	Minerals Management Service (MMS) Environmental Studies Program (ESP)	65,871		
DFG	15.605		F&WC	Sport Fish Restoration Program	17,482,178	10	177,459
ARRC	15.608	DCN 70181-3-G236		Fish and Wildlife Management Assistance	865	9	
DFG	15.608			Fish and Wildlife Management Assistance	1,018,389		
UofA	15.608		R&DC	Fish and Wildlife Management Assistance	32,326		
UofA	15.608	ALF $125,000 5/23/08		Fish and Wildlife Management Assistance (**Pass-through from National Fish & Wildlife Foundation**)	116,632		
	15.608 Total				**1,168,212**		-
DFG	15.611		F&WC	Wildlife Restoration	10,578,181	10	
DNR	15.614			Coastal Wetlands Planning, Protection, and Restoration Act	25,455		
AEA	15.615	70152-03-0007		Cooperative Endangered Species Conservation Fund	51,095		50,660
DFG	15.615			Cooperative Endangered Species Conservation Fund	115,718		
	15.615 Total				**166,813**		**50,660**
DFG	15.622			Sportfishing and Boating Safety Act	208,798		278,397
DFG	15.626			Hunter Education and Safety Program	80,000		
DFG	15.630			Coastal Program	1,122		
UofA	15.630		R&DC	Coastal Program	939		
	15.630 Total				**2,061**		-
DFG	15.631			Partners for Fish and Wildlife	1,255		
UofA	15.631		R&DC	Partners for Fish and Wildlife	9,455		
	15.631 Total				**10,710**		-
DFG	15.633			Landowner Incentive Program	71,522		
DFG	15.634			State Wildlife Grants	2,130,347		
DFG	15.636			Alaska Subsistence Management	1,894,792		
UofA	15.642		R&DC	Challenge Cost Share	24,932		
UofA	15.643		R&DC	Alaska Migratory Bird Co-Management Council	1,589		
UofA	15.650		R&DC	Research Grants (Generic)	1,247		
UofA	15.805		R&DC	Assistance to State Water Resources Research	96,892		10,750

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State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
				Institutes			
UofA	15.807		R&DC	Earthquake Hazards Reduction Program	540,952		
DNR	15.808			U.S. Geological Survey - Research and Data Collection	943,360	5,6	11,505
UofA	15.808	AV04-AK01	R&DC	U.S. Geological Survey - Research and Data Collection (**Pass-through from America View, Inc.**)	37,673		
UofA	15.808	ADN 1056014	R&DC	U.S. Geological Survey - Research and Data Collection	2,947,852		
	15.808 Total				**3,928,885**		**11,505**
DNR	15.810			National Cooperative Geologic Mapping Program	292,137	5,6	
UofA	15.811		R&DC	GAP Analysis Program	(2,730)		
UofA	15.812		R&DC	Cooperative Research Units Program	548,795		
UofA	15.900			Disposal of Surplus Wildlife	1,769		
UofA	15.900		R&DC	Disposal of Surplus Wildlife	416,420		
	15.900 Total				**418,189**		-
DNR	15.904			Historic Preservation Fund Grants-In-Aid	725,950	6	55,729
UofA	15.904		R&DC	Historic Preservation Fund Grants-in-Aid	93,693		
	15.904 Total				**819,643**		**55,729**
DNR	15.916			Outdoor Recreation - Acquisition, Development and Planning	934,824	6	517,255
DFG	15.999			Miscellaneous National Park Service	97,901		
DFG	15.999			Miscellaneous Bureau of Land Management	471,175		
DFG	15.999			Miscellaneous U.S. Fish and Wildlife Service	172,217		
DFG	15.999			Miscellaneous U.S. Fish and Wildlife Service	308,877		
DNR	15.999			Miscellaneous U.S. Fish and Wildlife Service Fire Billings	1,002		
DNR	15.999	LAPO72043		Resource Management Plans	29,084		
DOTPF	15.999	BLM-LAA 08-001		BLM partnership to develop Dalton Hwy Corridor	3,530	6	
DOTPF	15.999			National Park Service for Maintenance at Nebesna Rest Stop	7,500		
UofA	15.999	ADN1078006/45-7-0805	R&DC	Miscellaneous	1,771,416		190,271
UofA	15.999	2005-0011-036	R&DC	Miscellaneous (**Pass-through from National Fish & Wildlife Foundation**)	5,695		
UofA	15.999	MOA Dated 8-21-07	R&DC	Miscellaneous (**Pass-through from Hoonah Indian Association**)	11,784		
UofA	15.999	(PO) 0000326714-21833	R&DC	Miscellaneous (**Pass-through from Rutgers**)	32,265		
UofA	15.999	20118 Initial 2002	R&DC	Miscellaneous (**Pass-through from University of Vermont**)	42,722		
UofA	15.999	AC-299	R&DC	Miscellaneous (**Pass-through from Bering Sea Fisherman's Association**)	53,313		
UofA	15.999			Miscellaneous	1,401,323		
	15.999 Total				**4,409,804**		**190,271**
DNR	15.70HQSA0115			Digital Catalog	71		
DNR	15.1435-02-04-CA-			Onshore Compliance	207,919	6	

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	40364						
DNR	15.701815M333			Izembek Interpretation Panels	2,963		
DNR	15.701816M445	701816M445		Cabin Site Surveys	19,163		
DNR	15.701817J676			Scenic Byway Planning	12,272		
DNR	15.701817M364			Frazer Fish Pass	2,081		
DNR	15.AAI	0203ML1302		Wickersham House	51,937	5	
DNR	15.AK-C-12-L-1	AK-C-12-L-1		Portage River-Afognak Coastal Protection	713		
DNR	15.DDD	LAA-02-0005		Cadastral Project	152,240		
DNR	15.DDD	LAA-08-0002		Cadastral Project	46,941		
	15.DDD Total				**199,181**		-
DNR	15.H9807050013			Kadyak Archeology Investigation	1,422		
DNR	15.LAA040005			BLM Fire Suppression	2,204,453		
DEC	15.LAB072032			Bureau of Land Management Oversight	25,999		
DNR	15.P9911070004			NPS Planning Assistance - 07	17,469	6	
DNR	15.P9911080006			NSP Anilca Planning - 08	35,946		
DEC	15.R9917070011			National Park service Oversight	28,553		
		U.S. Department of Interior			**71,043,446**		**17,494,686**
		U.S. Department of Justice					
DHSS	16.202			Prisoner Reentry Initiative Demonstration (Offender Reentry)	66,958		
DHSS	16.523			Juvenile Accountability Block Grants	445,966		
DHSS	16.529			Education, Training and Enhanced Services to End Violence Against Women with Disabilities	(49)		
DHSS	16.540			Juvenile Justice and Delinquency Prevention - Allocation to States	627,952		222,347
DHSS	16.541			Part E - Developing, Testing and Demonstrating Promising New Programs	2,304,592		2,024,155
DOA	16.541			Part E - Developing, Testing and Demonstrating Promising New Programs	50,000		
DOR	16.541	16-2005-JL-FK (Project #) Grant ID is 16-081860		Part E - Developing, Testing and Demonstrating Promising New Programs	70,377	6	
	16.541 Total				**2,424,969**		**2,024,155**
UofA	16.542	Agrmt Dtd 5/25/05 PO39607-0169	R&DC	Part D - Research, Evaluation, Technical Assistance and Training **(Pass-through from Indiana University - Purdue University Indianapolis)**	13,332		
DPS	16.543			Missing Children's Assistance	8,555		
DHSS	16.544			Gang Free Schools and Communities - Community-Based Gang Intervention	54,558		
DHSS	16.548			Title V - Delinquency Prevention Program	147,855		75,303
UofA	16.550		R&DC	State Justice Statistics Program for Statistical Analysis Centers	57,164		
DPS	16.554			National Criminal History Improvement Program (NCHIP)	344,382		
DPS	16.560			National Institute of Justice Research, Evaluation, and	51,810		

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				Development Project Grants			
UofA	16.560		R&DC	National Institute of Justice Research, Evaluation, and Development Project Grants	200,452		77,180
	16.560 Total				**252,262**		**77,180**
DPS	16.575			Crime Victim Assistance	1,405,161		1,384,606
DOA	16.576			Crime Victim Compensation	409,791		
COURT	16.580	2005-RG-CX-1072		Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	109,369	6	
DCCED	16.580	Prescription Drug Monitoring		Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	12,818		
DPS	16.580			Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	1,606,766		
LAW	16.580	2005DDBX1154		Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	732,834		
	16.580 Total				**2,461,787**		-
COURT	16.585	2003-DC-BX-0059		Drug Court Discretionary Grant Program	44,036		
DOTPF	16.585			Drug Court Discretionary Grant Program	11,912		
DOTPF	16.585			Drug Court Discretionary Grant Program	78,089		
	16.585 Total				**134,037**		-
DPS	16.588			Violence Against Women Formula Grants	1,461,649		825,548
LAW	16.588	2005WFAX0001		Violence Against Women Formula Grants	836,127		
	16.588 Total				**2,297,776**		**825,548**
DPS	16.589			Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	207,722		201,410
COURT	16.590	2004-WE-AX-0013		Grants to Encourage Arrest Policies and Enforcement of Protection Orders	45,222		
DPS	16.590			Grants to Encourage Arrest Policies and Enforcement of Protection Orders	441,961		167,728
	16.590 Total				**487,183**		**167,728**
DOC	16.593	RSAT 08-02		Residential Substance Abuse Treatment for State Prisoners	75,325		
DPS	16.593			Residential Substance Abuse Treatment for State Prisoners	81,181		
	16.593 Total				**156,506**		-
DPS	16.609			Community Prosecution and Project Safe Neighborhoods	47,813		
DOA	16.710			Public Safety Partnership and Community Policing Grants	189,750		
DPS	16.710			Public Safety Partnership and Community Policing Grants	1,152,424		36,080
	16.710 Total				**1,342,174**		**36,080**
DHSS	16.727			Enforcing Underage Drinking	306,616		53,515

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				Laws Program			
DPS	16.728			Drug Prevention Program	139,580		
DPS	16.738			Edward Byrne Memorial Justice Assistance Grant Program	1,367,881		263,107
DPS	16.741			Forensic DNA Backlog Reduction Program	17,670		
DPS	16.742			Paul Coverdell Forensic Sciences Improvement Grant Program	92,186		
DPS	16.743			Forensic Casework DNA Backlog Reduction Program	55,292		
DMVA	16.999			Counterdrug Support Program-Asset Forfeiture	59,300		
DOC	16.999	3/6/2005		U. S. Marshall Service Cooperative Agreement Prog	53,321		
UofA	16.999			Miscellaneous	5,655		
UofA	16.999		R&DC	Miscellaneous	28,335		
	16.999 Total				**146,611**		-
DPS	16.05-2 & CY07/CY08			Marijuana Eradication	102,526		
		U.S. Department of Justice			**15,622,216**		**5,330,979**
		U.S. Department of Labor					
DLWD	17.002	850		Labor Force Statistics	663,503		
DLWD	17.005	853		Compensation and Working Conditions	79,910		
DLWD	17.203	856		Labor Certification for Alien Workers	63,977		
DLWD	17.207	858	ESC	Employment Service/Wagner-Peyser Funded Activities	7,860,416	10	
DLWD	17.225	864		Unemployment Insurance	145,411,197	3, 11	
DLWD	17.235	867		Senior Community Service Employment Program	1,751,290		1,552,875
DLWD	17.245	871		Trade Adjustment Assistance	531,595		
DLWD	17.258	881	WIAC	WIA Adult Program	2,674,334	3,10	
DLWD	17.259	882	WIAC	WIA Youth Activities	2,775,129	3,10	1,090,339
DLWD	17.260	883	WIAC	WIA Dislocated Workers	5,395,667	3,10	51,665
UofA	17.260	EN 786145	WIAC	WIA Dislocated Workers	5,643	10	
	17.260 Total				**5,401,310**		**51,665**
DLWD	17.261	884		WIA Pilots, Demonstrations, and Research Projects	1,370,648		397,662
UofA	17.261	EN 786128		WIA Pilots, Demonstrations, and Research Projects	595,766		
	17.261 Total				**1,966,414**		**397,662**
DLWD	17.266	885		Work Incentive Grants	426,267		
UofA	17.268			H-1B Job Training Grants	112,696		
UofA	17.269			Community Based Job Training Grants	53,597		34,900
DLWD	17.503	887		Occupational Safety and Health - State Program	1,380,177		
DLWD	17.504	888		Consultation Agreements	733,543		
UofA	17.600			Mine Health and Safety Grants	38,260		
DHSS	17.720			Disability Employment Policy Development	190,664		
DLWD	17.720	891		Disability Employment Policy Development	43,426		10,000
UofA	17.720	EN 680466		Disability Employment Policy Development	-		36,645
	17.720 Total				**234,090**		**46,645**
DLWD	17.801	893	ESC	Disabled Veterans' Outreach Program (DVOP)	239,923	10	
DLWD	17.804	895	ESC	Local Veterans' Employment Representative Program	271,501	10	
DLWD	17.807	897		Transition Assistance Program	61,591		

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		U.S. Department of Labor			**172,730,720**		**3,174,086**
		U.S. Department of State					
UofA	19.999			Miscellaneous	349,803		
		U.S. Department of State			**349,803**		**-**
		U.S. Department of Transportation					
DOTPF	20.106			Airport Improvement Program	201,473,877	6,19	
UofA	20.109		R&DC	Air Transportation Centers of Excellence	5,366		
UofA	20.109	61069-UAADTFACT-02-D-00037#12		Air Transportation Centers of Excellence (**Pass-through from Embry-Riddle Aeronautical University**)	123,356		
	20.109 Total				**128,722**		**-**
UofA	20.200		R&DC	Highway Research and Development Program	10,514		
DCCED	20.205	Sea Trails	HPCC	Highway Planning and Construction	97,952	10	
DOTPF	20.205		HPCC	Highway Planning and Construction	308,349,201	6,10,19	3,905,230
KABATA	20.205	PJ E 56047	HPCC	Highway Planning and Construction	3,982,736	10	
	20.205 Total				**312,429,889**		**3,905,230**
UofA	20.215			Highway Training and Education	255,023		
DOTPF	20.218			National Motor Carrier Safety	694,557	6	
DNR	20.219			Recreational Trails Program	1,043,713	5	509,903
DOTPF	20.231			Performance & Resistration Information Systems Mgmt (PRISM)	10,024	6	
DOA	20.232			Commercial Drivers License State Programs	884,860		
DOTPF	20.233			Boarder Enforcement Grants	1,259,127	6	
DOTPF	20.234			Safety Data Improvement Program	140,113	6	
DOTPF	20.235			Commercial Motor Vehicle Operator Training Grants	394,030	6	
DOTPF	20.237			Safety Data Improvement Program (SADIP)	80,630	6	
DOTPF	20.238			Commercial Drivers License Information System	242,771	6	
ARRC	20.500	AK-55-0003	FTC	Federal Transit - Capital Investment Grants	570,888	9, 10	
ARRC	20.500	AK-04-0003	FTC	Federal Transit - Capital Investment Grants	1,028,060	9, 10	
ARRC	20.500		FTC	Federal Transit - Capital Investment Grants	22,031,378	9,10	
DOTPF	20.500		FTC	Federal Transit - Capital Investment Grants	10,852,494	3, 6,10	217,953
	20.500 Total				**34,482,820**		**217,953**
DOTPF	20.505			Federal Transit - Metropolitan Planning Grants	312,193		291,527
ARRC	20.507	AK-20-X001-00	FTC	Federal Transit - Formula Grants	1,052,163	9,10	
ARRC	20.507		FTC	Federal Transit - Formula Grants	15,970,952	9,10	
	20.507 Total				**17,023,115**		
DOTPF	20.509			Formula Grants for Other Than Urbanized Areas	4,094,535	6	2,428,891
DOTPF	20.513		TSPC	Capital Assistance Program for Elderly Persons and Persons with Disabilities	657,997	6,10	657,413
DOTPF	20.514			Public Transportation Research	9,170		

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DOTPF	20.516		TSPC	Job Access - Reverse Commute	148,476	10	148,465
DOTPF	20.600		HSC	State and Community Highway Safety	1,865,353	6,10	1,045,965
DOTPF	20.601		HSC	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	385,834	6,10	238,435
DOTPF	20.602		HSC	Occupant Protection	185,436	6,10	62,679
DOTPF	20.605		HSC	Safety Incentives to Prevent Operation of Motor Vehicles By Intoxicated Persons	26,411	6,10	2,500
DOTPF	20.607			Alcohol Open Container Requirements	4,564,774		1,253,229
DOTPF	20.609		HSC	Safety Belt Performance Grants	1,055,528	10	6,483
DOTPF	20.610		HSC	State Traffic Safety Information System Improvements Grants	103,910	10	
DOTPF	20.612		HSC	Incentive Grant Program to Increase Motorcyclist Safety	35,152	10	20,427
DOTPF	20.613		HSC	Child Safety and Child Booster Seat Incentive Grants	32,483	6,10	
UofA	20.701		R&DC	University Transportation Centers Program	1,618,383		76,587
DMVA	20.703			Interagency Hazardous Materials Public Sector Training and Planning Grants	109,070		26,000
DCCED	20.930	Small Air Service		Payments for Small Community Air Service Development	4,684	4	
ARRC	20.999	DTFRDV-03-G-60040		Rail Safety and Infrastructure Improvements - 2003	12,436	3, 9	
ARRC	20.999	DTFRDV-02-G-60032		Rail Safety and Infrastructure Improvements - 2002	34,076	3, 9	
ARRC	20.999	DTFRDV53-04-G-00007		Anchorage C Street Grade Crossing - 2004	75,960	3, 9	
ARRC	20.999	DTFR53-05-G-00005		Luminescent Grade Crossing-R&D - 2005	79,839	3, 9	
ARRC	20.999	DTFRDV-05-G-00007		Rail Safety and Infrastructure Improvements - 2005	83,544	3, 9	
ARRC	20.999	DTFRDV-99-G-60005		Anchorage International Airport Rail Passenger Station - 1999	187,121	3, 9	
ARRC	20.999	DTFRDV-04-G-00005		Rail Safety and Infrastructure Improvements - 2004	281,069	3, 9	
ARRC	20.999	DTFRDV-06-G-00006		Rail Safety and Infrastructure Improvements - 2006	446,184	3, 9	
DOTPF	20.999	DTFA-04-02-X-44090		Runway End Identifier Lighting (REIL) at various airports.	(19,127)	6	
DOTPF	20.999	AK PFH 44-1(1)		Forest Highway agreement for Glacier Highway trailhead improvements	(1,764)	6	
DOTPF	20.999	AK PFH 2-1(1)		Forest Highway agreement for improvements to Coffman Cove Road	989	6	
DOTPF	20.999	DTFH70-07E-0007		Forest Highway agreement for geotechnical invest. & drilling Coffman Cove Rd, Aufeis Rd & at Metlakatla	1,192	6	
DOTPF	20.999	DTFA04-81-F-81018		Pay half of electric billed on shared meter at Kodiak Airport	17,770		
DOTPF	20.999	BRM/09/02/2004		FAA agreement to install Runway End Identifier Lights (REIL) at Ekwok airport. PJ 57882	30,676	6	

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DOTPF	20.999	DTFA04-92-89229		Prorated Share of utilities and repair/maintenance Cost FAA ARFF Deadhorse Combined Facility	69,002		
DOTPF	20.999	DTFA-04-A-00003		FAA agreement for installation of lighting at Gustavus, Kohkanok & Perryville airports.	76,097	6	
DOTPF	20.999	FHWA-AK-PRA-DENA 10(19)		Contract with Forest Highway Administration for Denali Bridges	84,400	6	
DOTPF	20.999			Contract with FHWA Office of Acquisition Management for CLARUS	114,276	6	
DOTPF	20.999	DTFAWA-26-A00009		FAA agreement to install lighting at Tuntutuliak airport	136,981	6	
DOTPF	20.999	DTFAAL-05-A-00011		FAA agreement to install lighting at Kohkanok & Kongiganak airports	199,733	6	
DOTPF	20.999	DTFAAL-05-A-00002		FAA agreement for install of Precision Approach Path Indicator (PAPI) & Runway End Identifier Lighting (REIL) at various airports	210,395	6	
DOTPF	20.999	DTFAAL-05-X-00011		FAA agreement to install lighting at King Cove & New Stuyahok airports	279,080	6	
DOTPF	20.999	DTFAWA-05-A-00009		FAA agreement to install REIL lights at Stevens Village & King Cove airports	298,518	6	
DOTPF	20.999	DTFAAL-05-X-00006		Design & construct FAA facility in Nome reimbursed by FAA through PO	464,457	6	
DOTPF	20.999	DTFAWA-06-A-00009		FAA agreement to install PAPI lights at Stuyahok airport	467,865	6	
UofA	20.999	61049 04-C-GA-ERAU 011/031/054		Miscellaneous (**Pass-through from Embry-Riddle Aeronautical University**)	(2,022)		
	20.999 Total				**3,628,747**		-
DEC	20.DTFAAL-04X-8000			Clean up Contaminated Sites in AK	50,812		
DNR	20.DTHF70-05-E-00028			Alaska Trails Initiative	1,031,837		418,218
		U.S. Department of Transportation			**590,474,570**		**11,309,905**
		<u>U.S. Department of Treasury</u>					
DEED	21.999			Jobs and Growth Tax Relief Reconciliation Act of 2003	139,147		
DOA	21.999			Jobs and Growth Tax Relief Reconciliation Act of 2002	34,917		
DPS	21.999			Jobs and Growth Tax Relief Reconciliation Act of 2002	175,139		
UofA	21.999		R&DC	Miscellaneous	612,718		
		U.S. Department of Treasury			**961,921**		-
		<u>Office of Personnel Management</u>					
UofA	27.011			Intergovernmental Personnel Act (IPA) Mobility Program	145,428		
		Office of Personnel Management			**145,428**		-
		<u>U.S. Equal Employment Opportunity Commission</u>					
OG	30.002			Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	126,750		
		U.S. Equal Employment Opportunity Commission			**126,750**		-

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State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
		U.S. General Services Administration					
DOA	39.003			Donation of Federal Surplus Personal Property	1,439,235	14	
UofA	39.009		R&DC	Federal Citizen Information Center	14,154,048		2,931
OG	39.011			Election Reform Payments	591,206		
UofA	39.999			Miscellaneous	177		
		U.S. General Services Administration			**16,184,666**		**2,931**
		Library of Congress					
DEED	42.006	17188		Library of Congress - Library Services	4,503		
		Library of Congress			**4,503**		**-**
		National Aeronautics and Space Administration					
UofA	43.001	478959	R&DC	Aerospace Education Services Program (**Pass-through from University of Washington**)	(2,072)		
UofA	43.001	Sub Z631501	R&DC	Aerospace Education Services Program (**Pass-through from University of Maryland**)	31,633		
UofA	43.001		R&DC	Aerospace Education Services Program	320,134		
	43.001 Total				**349,695**		**-**
DMVA	43.002			Technology Transfer	955,432		
UofA	43.999		R&DC	Miscellaneous	10,468,750		169,277
UofA	43.999	0000251 (Formerly) 402256-1)	R&DC	Miscellaneous (**Pass-through from University of Pittsburgh**)	(3,448)		
UofA	43.999	1541927	R&DC	Miscellaneous (**Pass-through from University of Colorado**)	(477)		
UofA	43.999	Sub 200707-E		Miscellaneous (**Pass-through from George Mason University**)	4,027		
UofA	43.999	1-0001080910	R&DC	Miscellaneous (**Pass-through from University of California, Berkeley**)	8,917		
UofA	43.999	Sub NNG06GH12G-06-002	R&DC	Miscellaneous (**Pass-through from SETI Institute**)	12,037		
UofA	43.999			Miscellaneous	18,139		
UofA	43.999	UW # 471380	R&DC	Miscellaneous (**Pass-through from University of Washington**)	18,950		
UofA	43.999	0965 G FB372	R&DC	Miscellaneous (**Pass-through from University of California, Los Angeles**)	19,705		
UofA	43.999	Z627201	R&DC	Miscellaneous (**Pass-through from University of Maryland**)	49,382		
	43.999 Total				**10,595,982**		**169,277**
		National Aeronautics and Space Administration			**11,901,109**		**169,277**
		Institute of Museum and Library Services					
UofA	45.301	Project E0802-01	R&DC	Museums for America (**Pass-through from Alaska SeaLife Center**)	10,000		
DEED	45.307	17276		21st Century Museum Professionals	51,993		
DEED	45.310	17336		Grants to States	950,133		577,903
DEED	45.312	17278		National Leadership Grants	2,837		
UofA	45.312			National Leadership Grants	96,280		
	45.312 Total				**99,117**		**-**
		Institute of Museum and Library Services			**1,111,243**		**577,903**

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		National Endowment for the Arts					
DEED	45.025	17335		Promotion of the Arts - Partnership Agreements	545,660		242,322
		National Endowment for the Arts			**545,660**		**242,322**
		National Endowment for the Humanities					
UofA	45.129	G08-0044		Promotion of the Humanities - Federal/State Partnership (**Pass-through from Alaska Humanities Forum**)	4,898		
UofA	45.149			Promotion of the Humanities - Division of Preservation and Access	73,592		
UofA	45.164			Promotion of the Humanities - Public Programs	971		
UofA	45.169			Promotion of the Humanities - Office of Digital Humanities	417		
		National Endowment for the Humanities			**79,878**		-
		National Science Foundation					
UofA	47.041		R&DC	Engineering Grants	361,482		147,859
UofA	47.049	Subaward 30891-A	R&DC	Mathematical and Physical Sciences (**Pass-through from Stanford University**)	154,610		
UofA	47.049		R&DC	Mathematical and Physical Sciences	270,891		
	47.049 Total				**425,501**		-
UofA	47.050			Geosciences	2,650,022		7,419
UofA	47.050		R&DC	Geosciences	2,567,568		16,867
UofA	47.050	Sub 20-E&O		Geosciences (**Pass-through from Incorporated Research Institutions for Seismology**)	7,350		
UofA	47.050	MBL Subcontract #10705	R&DC	Geosciences (**Pass-through from Marine Biological Laboratory**)	10,066		
UofA	47.050	UNR-02-72 PO12GC0000075	R&DC	Geosciences (**Pass-through from University of Nevada, Reno**)	12,800		
UofA	47.050	A100521	R&DC	Geosciences (**Pass-through from Woods Hole Oceanographic Institution**)	15,118		
UofA	47.050	Service Agrmnt Dated 5/15/08		Geosciences (**Pass-through from WGBH Educational Foundation**)	25,541		
UofA	47.050	892069	R&DC	Geosciences (**Pass-through from University of Washington**)	33,417		
UofA	47.050	Sub 1703-01 PO126669	R&DC	Geosciences (**Pass-through from Embry-Riddle Aeronautical University**)	102,727		
UofA	47.050	Subaward EAR-0350028-11	R&DC	Geosciences (**Pass-through from UNAVCO, Inc.**)	143,944		
UofA	47.050	59-001127	R&DC	Geosciences (**Pass-through from SRI International**)	665,668		
	47.050 Total				**6,234,221**		**24,286**
UofA	47.070		R&DC	Computer and Information Science and Engineering	595,315		9,453
UofA	47.070	1120822-184882		Computer and Information Science and Engineering (**Pass-through from Carnegie Mellon University**)	16,974		
UofA	47.070			Computer and Information Science and Engineering	81,832		
	47.070 Total				**694,121**		**9,453**
UofA	47.074		R&DC	Biological Sciences	3,075,073		221,254

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UofA	47.074	SA5573-11487, PO 1382500	R&DC	Biological Sciences (**Pass-through from University of California, Berkeley**)	31,615		
UofA	47.074			Biological Sciences	187,615		
	47.074 Total				**3,294,303**		**221,254**
UofA	47.075	420-40-46	R&DC	Social, Behavioral, and Economic Sciences (**Pass-through from Iowa State University**)	402		
UofA	47.075		R&DC	Social, Behavioral, and Economic Sciences	478,311		
	47.075 Total				**478,713**		-
DNR	47.076			Education and Human Resources	51,440	6	5,397
UofA	47.076		R&DC	Education and Human Resources	3,805,619		6,227
UofA	47.076			Education and Human Resources	1,498,565		
	47.076 Total				**5,355,624**		**11,624**
UofA	47.078			Polar Programs	1,010,071		154,155
UofA	47.078		R&DC	Polar Programs	12,237,710		471,697
UofA	47.078	Pending		Polar Programs (**Pass-through from Barrow Arctic Science Consortium**)	(17,400)		
UofA	47.078	NO. 153556	R&DC	Polar Programs (**Pass-through from University of Washington**)	457		
UofA	47.078	AGRMT BSSN-SA-4 / ARC-0634079	R&DC	Polar Programs (**Pass-through from Aleut International Association**)	3,683		
UofA	47.078	PO S115043	R&DC	Polar Programs (**Pass-through from Woods Hole Oceanographic Institution**)	6,885		
UofA	47.078	05-143C	R&DC	Polar Programs (**Pass-through from Idaho State University**)	7,331		
UofA	47.078	SPO 0000061551	R&DC	Polar Programs (**Pass-through from University of Colorado**)	10,645		
UofA	47.078	CA 08-09	R&DC	Polar Programs (**Pass-through from University of Maryland**)	13,815		
UofA	47.078	Agreement X424034	R&DC	Polar Programs (**Pass-through from University of Wisconsin-Madison**)	19,390		
UofA	47.078	Sub PZ07010	R&DC	Polar Programs (**Pass-through from University of New Hampshire**)	23,340		
UofA	47.078	SDSU SUBE0003588,E0004159	R&DC	Polar Programs (**Pass-through from San Diego State University**)	30,122		
UofA	47.078	3872	R&DC	Polar Programs (**Pass-through from University of Delaware**)	30,439		
UofA	47.078	ARCUS Contract 8.26.04	R&DC	Polar Programs (**Pass-through from Arctic Research Consortium of the U.S.**)	52,410		
	47.078 Total				**13,428,898**		**625,852**
UofA	47.079		R&DC	International Science and Engineering (OISE)	489,770		
UofA	47.999		R&DC	Miscellaneous	385,233		27,794
UofA	47.999	Agreement Dated 7/24/2006		Miscellaneous (**Pass-through from Bristol Bay Native Association**)	17,278		
	47.999 Total				**402,511**		**27,794**
		National Science Foundation			**31,165,144**		**1,068,122**

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		U.S. Small Business Administration					
UofA	59.009			Procurement Assistance to Small Businesses	154,008		
UofA	59.037			Small Business Development Centers	488,491		
		U.S. Small Business Administration			**642,499**		-
		U.S. Department of Veterans Affairs					
DHSS	64.022			Veterans Home Based Primary Care	1,918		
AHFC	64.114			Veterans Housing - Guaranteed and Insured Loans	1,496,877	3, 13	
DMVA	64.999			State Approving Agency	97,200		
		U.S. Department of Veterans Affairs			**1,595,995**		-
		U.S. Environmental Protection Agency					
AEA	66.034	XA-960429-01		Surveys Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	35,089	5	
DEC	66.034			Surveys Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	234,196		
	66.034 Total				**269,285**		-
AEA	66.202	EM-833233-01		Congressionally Mandated Projects	607,752		599,095
DCCED	66.202	Rural Utility Business Advisor		Congressionally Mandated Projects	2,070,295		141,679
DEC	66.202			Congressionally Mandated Projects	40,600,867	3	2,146,701
UofA	66.202	Subaward		Congressionally Mandated Projects (**Pass-through from Alaska Native Tribal Health Consortium**)	51,089		
UofA	66.202	PO 600663	R&DC	Congressionally Mandated Projects (**Pass-through from Fairbanks North Star Borough**)	80,233		
UofA	66.202			Congressionally Mandated Projects	180,495		
UofA	66.202			Congressionally Mandated Projects	180,682		
	66.202 Total				**43,771,413**		**2,887,475**
DEC	66.419			Water Pollution Control State, Interstate and Tribal Program Support	122,471		
DEC	66.432			State Public Water System Supervision	2,258,317		
DOA	66.433			State Underground Water Source Protection	127,217		
DEC	66.436			Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act	61,174		
DEC	66.454			Water Quality Management Planning	99,965		
DEC	66.458			Capitalization Grants for Clean Water State Revolving Funds	9,070,438	3, 17	8,758,766
DFG	66.461			Regional Wetland Program Development Grants	57,985		

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DEC	66.467			Wastewater Operator Training Grant Program (Technical Assistance)	14,788		
DEC	66.468			Capitalization Grants for Drinking Water State Revolving Fund	17,203,850	3, 18	14,892,293
DEC	66.471			State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	211,340		
DEC	66.472			Beach Monitoring and Notification Program Implementation Grants	175,858		30,976
DEC	66.474			Water Protection Grants to the States	149,654		
DEC	66.511			Office of Research and Development Consolidated Research / Training / Fellowships	568,726		
UofA	66.514			Science to Achieve Results (STAR) Fellowship Program	16,229		
DEC	66.605			Performance Partnership Grants	4,561,957		317,425
UofA	66.605	Subaward Dtd 9/27/2007	R&DC	Performance Partnership Grants (**Pass-through from Bristol Bay Native Association**)	11,609		
	66.605 Total				**4,573,566**		**317,425**
DEC	66.608			Environmental Information Exchange Network Grant Program and Related Assistance	190,617		
UofA	66.610			Surveys, Studies, Investigations and Special Purpose Grants Within the Office of the Administrator	3,550		
DEC	66.700			Consolidated Pesticide Enforcement Cooperative Agreements	278,572		
UofA	66.708			Pollution Prevention Grants Program	9,686		1,512
DEC	66.804			State and Tribal Underground Storage Tanks Program	199,870		
DEC	66.805			Leaking Underground Storage Tank Trust Fund Program	338,113		
DEC	66.809			Superfund State and Indian Tribe Core Program Cooperative Agreements	157,169		
DEC	66.817			State and Tribal Response Program Grants	511,461		
UofA	66.999			Miscellaneous	110,282		62,097
UofA	66.999	Award Dtd 05/25/2007	R&DC	Miscellaneous (**Pass-through from UNGA Tribal Council**)	9,090		
	66.999 Total				**119,372**		**62,097**
DEC	66.LUST Trust Cost Recovery			LUST Trust Cost Recovery	133,827		
		U.S. Environmental Protection Agency			**80,694,513**		**26,950,544**
		U.S. Department of Energy					
AEA	81.041	DE-FG51-05RO21604		State Energy Program	182,000		23,658
AEA	81.041	F07-52105-001		State Energy Program	27,627	26	
AHFC	81.041			State Energy Program	229,948	12	
	81.041 Total				**439,575**		**23,658**

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AHFC	81.042			Weatherization Assistance for Low-Income Persons	1,620,518		1,368,878
AEA	81.079	DE-FG36-05GO85001		Regional Biomass Energy Programs	198,000	5	198,000
AEA	81.079	DE-FG36-02RO21317		Regional Biomass Energy Programs	41,899	5	
	81.079 Total				**239,899**		**198,000**
AEA	81.087	DE-FG36-05GO85038		Renewable Energy Research and Development	661,637	3, 5	563,526
AEA	81.087	DE-AC36-99GO10337		Renewable Energy Research and Development	48,673	3	
	81.087 Total				**710,310**		**563,526**
UofA	81.089			Fossil Energy Research and Development	7,066		
UofA	81.089		R&DC	Fossil Energy Research and Development	166,452		
	81.089 Total				**173,518**		**-**
UofA	81.113	UM03-02-074	R&DC	Defense Nuclear Nonproliferation Research (**Pass-through from University of Mississippi**)	96,760		
AEA	81.117	DE-FG3604R021600		Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	25,470	5	
AEA	81.117	DE-FG3604GO46015		Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	1,299		
	81.117 Total				**26,769**		**-**
UofA	81.999		R&DC	Miscellaneous	2,381,412		137,742
UofA	81.999	Agreement 234041A	R&DC	Miscellaneous (**Pass-through from University of Oregon**)	(223)		
UofA	81.999			Miscellaneous	10,897		
UofA	81.999	109081 G002315		Miscellaneous (**Pass-through from Washington State University**)	20,999		
	81.999 Total				**2,413,085**		**137,742**
		U.S. Department of Energy			**5,720,434**		**2,291,804**
		U.S. Department of Education					
DLWD	84.002	813/PR87846		Adult Education - Basic Grants to States	1,068,919		660,901
UofA	84.007		SFAC	Federal Supplemental Educational Opportunity Grants	620,170	3, 10	
DEED	84.010	17126		Title I Grants to Local Educational Agencies	33,266,855	3	32,771,168
DEED	84.011	17127		Migrant Education - State Grant Program	6,921,547		6,298,228
DEED	84.013	17129		Title I Program for Neglected and Delinquent Children	246,141		242,885
DEED	84.027	17232	SEC	Special Education - Grants to States	31,869,801	3, 10	29,036,302
UofA	84.031			Higher Education - Institutional Aid	4,695,910	3	
ASLC	84.032		SFAC	Federal Family Education Loans	1,689,041	3,10,21	
UofA	84.032		SFAC	Federal Family Education Loans	45,869,030	3, 10	
	84.032 Total				**47,558,071**		**-**
UofA	84.033		SFAC	Federal Work - Study Program	651,498	3, 10	

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DEED	84.041	17238		Impact Aid	27,601,133		
UofA	84.042		TRIOC	TRIO - Student Support Services	648,423	10	
UofA	84.044		TRIOC	TRIO - Talent Search	665,544	10	
UofA	84.047		TRIOC	TRIO - Upward Bound	1,394,417	10	166,574
DEED	84.048	17244		Career and Technical Education - Basic Grants to States	3,057,568		2,554,321
UofA	84.048	ADN 580522		Career and Technical Education - Basic Grants to States	-		20,000
	84.048 Total				**3,057,568**		**2,574,321**
DLWD	84.063	815	SFAC	Federal Pell Grant Program	214,440	10	
UofA	84.063		SFAC	Federal Pell Grant Program	9,847,651	3, 10	
	84.063 Total				**10,062,091**		-
UofA	84.066		TRIOC	TRIO - Educational Opportunity Centers	462,686	10	
UofA	84.116			Fund for the Improvement of Postsecondary Education	104,276		
DLWD	84.126	819		Rehabilitation Services - Vocational Rehabilitation Grants to States	9,216,747		136,627
DEED	84.161	17152		Rehabilitation Services - Client Assistance Program	117,883		
DLWD	84.169	823		Independent Living - State Grants	361,443		353,495
DEED	84.173	17242	SEC	Special Education - Preschool Grants	1,135,708	3, 10	1,024,431
DLWD	84.177	827		Rehabilitation Services - Independent Living Services for Older Individuals who are Blind	258,095		255,635
DHSS	84.181			Special Education - Grants for Infants and Families	2,365,045		1,365,275
DEED	84.185	17254		Byrd Honors Scholarships	93,000		
DEED	84.186	17255		Safe and Drug-Free Schools and Communities - State Grants	1,575,638		1,477,779
DLWD	84.187	830		Supported Employment Services for Individuals with Significant Disabilities	264,348		
DEED	84.196	17257		Education for Homeless Children and Youth	137,976		117,569
DEED	84.213	17264		Even Start - State Educational Agencies	340,846		309,475
DEED	84.215	17231		Fund for the Improvement of Education	39,280		
UofA	84.215			Fund for the Improvement of Education	216,827		5,764
	84.215 Total				**256,107**		**5,764**
DLWD	84.224	834		Assistive Technology	383,335		325,200
DEED	84.243	17246		Tech-Prep Education	198,420		
DLWD	84.265	836		Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	25,118		
DEED	84.282	17247		Charter Schools	1,143,250		1,138,926
DEED	84.287	17271		Twenty-first Century Community Learning Centers	4,575,844		4,448,470
DEED	84.298	17267		State Grants for Innovative Programs	568,632		555,073
UofA	84.299			Miscellaneous	42,085		
UofA	84.305			Education Research, Development and Dissemination	250,427		
UofA	84.306		R&DC	National Institute on the Education of At-Risk Students	(323)		

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DEED	84.318	17241		Education Technology State Grants	1,810,132		1,734,086
DEED	84.323	17159		Special Education - State Personnel Development	746,863		23,256
UofA	84.325			Special Education - Personnel Development to Improve Services and Results for Children With Disabilities	251,441		24,868
DEED	84.330	17122		Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	8,798		
UofA	84.330	Agmt Dated 3/30/06 Amendment 1	R&DC	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants) **(Pass-through from Anchorage School District)**	23,741		
	84.330 Total				**32,539**		-
DOC	84.331	V331A010032		Grants to States for Incarcerated Youth Offenders	48,946		
DEED	84.332	17256		Comprehensive School Reform Demonstration	12,220		12,082
UofA	84.333			Demonstration Projects to Ensure Students With Disabilities Receive a Higher Education	209,229		
UofA	84.336			Teacher Quality Enhancement Grants	1,879,653		237,426
DEED	84.350	17164		Transition to Teaching	118,785		
UofA	84.350			Transition to Teaching	12,553		
	84.350 Total				**131,338**		-
UofA	84.356			Alaska Native Educational Programs	4,628,057	3	250,531
UofA	84.356	Prof Svcs Agmt Dtd 4/21/08	R&DC	Alaska Native Educational Programs **(Pass-through from Alaska Pacific University)**	853	3	
UofA	84.356	Amended PO 100-ISER-06	R&DC	Alaska Native Educational Programs **(Pass-through from Association of Alaska School Boards)**	8,599	3	
UofA	84.356	MOA Dated 3/27/2006		Alaska Native Educational Programs **(Pass-through from Project GRAD Kenai Peninsula)**	15,777	3	
UofA	84.356	Subaward Dtd 4/9/05 Amend #4	R&DC	Alaska Native Educational Programs **(Pass-through from Copper River Native Association)**	29,395	3	
UofA	84.356	MOA 11-30-06		Alaska Native Educational Programs **(Pass-through from Doyon Foundation)**	56,523	3	
	84.356 Total				**4,739,204**		**250,531**
DEED	84.357	17273		Reading First State Grants	2,316,463		1,827,893
DEED	84.358	17373		Rural Education	32,704		
DEED	84.365	17175		English Language Acquisition Grants	846,223		785,690
DEED	84.366	17252		Mathematics and Science Partnerships	23,724		
UofA	84.366	Pending GI 06-118		Mathematics and Science Partnerships	-		46,001
	84.366 Total				**23,724**		**46,001**
DEED	84.367	17172		Improving Teacher Quality State Grants	14,312,122		13,466,367

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DEED	84.369	17171		Grants for State Assessments and Related Activities	4,177,633		
DEED	84.372	17274		Statewide Data Systems	1,438,616		
UofA	84.375		SFAC	Academic Competitiveness Grants	86,550	3, 10	
UofA	84.376		SFAC	National Science and Mathematics Access to Retain Talent (SMART) Grants	205,201	3, 10	
DEED	84.377	17165		School Improvement Grants	6,466		1,066
DEED	84.999	17300		Consolidated Programs IASA Admin	940,940		
UofA	84.999	Svc Agrmt Dtd 12/19/2007	R&DC	Miscellaneous (**Pass-through from Anchorage School District**)	50,385		
UofA	84.999	Agreement 06/2006 Amend 1/08	R&DC	Miscellaneous (**Pass-through from Alaska Humanities Forum**)	57,509		
UofA	84.999	92-AK01		Miscellaneous (**Pass-through from National Writing Project Corporation**)	86,034		
	84.999 Total				**1,134,868**		-
DEC	81.DE-FG01-06LM00075			Amchitka Oversight Monitoring	35,655		
DOC	84.002A	V002A070002		Adult Basis Education/ (ABE/GED)	40,000		
ACPE	84.069A	N069A070002		Leveraging Educational Assistance Partnership Program	48,399	25	
ACPE	84.069B	N069B070001		Special Leveraging Educational Assistance Partnership Program	62,984	25	
		U.S. Department of Education			**228,833,847**		**101,673,364**
		National Archives and Records Administration					
DEED	89.003	17141		National Historical Publications and Records Grants	3,825		
UofA	89.003	Agreement Dated 08/09/2005		National Historical Publications and Records Grants (**Pass-through from Whitworth College**)	(129)		
		National Archives and Records Administration			**3,696**		-
		Denali Commission					
AEA	90.100	Various		Denali Commission Program	17,737,490	3	13,697,354
AEA	90.100	DC-2006-T1		Denali Commission Program	240,825	3	
AHFC	90.100			Denali Commission Program	12,911,615		12,808,407
DCCED	90.100	Accelerated Infrastructure		Denali Commission Program	150,990	4	204,500
DCCED	90.100	Mini Grant		Denali Commission Program	359,427		326,720
DCCED	90.100	Multi-Use Facilities		Denali Commission Program	1,311,320		1,303,033
DEC	90.100			Denali Commission Program	617,103		
DHSS	90.100			Denali Commission Program	5,239,127		5,245,138
DLWD	90.100	842		Denali Commission Program	3,723,220		2,912,240
DOTPF	90.100			Denali Commission Program	1,499,974	6	
UofA	90.100	ADN 780101 EN786121		Denali Commission Program	360,381		59,232
UofA	90.100	Letter Award 10/31/05		Denali Commission Program (**Pass-through from Corporation For Public Broadcasting**)	5,339		
UofA	90.100		R&DC	Denali Commission Program	30,238		
		Denali Commission			**44,187,049**		**36,556,624**
		Election Assistance Commission					

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State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
OG	90.401			Help America Vote Act Requirements Payments	964,416		
		Election Assistance Commission			**964,416**		-
		U.S. Department of Health and Human Services					
DHSS	93.009			Compassion Capital Fund	219,682		92,966
DHSS	93.041			Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	(60,253)		
DHSS	93.042			Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	74,395		
DHSS	93.043			Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	41,494		34,331
DHSS	93.044		AC	Special Program for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	1,108,003	10	1,702,847
DHSS	93.045		AC	Special Program for the Aging - Title III, Part C - Nutrition Services	2,897,607	10	2,666,409
AHFC	93.048			Special Programs for the Aging - Title IV - and Title II - Discretionary Projects	113,773		113,773
DHSS	93.048			Special Program for the Aging - Title IV and Title II - Discretionary Projects	132,301		5,800
UofA	93.048		R&DC	Special Programs for the Aging - Title IV - and Title II - Discretionary Projects	258,965		
	93.048 Total				**505,039**		**119,573**
DHSS	93.052			National Family Caregiver Support, Title III, Part E	614,835		765,530
DHSS	93.053		AC	Nutrition Services Incentive Program	435,381	10	
DHSS	93.069			Public Health Emergency Preparedness	4,685,322		1,239,391
DHSS	93.110			Maternal and Child Health Federal Consolidated Programs	313,292		
UofA	93.110			Maternal and Child Health Federal Consolidated Programs	79,671		10,559
UofA	93.110	PO Y432109 MOD 3	R&DC	Maternal and Child Health Federal Consolidated Programs (**Pass-through from University of Arizona Tucson**)	9,650		
UofA	93.110	Agreement 228		Maternal and Child Health Federal Consolidated Programs (**Pass-through from Children's Hospital Los Angeles**)	31,021		
	93.110 Total				**433,634**		**10,559**
DHSS	93.116			Project Grants and Cooperative Agreements for Tuberculosis Control Programs	451,380		28,125
DHSS	93.127			Emergency Medical Services for Children	107,184		

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State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
DHSS	93.130			Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	538,959		
DHSS	93.136			Injury Prevention and Control Research and State and Community Based Programs	200,341		
DPS	93.136			Injury Prevention and Control Research and State and Community Based Programs	-		59,037
	93.136 Total				**200,341**		**59,037**
DHSS	93.150			Projects for Assistance in Transition from Homelessness (PATH)	407,614		300,000
UofA	93.178			Nursing Workforce Diversity	212,727		
DHSS	93.193			Urban Indian Health Services	101,793		
DEC	93.210			Tribal Self-Governance Program: Planning and Negotiation Cooperative Agreements and IHS Compacts/Funding Agreements (**Pass-through from ANTHC**)	3,197,189		
DHSS	93.217			Family Planning - Services	448,628		88,525
UofA	93.226		R&DC	Research on Healthcare Costs, Quality and Outcomes	19,829		
DPS	93.228			Indian Health Service - Health Management Development Program	3,716,550		3,684,110
DHSS	93.230			Consolidated Knowledge Development and Application (KDandA) Program	343,454		
DHSS	93.234			Traumatic Brain Injury State Demonstration Grant Program	97,121		
DHSS	93.235			Abstinence Education Program	24,061		
DHSS	93.238			Cooperative Agreement for State Treatment Outcomes and Performance Pilot Studies Enchancement	1,814		
DHSS	93.240			State Capacity Building	290,665		
DHSS	93.241			State Rural Hospital Flexibility Program	509,659		4,949
UofA	93.242		R&DC	Mental Health Research Grants	1,290,757		145,760
DHSS	93.243			Substance Abuse and Mental Health Services - Projects of Regional and National Significance	258,834		
UofA	93.247	Sub GSONO0130A B Amend 2	R&DC	Advanced Education Nursing Grant Program (**Pass-through from Oregon Health & Science University**)	63		
DHSS	93.251			Universal Newborn Hearing Screening	174,663		
DHSS	93.256			State Planning Grants Health Care Access for the Uninsured	138,890		
DHSS	93.259			Rural Access to Emergency Devices Grant	5,902		
DHSS	93.268			Immunization Grants	12,899,097	23	91,300
UofA	93.273		R&DC	Alcohol Research Programs	279,478		

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State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
UofA	93.279	Sub 320020-1R01DA015966-01A2	R&DC	Drug Abuse and Addiction Research Programs (**Pass-through from Pacific Institute for Research and Evaluation Louisville Center**)	33,793		
UofA	93.279		R&DC	Drug Abuse and Addiction Research Programs	422,243		
	93.279 Total				**456,036**		-
DHSS	93.283			Centers for Disease Control and Prevention: Investigations and Technical Assistance	6,592,041		83,878
UofA	93.283	U58/CCU024463		Centers for Disease Control and Prevention - Investigations and Technical Assistance (**Pass-through from Southeast Alaska Regional Health Consortium**)	2,180		
UofA	93.283	EN 0680483		Centers for Disease Control and Prevention - Investigations and Technical Assistance	293,912		
	93.283 Total				**6,888,133**		**83,878**
UofA	93.300		R&DC	National Center for Health Workforce Analysis	14,153		
DHSS	93.301			Small Rural Hospital Improvement Grant Program	146,301		
UofA	93.307		R&DC	Minority Health and Health Disparities Research	640,763		
UofA	93.358			Advanced Education Nursing Traineeships	7,200		
UofA	93.389		R&DC	National Center for Research Resources	5,693,817		3,156
DHSS	93.556			Promoting Safe and Stable Families	1,032,176		1,339,449
DHSS	93.558			Temporary Assistance for Needy Families	25,833,452	3	
DLWD	93.558	PR89832/88806		Temporary Assistance for Needy Families	3,470,190		
	93.558 Total				**29,303,642**		-
DOR	93.563			Child Support Enforcement	16,456,970	3,6	
AHFC	93.568			Low-Income Home Energy Assistance	301,437	3,4	301,437
DHSS	93.568			Low-Income Home Energy Assistance	11,304,890	3	
	93.568 Total				**11,606,327**		**301,437**
DCCED	93.569	Community Services Block Grant		Community Services Block Grant	2,435,073		2,317,041
DHSS	93.575		CCC	Child Care and Development Block Grant	14,864,528	10	6,161,846
COURT	93.586	G-0501AKSCIP		State Court Improvement Program	18,465		
COURT	93.586	0701AKSCID		State Court Improvement Program	25,600	6	
COURT	93.586	G-0601AKSCIP		State Court Improvement Program	46,070	6	
COURT	93.586	0601AKSCID		State Court Improvement Program	66,604	6	
COURT	93.586	0601AKSCIT		State Court Improvement Program	84,473	6	
	93.586 Total				**241,212**		-
UofA	93.587	Contract Dated 12/5/07	R&DC	Promote the Survival and Continuing Vitality of Native American Languages (**Pass-through from Kenaitze Indian Tribe IRA**)	26,802		

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State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
DHSS	93.590			Community-Based Child Abuse Prevention Grants	183,510		170,761
DHSS	93.596		CCC	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	4,229,745	10	
DOR	93.597			Grants to States for Access and Visitation Programs	151,306	6	
DHSS	93.599			Chafee Education and Training Vouchers Program (ETV)	134,153		
DEED	93.600	17330		Head Start	116,653		8,350
OG	93.617			Voting Access for Individuals with Disabilities Grants to States	43,775		
DHSS	93.630			Developmental Disabilities Basic Support and Advocacy Grants	499,939		
UofA	93.632			University Centers for Excellence in Developmental Disabilities Education, Research, and Service	475,840		
DHSS	93.643			Children's Justice Grants to States	112,644		
DHSS	93.645			Child Welfare Services - State Grants	313,148		310,635
UofA	93.648			Child Welfare Services Training Grants	71,930		
DHSS	93.658			Foster Care - Title IV-E	12,363,725		
DHSS	93.659			Adoption Assistance	8,184,396	3	1,152,577
DHSS	93.667			Social Services Block Grant	8,883,365		606,275
DHSS	93.669			Child Abuse and Neglect State Grants	143,380		
DHSS	93.670			Child Abuse and Neglect Discretionary Activities	40,563		
DPS	93.671			Family Violence Prevention and Services/Grants for Battered Women's Shelters Grants to States and Indian Tribes	711,572		691,816
DHSS	93.674			Chafee Foster Care Independence Program	402,271		90,278
DHSS	93.767			State Children's Insurance Program	14,634,662	3	
DHSS	93.768			Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities	272,902		
DHSS	93.773			Medicare - Hospital Insurance	692,801	10	
LAW	93.775	0701AK5050	MC	State Medicaid Fraud Control Units	107,350	3, 5,10	
LAW	93.775	0801AK5050	MC	State Medicaid Fraud Control Units	408,986	3, 5,10	
	93.775 Total				**516,336**		-
DHSS	93.777		MC	State Survey and Certification of Health Care Providers and Suppliers	247,820	3, 10	
DHSS	93.778		MC	Medical Assistance Program	636,703,405	3,10,20	514,232
AHFC	93.779			Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	51,815		49,934
DHSS	93.779			Centers for Medicare and Medicaid Service (CMS) Research, Demonstrations and Evaluations	1,424,347		2,100
	93.779 Total				**1,476,162**		**52,034**

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State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
DHSS	93.789			Alternatives to Psychiatric Residential Treatment Facilities for Children	(2,351)		
UofA	93.822			Health Careers Opportunity Program	1,100		
UofA	93.824			Basic / Core Area Health Education Centers	1,001,662		800,485
UofA	93.837	938G Subaward Mod #1	R&DC	Cardiovascular Diseases Research (**Pass-through from MedStar Research Institute**)	(1,059)		
UofA	93.837		R&DC	Cardiovascular Diseases Research	133,918		
	93.837 Total				**132,859**		-
UofA	93.848		R&DC	Digestive Diseases and Nutrition Research	379,276		33,270
UofA	93.849	8018-TGF004134-01 Agrmt 210	R&DC	Kidney Diseases, Urology and Hematology Research (**Pass-through from Children's Hospital Los Angeles**)	1,080		
UofA	93.853		R&DC	Extramural Research Programs in the Neurosciences and Neurological Disorders	203,784		
UofA	93.859		R&DC	Biomedical Research and Research Training	2,270		
DHSS	93.887			Health Care and Other Facilities	51,682		
DHSS	93.888			Specially Selected Health Projects	50,580		
UofA	93.888			Specially Selected Health Projects	58,320		
UofA	93.888		R&DC	Specially Selected Health Projects	103,884		
	93.888 Total				**212,784**		-
DHSS	93.889			National Bioterrorism Hospital Preparedness Program	2,145,913		1,913,726
DHSS	93.912			Rural Health Care Services Outreach and Rural Health Network Development Program (**Pass thru from University of Washington**)	-		4,949
UofA	93.912	PO 76643 Amendment 1	R&DC	Rural Health Care Services Outreach and Rural Health Network Development Program (**Pass-through from Southeast Alaska Regional Health Consortium**)	138,801		
DHSS	93.913			Grants to States for Operation of Office of Rural Health	153,325		
DHSS	93.917			HIV Care Formula Grants	1,216,475		419,852
UofA	93.928	ANTHC-03-U-6877 MOD 009	R&DC	Special Projects of National Significance (**Pass-through from Alaska Native Tribal Health Consortium**)	(23,980)		
DEED	93.938	17308		Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	177,894		
DHSS	93.940			HIV Prevention Activities - Health Department Based	1,335,566		613,405

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State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
DHSS	93.944			Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	110,126		
DHSS	93.945			Assistance Programs for Chronic Disease Prevention and Control	143,560		
DHSS	93.946			Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	184,535		
DHSS	93.952			Trauma Care Systems Planning and Development	7,975		
DHSS	93.958			Block Grants for Community Mental Health Services	680,547		431,163
DHSS	93.959			Block Grants for Prevention and Treatment of Substance Abuse	4,125,335		4,307,061
UofA	93.969			Block Grants for Prevention and Treatment of Substance Abuse	277,143		
DHSS	93.977			Preventive Health Services - Sexually Transmitted Diseases Control Grants	617,157		
DHSS	93.988			Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	413,737		28,229
DHSS	93.991			Preventive Health and Health Services Block Grant	308,653		
DHSS	93.994			Maternal and Child Health Services Block Grant to the States	1,171,118		19,525
UofA	93.999			Miscellaneous	(800)		
UofA	93.999	258-070-2-1-12	R&DC	Miscellaneous (**Pass-through from Fairbanks Native Association**)	39,882		
UofA	93.999		R&DC	Miscellaneous	98,228		
UofA	93.999	1935 S JB147	R&DC	Miscellaneous (**Pass-through from UCLA School of Public Health**)	854,512		
	93.999 Total				**991,822**		-
DHSS	93.030178D4D-CDC			Adult Lead Surveillance Data	4,013		
DHSS	93.03-HHSH2502004360			Frontier Extended Stay	72,957		
DHSS	93.200-2000-07201			NCHS Contract	217,424		
DHSS	93.230-BHPR-034(03)			National Health Services Corp - Student/Resident Experiences and Rotations in Community Health (SEARCH)	108,384		
DHSS	93.243-03-1045			NIOSH Trauma Registry	117,800		
DEC	93.HHSF22320064005 3C			FDA Food Inspections	165		
DEC	93.HHSF22320074005 6C			FDA Inspections	399,137		
		U.S. Department of Health and Human Services			**835,170,655**		**33,408,842**
		U.S. Corporation for National and Community Service					
DCCED	94.003	Administration		State Commissions	227,500		
DCCED	94.004	Learn & Serve Formula		Learn and Serve America - School and Community Based Programs	43,412		23,498
UofA	94.005	Sub 00001316		Learn and Serve America - Higher Education (**Pass-through from Princeton**	4,365		

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State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
				University)			
DCCED	94.006	Formula/Competitive		AmeriCorps	1,449,377		1,449,377
DCCED	94.007	Education/Disability		Planning and Program Development Grants	29,189		10,756
DCCED	94.009	Program Development and Training		Training and Technical Assistance	80,556		43,096
UofA	94.013			Volunteers in Service to America	3,578		
		U.S. Corporation for National and Community Service			**1,837,977**		**1,526,727**
		Social Security Administration					
DLWD	96.001	844	DISSIC	Social Security - Disability Insurance	3,900,682	10	
DLWD	96.006	845	DISSIC	Supplemental Security Income	294,249	10	
UofA	96.008			Social Security - Work Incentives Planning and Assistance Program	72,961		
		Social Security Administration			**4,267,892**		**-**
		U.S. Department of Homeland Security					
DNR	97.012			Boating Safety Financial Assistance	727,216	5,6	
DNR	97.013			State Access to the Oil Spill Liability Trust Fund	4,226		
DMVA	97.017			Pre-Disaster Mitigation Competitive Grants	1,198,543		980,069
DCCED	97.023	Community Assistance Program		Community Assistance Program State Support Services Element	56,951		
DMVA	97.026			Emergency Management Institute - Training Assistance	17,699		
DCCED	97.029	Flood Mitigation Assistance		Flood Mitigation Assistance	12,793		12,793
DMVA	97.036			Disaster Grants - Public Assistance (Presidentially Declared Disasters)	11,057,767		6,966,782
DMVA	97.039			Hazard Mitigation Grant	1,653,709		1,445,022
DNR	97.041			National Dam Safety Program	2,492		
DMVA	97.042			Emergency Management Performance Grants	1,961,135		532,745
DPS	97.043			State Fire Training Systems Grants	11,201		
DPS	97.044			Assistance to Firefighters Grant	631,381		
DCCED	97.045	Cooperating Technical Partners		Cooperating Technical Partners	1,042		
3DNR	97.046			Fire Management Assistance Grant	1,011,142		
DMVA	97.053		HLSC	Citizen Corps	145,524	3, 10	102,429
DOTPF	97.056			Port Security Grant Program	22,442	6	
DOTPF	97.056			Port Security Grant Program	425,280	6	
	97.056 Total				**447,722**		**-**
DOTPF	97.067		HLSC	Homeland Security Grant Program	636,922	3, 10	
DCCED	97.070	Map Modernization		Map Modernization Management Support	56,946		
DMVA	97.071		HLSC	Metropolitan Medical Response System	640,573	3, 10	639,649
DOTPF	97.072			National Explosives Detection Canine Team Program	150,000		
DMVA	97.073		HLSC	State Homeland Security Program (SHSP)	6,389,250	3, 10	6,003,500

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State Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
DMVA	97.074		HLSC	Law Enforcement Terrorism Prevention Program (LETPP)	3,167,033	3, 10	2,349,156
DMVA	97.075			Rail and Transit Security Grant Program	71,392		
ARRC	97.078	HSES-0961079		Buffer Zone Protection Program (BZPP)	16,836	9	
DMVA	97.078			Buffer Zone Protection Program (BZPP)	79,000		59,693
	97.078 Total				**95,836**		**59,693**
DFG	97.999			Miscellaneous Homeland Security	4,251		
		U.S. Department of Homeland Security			**30,152,746**		**19,091,838**
		U.S. Agency for International Development					
UofA	98.001	280/000-08-1146	R&DC	USAID Foreign Assistance for Programs Overseas (**Pass-through from University Of Maryland - College Park**)	8,049		
UofA	98.012	FY08-AR03-U-ALASKA-01		USAID Development Partnerships for University Cooperation and Development (**Pass-through from International Research Exchange Board**)	162,670		
UofA	USAID	65338	R&DC	USAID (**Pass-through from University Of Hawaii**)	53		
UofA	USAID			USAID	146,467		
	USAID Total				**146,520**		**-**
		U.S. Agency for International Development			**317,239**		**-**
		Total Federal Financial Assistance			**2,543,942,318**		**345,213,965**

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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Note 1: Purpose of the Schedule

The federal Office of Management and Budget (OMB) Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations* requires a schedule of expenditures of federal awards showing total federal financial assistance for the period covered in the financial statements. Each federal financial assistance program must be identified as it is in the *Catalog of Federal Domestic Assistance* (CFDA) and its CFDA number. When CFDA information is not available, another federal identifying number must be used.

Note 2: Significant Accounting Policies

A. Reporting Entity - The accompanying schedule includes the federal financial assistance programs administered by the State of Alaska for the fiscal year ended June 30, 2008.

B. Basis of Presentation - The accompanying schedule presents expenditures of federal awards for each federal financial assistance program in accordance with OMB Circular A-133. Federal program titles are reported as presented in the CFDA whenever possible.

As defined in OMB Circular A-133, federal financial assistance means assistance provided by a federal agency in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, or direct appropriations. However, it does not include direct federal cash assistance to individuals. Federal financial assistance includes awards received directly from federal agencies, or indirectly through other units of state and local government and private nonprofit agencies.

This schedule identifies federal financial assistance with the state agency that uses the federal assistance directly for the federal program's purpose. Sometimes a state (requesting) agency passes federal assistance through to another (servicing) state agency using a reimbursable services agreement. When this has occurred, the requesting agency's financial assistance reported on this schedule does not include amounts passed through to the servicing agency (see Note 4).

Note 3: Major Federal Programs

The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the criteria to be used by the auditor in determining the major federal programs. For the fiscal year ended June 30, 2008, using the A-133 criteria, the State of Alaska has 35 major federal programs. The major federal programs are identified on the Schedule of Findings and Questioned Costs in Section II.

Note 4: Federal Pass-through Funds

Federal financial assistance passed through from another State of Alaska agency (see Note 2 B).

Note 5: State Match

The exact amount of federal financial assistance cannot be readily determined for this federal program. The expenditures amount includes state matching dollars and overmatch, if any.

Note 6: Indirect Costs

Expenditure amounts include indirect costs recovered.

Note 7: Food Stamps

Food Stamps - At fiscal year end, June 30, 2008, food stamp inventory was $0 and during FY08, approximately $92.0 million were issued.

Note 8: WIC Rebates

During FY08 the Alaska Department of Health and Social Services (DHSS) earned cash rebates of $4,336,000 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 65,124 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 cased load to determine average individual benefits. Total rebate dollars were then divided by the average benefit, determining the increased food instruments issued. This result divided 12 months. (CFDA 10.557).

Note 9: Fiscal Year

All State of Alaska agencies are reported using a fiscal year which ends June 30, except the Alaska Railroad Corporation whose fiscal year ends December 31.

Note 10: Cluster Programs

OMB Circular A-133 identifies programs to be considered clusters of programs for auditing purposes. These clusters consist of related programs that share common compliance requirements.

A. Research and Development Cluster

Denali Commission
Election Assistance Commission
Institute of Museum and Library Services
National Aeronautics and Space Administration
National Science Foundation
U.S. Agency for International Development
U.S. Department of Agriculture
U.S. Department of Commerce
U.S. Department of Defense
U.S. Department of Education
U.S. Department of Energy
U.S. Department of Health and Human Services
U.S. Department of Interior
U.S. Department of Justice
U.S. Department of Transportation
U.S. Department of Treasury
U.S. Environmental Protection Agency
U.S. General Services Administration

B. **Student Financial Assistance Cluster**

U.S. Department of Education

84.007 Federal Supplemental Educational Opportunity Grants
84.032 Federal Family Education Loans
84.033 Federal Work-Study Program
84.063 Federal Pell Grant Program
84.375 Academic Competitiveness Grants
84.376 National Science and Mathematics Access to Retain Talent(SMART) Grants

C. **Other Clusters**

Food Stamp Cluster

10.561 State Administrative Matching Grants for Food Stamp Program
10.551 Supplemental Nutrition Assistance Program (Formerly: Food Stamp Program)

Child Nutrition Cluster

10.553 School Breakfast Program
10.555 National School Lunch Program
10.556 Special Milk Program for Children
10.559 Summer Food Service Program for Children

Emergency Food Assistance Cluster

10.568 Emergency Food Assistance Program (Administrative Costs)

Schools and Roads Cluster

10.665 Schools and Roads - Grants to States

Public Works and Economic Development Cluster

11.300 Grants for Public Works and Economic Development Facilities
11.307 Economic Adjustment Assistance

Section 8 Project-Based Cluster

14.182 Section 8 New Construction/Substantial Rehabilitation
14.195 Section 8 Housing Assistance Payments Program: Special Allocations
14.249 Section 8 Moderate Rehabilitation Single Room Occupancy

Fish And Wildlife Cluster

15.605 Sport Fish Restoration Program
15.611 Wildlife Restoration

Employment Services Cluster

17.207 Employment Service/Wagner-Peyser Funded Activities
17.801 Disabled Veterans' Outreach Program (DVOP)
17.804 Local Veterans' Employment Representative Program

Workforce Investment Act Cluster

17.258 WIA Adult Program
17.259 WIA Youth Activities
17.260 WIA Dislocated Workers

Highway Planning and Construction Cluster
- 20.205 Highway Planning and Construction

Federal Transit Cluster
- 20.500 Federal Transit - Capital Investment Grants
- 20.507 Federal Transit - Formula Grants

Highway Safety Cluster
- 20.600 State and Community Highway Safety
- 20.601 Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants
- 20.602 Occupant Protection
- 20.605 Safety Incentives to Prevent Operation of Motor Vehicles By Intoxicated Persons
- 20.609 Safety Belt Performance Grants
- 20.610 State Traffic Safety Information System Improvement Grants
- 20.612 Incentive Grant Program to Increase Motorcyclist Safety
- 20.613 Child Safety and Child Booster Seat Incentive Grants

Special Education Cluster
- 84.027 Special Education - Grants to States
- 84.173 Special Education - Preschool Grants

TRIO Cluster
- 84.042 TRIO - Student Support Services
- 84.044 TRIO - Talent Search
- 84.047 TRIO - Upward Bound
- 84.066 TRIO - Educational Opportunity Centers

Aging Cluster
- 93.044 Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers
- 93.045 Special Programs for the Aging: Title III, Part C - Nutrition Services
- 93.053 Nutrition Services Incentive Program

Child Care and Development Fund Cluster
- 93.575 Child Care and Development Block Grant
- 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund

Transit Services Programs Cluster
- 20.513 Capital Assistance Program for Elderly Persons and Persons with Disabilities
- 20.516 Job Access – Reverse Commute

Medicaid Cluster
- 93.775 State Medicaid Fraud Control Units
- 93.777 State Survey and Certification of Health Care Providers and Suppliers
- 93.778 Medical Assistance Program

Disability Insurance/SSI Cluster
- 96.001 Social Security - Disability Insurance
- 96.006 Supplemental Security Income

Homeland Security Cluster
- 97.053 Citizen Corps
- 97.067 Homeland Security Grant Program
- 97.071 Metropolitan Medical Response System
- 97.073 State Homeland Security Program
- 97.074 Law Enforcement Terrorism Prevention Program (LETPP)

Note 11: Unemployment Insurance

Federal participation in FY08 Unemployment Insurance benefits was $4,062,632. Federal participation for program administration was $20,832,393. UI benefits paid by the State during FY08 were $118,064,964 and Reed Act distribution was $2,451,221. (CFDA 17.225)

Note 12: Petroleum Violation Escrow

Department of Energy (ENERGY) programs were funded in part by Petroleum Violation Escrow (PVE) funds. These expenditures are not included in the Schedule of Expenditures of Federal Awards. PVE funds represent the State of Alaska's share of settlement proceeds in various lawsuits between the federal government and oil producers. During FY08, AHFC expended $48,901 from the trust fund in support of ENERGY programs.

Note 13: AHFC Loan Guarantee Programs

During FY08, AHFC owned mortgage loans with various federal insurance and guarantee agreements covering future losses. Those programs, and the related principal balance of the loans covered at June 30, 2008, are:

Housing and Urban Development FHA Mortgage Insurance	$ 752,997,726
Department of Veterans' Affairs Mortgage Guarantees	803,710,255
Farmers Home Administration Mortgage Insurance	173,971,673
Total Loan Guarantees and Insurance Programs	$ 1,730,679,654

Note 14: Federal Surplus Property Program

All assistance provided to the Federal Surplus Property Program is in the form of donations of excess property to the Division of General Services. In FY08 the State processed federal property valued at $6,176,974 donors acquisition cost. For OMB Circular A-133 purposes, the donated property is valued at 23.3% of donors cost. This is the expenditure amount shown on the schedule $1,439,235. The ending inventory at June 30, 2008, carried at the donors' acquisition cost was $5,535,987. (CFDA 39.003)

Note 15: Commodities

DEED administers federal commodities distribution through other governmental and nonprofit agencies. In FY08, commodities distributed totaled $2,695,609. Commodities are valued at cost. These commodities are not reported in the State of Alaska basic financial statements for the year ended June 30, 2008. (CFDA 10.550)

Note 16: Federally Funded Student Loan Programs

Paul Douglas Teacher Scholarship program requires scholarship recipients to pay back assistance received if certain program requirements are not fulfilled. As of June 30, 2008, there were 4 outstanding scholarships, which totaled $29,415. (CFDA 84.176)

Note 17: Capitalization Grants for Clean Water State Revolving Funds

The U.S. Environmental Protection Agency jointly funds the Alaska Clean Water Fund with the State of Alaska. At fiscal year end June 30, 2008, 120 loan commitments totaling $263,567,524 had been granted. Total loans against these commitments were $195,266,660 of which $146,696,676 was federal participation. Of the $146,696,676, $8,758,766 was disbursed in FY08. Repayment received during FY08 totaled $6,181,189. Loans outstanding at June 30, 2008, totaled $115,123,017. (CFDA 66.458)

Note 18: Capitalization Grants for Drinking Water State Revolving Fund

EPA jointly funds the Alaska Safe Drinking Water Loan Fund with the State. At fiscal year end June 30, 2008, 88 loan commitments totaling $153,218,000 had been granted which consists of $7,821,000 in disadvantaged assistance and $145,397,000 in loan assistance. Total loans against these commitments were $91,177,241 of which $75,314,337 was federal participation. Of the $75,314,337, $14,892,293 was disbursed in FY08. Repayment received during FY08 totaled $2,029,169. Loans outstanding at June 30, 2008, totaled $74,246,772. (CFDA 66.468)

Note 19: Last Resort Housing Loans

DOT/PF made last resort housing loans in compliance with Uniform Relocation Assistance and Real Property Acquisition Act. FY08 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, 2008, totaled $133,446. Federal share of principal is $126,520.

Note 20: Medical Assistance Program Deferred Claims

The FY08 Schedule of Expenditures of Federal Awards includes deferrals of $4.8 million for school based administrative claims, $5.8 million for clinic services, and $1.7 million for program services to children in court ordered custody. The $5.8 million and the $1.7 million deferrals were released in November 2008. Additionally deferrals of $8.1 for school based administrative claims exist for prior years. Negotiations are in progress between the State of Alaska and the U. S. Department of Health and Human Services, Centers for Medicaid and Medicare Services (CMS) to settle the deferred amounts. The State is awaiting resolution pending the results of CMS's financial management review of these claims. (CFDA 93.778).

Note 21: Federal Family Education Loan Program (FFELP)

FFELP loans are governed by the Higher Education Act (Act). The Act provides for federal: (a) insurance or reinsurance of eligible loans, (b) interest subsidy payment to eligible lenders with respect to certain subsidized loans (Stafford and Consolidation), and (c) special allowance payments (net of excess interest) paid by the Secretary of the U.S. Department of Education to holders of eligible loans. FFELP loans outstanding at year end were $112,994,554. (CFDA 84.032)

Note 22: Perkins Loan Program

The University has received federal awards under the Perkins Loan Program (CFDA 84.638). The outstanding loan balances under this program totaled ($2,327) as of June 30, 2008.

Note 23: Immunization Grants

Federal expenditures include vaccines received during FY08 valued at $10,636,338. (CFDA 93.268)

Note 24: Small Business Economic Development Loan Fund

The U.S. Department of Commerce funds the Economic Development Assistance Revolving Loan Fund at the Department of Commerce, Community and Economic Development. The federal share of loans outstanding at June 30, 2008 totaled $4,581,785. (CFDA 11.307)

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Report: **02-40004-04**
Finding Number: **25**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: **$6,480,333**

Prior Audit Finding:
DHSS' Division of Health Care Services director and the Department of Education and Early Development's (DEED) Division of Teaching and Learning Support director should work together to improve procedures for claiming reimbursement of Medicaid school-based administrative costs to ensure costs are claimed in accordance with federal law.

Status/corrective action planned/reasons for no further action:
The Department continues to negotiate with the Centers for Medicare and Medicaid Services (CMS) to resolve the questioned costs. On September 2, 2008, CMS began a comprehensive review of Alaska's Medicaid School-based Administrative program. CMS stated that one objective of the review was to help resolve the previous deferrals (questioned costs). CMS completed their fieldwork on October 2, 2008. The department is waiting to discuss with CMS the potential issues found in this review.

Report: **02-40005-05**
Finding Number: **8**
Fiscal Year: **2004**
Initial Finding Year: **2002**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: **$22,672**
CFDA: **93.659**
Questioned Costs: **$35,179**
CFDA: **93.658**
Questioned Costs: **$2,791**

Prior Audit Finding:
DHSS assistant commissioner responsible for finance and management services should ensure staff provides accurate and reliable information for implementing the cost allocation plan and information is obtained in compliance with federal requirements.

Status/corrective action planned/reasons for no further action:
DHSS has not received a request from the federal granting agency concerning the remaining questioned costs. We believe no further action is needed at this time.

This audit finding is resolved in accordance with OMB Circular A-133 §_.315.

Report: **02-40005-05**
Finding Number: **11**
Fiscal Year: **2004**
Initial Finding Year: **2004**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.283**
Questioned Costs: **$181,079**
CFDA: **93.575**
Questioned Costs: **$112,303**
CFDA: **93.778**
Questioned Costs: **$21,094**

Prior Audit Finding:
The DHSS assistant commissioner responsible for finance and management services should ensure personal services expenditures charged to federal programs comply with federal cost principals.

Status/corrective action planned/reasons for no further action:
DHSS has implemented positive time reporting requirements for all employees currently working on multiple benefiting programs. DHSS also requires employees working 100 percent of their time for only one grant or program to prepare a "Federal Program Employee Certification Form" signed by the employee, the supervisor, and the appropriate section chief. DHSS has not been contacted by the federal granting agencies requesting reimbursement. These questioned costs resulted from not having the A-87 federal certification on file at the time of the audit. However, the personal services were valid federal expenditures.

This audit finding is resolved in accordance with OMB Circular A-133 §_.315.

Report: **02-40005-05**
Finding Number: **18**
Fiscal Year: **2004**
Initial Finding Year: **2003**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: **$5,505,244**

Prior Audit Finding:
DHSS' Division of Health Care Services director and the Department of Education and Early Development's (DEED) Division of Teaching and Learning Support director should work together to improve procedures for claiming reimbursement of Medicaid school-based administrative costs to ensure costs are claimed in accordance with federal law.

Status/corrective action planned/reasons for no further action:
Please refer to updated response on finding #25, report 02-40004-04.

Report: **02-40005-05**
Finding Number: **21**
Fiscal Year: **2004**
Initial Finding Year: **2004**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: **$1,155,982**

Prior Audit Finding:
We recommend the State Medicaid director improve internal controls over prescription drug payments.

Status/corrective action planned/reasons for no further action:
This recommendation has been partially implemented. DHSS has tightened controls over MedPak usage and dispensing fees through changes to Pharmacy POS system implementation, updating the pharmacy billing manual, and provider letters. Regulations have been adopted effective April 17, 2007 to formalize MedPak usage and dispensing fees. The department has contracted with the University of Oklahoma, School of Pharmacy, to complete a survey of prescription dispensing costs. The survey attempted to quantify the work and materials that go into filling a MedPak and to determine whether to roll costs into the dispensing fee. The survey work was completed in November 2008.

DHSS is currently considering whether regulations need to be further modified based on results of the survey. The pharmacist hired by the department to help address fraud and abuse in the prescription drug program has left State employment and the department is currently recruiting for this position. Once this position is filled the pharmacist will provide additional pharmacy program oversight.

Report: **02-40005-05**
Finding Number: **26**
Fiscal Year: **2004**
Initial Finding Year: **2004**

Federal Agency: **USDOE**
State Agency: **U of A**
CFDA: **84.044**
Questioned Costs: **None**

Prior Audit Finding:
The University should make every effort to serve the number of Talent Search participants required by the program.

According to the Code of Federal Regulations, Title 34, Sections 643-10 and 643-7, at least two-thirds of the individuals served by a talent search project must be low-income individuals who are potential first generation college students. For the program year 2002-2003, 12.2 percent of the University of Alaska Fairbanks (Bristol Bay region) Talent Search Program participants were low-income individuals who were potential first-generation college students.

Status/corrective action planned/reasons for no further action:
This finding is resolved in accordance with OMB Circular A-133 §_.315.

Report: **02-40006-06**
Finding Number: **2**
Fiscal Year: **2005**
Initial Finding Year: **2005**

Federal Agency: **USDHHS**
State Agency: **DOA, DHSS**
CFDA: **93.283**
Questioned Costs: **$17,812**
CFDA: **93.778**
Questioned Costs: **$103,160**

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

Status/corrective action planned/reasons for no further action:
This audit finding has been resolved in accordance with OMB Circular A-133 §_.315.

Report: **02-40006-06**
Finding Number: **16**
Fiscal Year: **2005**
Initial Finding Year: **2002**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: **None**

Prior Audit Finding:
The DHSS commissioner should emphasize strong internal controls over the Medicaid program.

Status/corrective action planned/reasons for no further action:
This finding does not warrant further action because: Two years have passed since the audit report in which the finding occurred was submitted to the Federal clearinghouse; Center for Medicaid Services is not currently following up the finding; a management decision was not issued. This audit finding has been resolved in accordance with OMB Circular A-133_§.315

Report: **02-40006-06**
Finding Number: **17**
Fiscal Year: **2005**
Initial Finding Year: **2002**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: **None**

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

Status/corrective action planned/reasons for no further action:
The department acknowledges past problems in quality assurance and program integrity management. As a result the department created a centralized department-wide unit, based in the Commissioner's Office. This unit is headed by a quality assurance manager who is responsible directly to the Deputy Commissioner for Finance and Accountability.

Alaska is in the midst of the federal Payment Error Rate Measurement (PERM) review, and has been training providers and contacting them to ensure appropriate contact information is being passed on to our Medical Review Contractor. In November 2007 DHSS awarded the contract for audits under AS 47.05.200.We continue to have issues with staff turnover, but continue to recruit and use existing staff to keep the audit and Quality Assurance functions on track. In addition to other applicable training, we have begun sending out staff to the Medicaid Integrity Institute, a CMS sponsored training program located at the Department of Justice's National Advocacy Center. We have also restarted the DHSS Audit Committee helping to ensure a coordinated Department effort with regard to audit recoveries and program integrity.

Report: **02-40006-06**
Finding Number: **18**
Fiscal Year: **2005**
Initial Finding Year: **2003**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: **$203,504**

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

Status/corrective action planned/reasons for no further action:
CMS has concluded that our payment methodology was acceptable. This finding has been resolved in accordance with OMB Circular A-133 §_.315.

Report: **02-40007-07**
Finding Number: **05**
Fiscal Year: **2006**
Initial Finding Year: **2004**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.575 and 93.596**
Questioned Costs: **$179,560**
CFDA: **93.778**
Questioned Costs: **$44,120**

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

Status/corrective action planned/reasons for no further action:
The Office of Children's Services implemented positive time keeping in SFY 08 for staff providing the background check services under the RSA as proposed in last year's corrective action plan. Since DHSS had allowable expenditures in excess of the proposed questioned costs, collective actions were not taken. DHSS provided DCA with a financial analysis for SFY 06 that demonstrated the existing methodologies of OCS-22 and RCCF resulted in an under claiming of federal funding in the CCLS unit, which should have been claimed through OCS-18.

The Division of Senior and Disability Services (DSDS) administrative staff has been given additional training about timelines and requirements for staff to complete Federal Program Employee Certification Forms. The federal agency has not followed up regarding reimbursement.

Report: **02-40007-07**
Finding Number: **06**
Fiscal Year: **2006**
Initial Finding Year: **2005**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.575**
CFDA: **93.658**
CFDA: **93.659**
CFDA: **93.767**
CFDA: **93.778**
Questioned Costs:
Indeterminate

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

Status/corrective action planned/reasons for no further action:
The department's previous response and corrective action remains unchanged:

The Department's Public Assistance Cost Allocation Plan with an effective date of July 1, 2006 was sent to the Division of Cost Allocation (DCA) on April 2, 2007. During this time the department has been working with the DCA on follow-up to questions that have arisen during their review. The DCA approved the PACAP in January 2008. Beginning FY 08, OCS implemented positive-time keeping for the Foster Care Community Care licensing specialists whose personal service costs were previously allocated through the OCS-22 allocation method. In addition, the department implemented MAXCARS, in the 4th quarter SFY 07, to replace the old CAP spreadsheet system.

This finding is partially resolved. DHSS continues to have control issue regarding properly updating and accurately using statistics and methodology cost drivers.

Report: **02-40007-07**
Finding Number: **07**
Fiscal Year: **2006**
Initial Finding Year: **2006**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: **$137,941**

Prior Audit Finding:
DHSS' finance officer should ensure that costs are charged to federal programs in accordance with the DHSS federally approved public assistance cost allocation plan (PACAP).

Status/corrective action planned/reasons for no further action:
DHSS develops their cost allocation system in order to insure costs are correctly allocated. The $137,941 adjustment will be entered in the QE 12/31/08 CAP.

Report: **02-40007-07**
Finding Number: **08**
Fiscal Year: **2006**
Initial Finding Year: **2006**

Federal Agency: **USDHHS & USDA**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: **$370,900**
CFDA: **10.557**
Questioned Costs: **$11,501**
CFDA: **93.667**
Questioned Costs: **None**

Prior Audit Finding:
DHSS' finance officer should improve the controls over categorization and allocation of allowable claims.

Status/corrective action planned/reasons for no further action:
Over the last state fiscal year (SFY08) the PACAP methodologies have been reviewed as DHSS develops their cost allocation system in order to insure costs are correctly allocated. The US Division of Cost Allocation Plan approved the PACAP in January 2008. Additionally, the department implemented MAXCARS to replace the old CAP spreadsheet system.

Adjustments for the questioned costs related to CFDA 93.778 and 10.557 still need to be processed.

Report: **02-40007-07**
Finding Number: **09**
Fiscal Year: **2006**
Initial Finding Year: **2002**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: **None**

Prior Audit Finding:
The DHSS commissioner should emphasize strong internal controls over the Medicaid program.

Status/corrective action planned/reasons for no further action:
The department concurs that strong internal controls are a requirement and is committed to improving in this area.

Additional changes to the PCA program have resulted in much greater control over the plans of care with resultant cost savings with minimal client impacts. This occurred without a cost shift to HCBS care. As part of the work under SB 61, a solicitation via RFP has been awarded for an analysis of Alaska Medicaid Programs long-term care services, with part of the analysis to cover additional PCA changes. This analysis has been completed and delivered November 2008; it is expected to be useful to Alaska as we look for changes to make Medicaid more fiscally sustainable.

DHSS acknowledges past problems with quality assurance and program integrity management. DHSS has adopted an audit flowchart and policy regarding the how and when Medicaid overpayments will be reported on the CMS-64.

DHSS also acknowledges that the old and aging current Medicaid Management Information System (MMIS) does not have the modern capability for desired internal control features; a contract for the procurement of a new MMIS system has been awarded the Affiliated Computer Systems (ACS). The new MMIS system will include enhanced features and a relational database to improve claims payment controls. The new MMIS system is expected to be functioning beginning June 2010.

Report: **02-40007-07**
Finding Number: **10**
Fiscal Year: **2006**
Initial Finding Year: **2002**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: **None**

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

Status/corrective action planned/reasons for no further action:
Please see response to item 02-40006-06 #17.

Report: **02-40007-07**
Finding Number: **12**
Fiscal Year: **2006**
Initial Finding Year: **2006**

Federal Agency: **USDHSS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: **$21,570,145**

Prior Audit Finding:
The Medicaid State Director should ensure that private hospital proportionate share (proshare) payments are made in accordance with federal regulations.

Status/corrective action planned/reasons for no further action:
The amount of disallowance #AK/2005/001/MAP was $21,357,099; A $21,357,099 Line 10B prior period adjustment for inpatient hospital services was submitted in the CMS 64 quarterly financial report for quarter-ending March 31, 2008. Since the funds were previously disallowed and not paid to the state, this adjustment was not used in the grant award computation. DHSS has released all remaining receivable balances associated with these payments.

This finding has been resolved in accordance with OMB Circular A-133_§.315.

Report: **02-40007-07**
Finding Number: **13**
Fiscal Year: **2006**
Initial Finding Year: **2006**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: **$3,084**

Prior Audit Finding:
DHSS' director of the Division of Senior and Disabilities Services (DSDS) should take action to improve controls over the processing and payment of Personal Care Services (PCS) and Mentally Retarded/Developmentally Disabled (MRDD) waiver service claims.

Status/corrective action planned/reasons for no further action:
November 1, 2007 DSDS assumed responsibility for conducting PCA assessments that were previously completed by a contractor. A new Assessment Unit, made up of 23 registered nurses and three support staff, has improved the quality and accuracy of assessments thereby achieving improved controls of the processing of PCA processing of PCA services.

As of November 5, 2008, there have been seven class action lawsuits over all or part of the PCA program, with respect to either controls or processes.

The Mental Retardation and Development Disabilities (MR/DD) Waiver has seen several efforts to improve the compliance of providers with Medicaid rules and state regulations. Since beginning of calendar year 2006, 100% of Plans of Care and Cost sheets are being reviewed for compliance. This quality review has recently expanded to include that of all four waivers in the newly minted Operations Integrity Unit

The Quality Assurance Unit has implemented a pilot program for conducting agency site reviews and recipient home visits. The visits are intended to provide technical assistance to improve service utilization and outcomes as well as provider education.

A reclassification of positions was completed this past year, which resulted in the elimination of the Development Disabilities Program Specialist job classification series. The newly adopted series, Health Program Managers I-IV, will help control processes by recruiting and retraining staff that can cross-train.

This audit finding has been resolved in accordance with OMB Circular A-133_§.315

Report: **02-40007-07** Finding Number: **15** Fiscal Year: **2006** Initial Finding Year: **2006** Federal Agency: **USDHSS** State Agency: **DHSS** CFDA: **98.778** Questioned Costs: **None**	**Prior Audit Finding:** DHSS' finance officer should ensure all interest liabilities due to federal agencies are accurately reported in accordance with federal regulations. **Status/corrective action planned/reasons for no further action:** The Cash Management Improvement Act System's annual report for SFY07 Non-Trust fund Program Report identified the interest liability amount of $508.2. The Alaska Department of Revenue confirmed with DHSS that payment of that amount was made to the federal treasury in March of 2008. This audit finding is resolved in accordance with OMB Circular A-133 §_.315.
Report: **02-40007-07** Finding Number: **18** Fiscal Year: **2006** Initial Finding Year: **2006** Federal Agency: **USDOL** State Agency: **DLWD** CFDA: **17.258** CFDA: **17.259** CFDA: **17.260** Questioned Costs: **None**	**Prior Audit Finding:** The Division of Business Partnership's (DBP) director should implement established procedures to ensure monitoring activities are performed as required and adequately documented. **Status/corrective action planned/reasons for no further action:** Full implementation of the monitoring activities occurred during SFY 08 as reflected in the DBP monitoring schedule. This finding is resolved.
Report: **02-40008-08** Finding Number: **06** Fiscal Year: **2007** Initial Finding Year: **2007** Federal Agency: **USDHHS** State Agency: **DHSS** CFDA: **93.558** Questioned Costs: **1,966,593**	**Prior Audit Finding:** DHSS' Division of Public Assistance (DPA) administrative manager should ensure the Temporary Assistance for Needy Families (TANF) state maintenance of effort (MOE) and federal reporting requirements are met. **Status/corrective action planned/reasons for no further action:** A decreasing adjustment of $1,966,593 was entered into AKSAS on 8/28/08. The Division of Public Assistance has implemented the corrective action plan by amending the 12/31/07 federal report to reduce the federal reimbursable expenditures for the TANF grant. This audit finding is resolved in accordance with OMB Circular A-133 §_.315.
Report: **02-40008-08** Finding Number: **07** Fiscal Year: **2007** Initial Finding Year: **2006** Federal Agency: **USDHHS & USDA** State Agency: **DHSS** CFDA: **10.561** Questioned Costs: **$72,584** CFDA: **93.558** Questioned Costs: **$831,332** CFDA: **93.767** Questioned Costs: **$413,816**	**Prior Audit Finding:** The DHSS finance officer should improve the controls over categorization and allocation of allowable claims. **Status/corrective action planned/reasons for no further action:** Over the last state fiscal year, the PACAP methodologies have been reviewed as DHSS develops their cost allocation system in order to insure costs are correctly allocated. The Division of Cost Allocation Plan approved the PACAP in January 2008. In addition, the department implemented MAXCARS to replace the old CAP spreadsheet system. Claim adjustments for the questioned cost related to CFDA 10.561 and 93.558 were entered on the QE 6/30/08 CAP. Questioned costs related to Denali Kid Care administrative costs (CFDA 93.767) were entered on the QE 9/30/08 CAP and are addressed further in the response to Report 02-40008-08, Finding Number 08, FY07. Reimbursement of the questioned costs related to CFDA 10.561 for $72,584 was made to the United States Department of Agriculture on July 3, 2008. The department has requested USDA to waive this finding pending issuance of the report for Financial Management Review wherein the issue of MAXCARS was thoroughly reviewed and discussed. The suggested corrective action from the Financial Management Review will be undertaken by the Department of Health & Social Services.

Report: **02-40008-08**
Finding Number: **08**
Fiscal Year: **2007**
Initial Finding Year: **2005**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.767**
Questioned Costs: **$273,630**

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

Status/corrective action planned/reasons for no further action:
Legislative Audit's Current Position on Recommendation Number 8 identified three weaknesses that were bulleted in the audit report. The responses below correspond to the individual bullets in the same order as in the audit report.

- The issue with claiming Denali Kid Care field staff costs at 100% FFP for the Immigration Systematic Verification has been addressed. Reports from MAXCARS cost allocation plan for QE 9/30/07, QE 12/30/07, QE 3/31/08 and QE 6/30/08 show there were no claims for the Immigration Systematic Verification at the 100% FFP rate. A claim adjustment will be made for the questioned costs related to this claim reported in Finding # 7, FY07.

- DHSS will make a claim adjustment for the cost of field services that were allocated to SCHIP using the DPA-15 methodology. DPA-12 is an allocation methodology specifically for a Medicaid/TANF funding source. DPA-15 is specifically for Denali Kid Care and cannot be used for Medicaid/TANF. The Medicaid/TANF funds are almost depleted. At that point, we will need to consider amending the PACAP to remove DPA-12 as an allocation methodology. The $273,630 questioned cost adjustment was claimed in the SFY 09 QE 9/30/08.

- OCS concurred with the initial findings identified in the SFY 06 audit and in SFY 08 initiated an internal review to rectify the issues identified. SFY 07 had already been closed when the SFY 06 findings were in the process of being reviewed and finalized.

  In regards to the SFY 07 findings, the two licensing staff charged directly to the RSA from the OCS NRO/SCRO regions and who were identified as performing, in part, the responsibilities required by the RSA, as well as those required for foster care licensing have charges totaling $134,691. Since OCS cannot provide a clear methodology for SFY 07 to support this work, it has requested the federal claims associated with the RSA be reversed. Since the claims have been reversed from the RSA, no duplicate charges to other federal programs for SFY 07 should exist.

  The remaining RSA charges from the ARO/SERO regions were also determined as being incorrectly claimed since neither position had been performing any duties associated with the RSA. These positions should have been charged to the OCS-18 cost pool. Their charges totaling $152,718 should be reversed from the RSA and a memo adjustment submitted reclassing the charges from program code #22621 to #22319. This adjustment corrects any duplicate charges that occurred between federal programs associated with the DPA RSA and OCS-22 during SFY 07.

  A decreasing prior quarter adjustment totaling $287,410 was submitted in quarter ending 09/30/08; see Report 02-40008-08, Finding Number 09, FY07.

  The USDHHS has conducted a review of this recommendation. In a letter dated October 6, 2008, the USDHHS determined that the actions taken by DHSS are acceptable to them and constitute final resolution of the first and third bullet point.

  This finding is partially resolved. DHSS continues to have control issues regarding properly updating and accurately using statistics and methodology cost drivers.

Report: **02-40008-08**
Finding Number: **09**
Fiscal Year: **2007**
Initial Finding Year: **2004**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.575 and 93.596**
Questioned Costs: **$287,410**

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

Status/corrective action planned/reasons for no further action:
DHSS has processed a decreasing prior year adjustment totaling $287,410 with the CCDF program in quarter ending 09/30/08. Also see updated response to Report 02-40008-08, Finding Number 08, FY07, bullet 3.

This audit finding is resolved in accordance with OMB Circular A-133 §_.315.

Report: **02-40008-08**
Finding Number: **10**
Fiscal Year: **2007**
Initial Finding Year: **2007**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: **None**

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

Status/corrective action planned/reasons for no further action:
DHSS maintains partial concurrence with this recommendation. The department believes that an appropriate level of analysis and review of the Medicaid Management Information System and other automated data processing systems are ongoing and effective in providing security to state assets, sensitive data, and data processing system. Future SAS 70 and other audits, as well as security reviews, will be expanded to include a review of the drug rebate program. The Affiliated Computer Services (ACS) takeover of the MMIS contract from First Health effective 11/1/08 requires the following:

a) An IT self-assessment within 6 months of acquisition.
b) Periodic onsite Safety and Physical Security Risk Assessment by the Safety and Security Group Director.
c) Annual security self-inspections by the local Section Manager.

Report: **02-40008-08**
Finding Number: **11**
Fiscal Year: **2007**
Initial Finding Year: **2002**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.775**
Questioned Costs: **None**
CFDA: **93.778**
Questioned Costs: **None**

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

Status/corrective action planned/reasons for no further action:
The department acknowledges past problems in quality assurance and program integrity management. As a result the department created a centralized department-wide unit, based in the Commissioner's Office. This unit is headed by a quality assurance manager who is responsible directly to the Deputy Commissioner for Finance and Accountability.

Policies for the Program Integrity function which have been prepared and are in draft form to be sent to the Department of Law for review. Additional changes in the structure of the Utilization Control and Program Integrity function were made during fiscal year 2008 and the SURS staff from Division of Health Care Services was transitions into the newly created Audit Section in Finance and Management Services. Staffing within the new Audit Section continues to be an issue, with recruitments outstanding for research analyst and internal auditor positions. The Audit Manager Position was filled during FY08; however, it was a short tenure ending after only two months. The Audit Manager position was filled again on November 1, 2008.

The department maintains its position that the HSSTrack system is not intended to be a case management application, but rather just a simpler tracking system.

Report: **02-40008-08**
Finding Number: **12**
Fiscal Year: **2007**
Initial Finding Year: **2007**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs:
Indeterminate
CFDA: **93.767**
Questioned Costs:
Indeterminate

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

Status/corrective action planned/reasons for no further action:
This audit finding has been resolved in accordance with OMB Circular A-133 §_.315.

Report: **02-40008-08**
Finding Number: **14**
Fiscal Year: **2007**
Initial Finding Year: **2006**

Federal Agency: **USDOL**
State Agency: **DLWD**
CFDA: **17.258, 17.259, 17.260**
Questioned Costs: **None**

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

Status/corrective action planned/reasons for no further action:
Full implementation of required monitoring activities occurred during SFY08. This recommendation is resolved.

Report: **02-40008-08**
Finding Number: **19**
Fiscal Year: **2007**
Initial Finding Year: **2007**

Federal Agency: **USDOE**
State Agency: **U of A**
CFDA: **84.044**
Questioned Costs: **None**

Prior Audit Finding:
Department of Education, TRIO Cluster, TRIO-Talent Search Program CFDA 84.044, Program Year 2005-2006. According to the Code of Federal Regulations (CFR), Title 34, Sections 643-7 and 643-10, at least two-thirds of the individuals served by a talent search project must be low-income individuals who are potential first generation college students.

Status/corrective action planned/reasons for no further action:
The 2002-2003 program year was the first year of the University of Alaska Fairbanks (Bristol Bay Region) Talent Search Program, and the program faced significant cultural challenges in rural Alaska. There has been a continued hesitance by participants and families to provide needed financial information, thereby delaying verification of participant eligibility. As trust for the program has increased in the region, progress continues. The program served 52 percent low-income and potential first-generation college students in program year 2003-2004, 60 percent in program year 2004-2005, and 56 percent in program year 2005-2006. Overall, this program has progressed in the number of students served. In program year 2004-2005, 186 of 312 program participants met the requirement for low-income and potential first-generation college students. In program year 2005-2006, 221 of 396 program participants met the requirement for low-income and potential first-generation college students. Increased participation among program participants resulted from partnering with personnel from the four school districts served, by working with native Alaskan village councils, and by creating opportunities that appeal to the target group. The grant ended in August 2007.

Report: **02-40008-08**
Finding Number: **20**
Fiscal Year: **2007**
Initial Finding Year: **2007**

Federal Agency: **USDOE**
State Agency: **U of A**
CFDA: **84.042**
Questioned Costs: **None**

Prior Audit Finding:
Department of Education, TRIO Cluster, TRIO-Student Support Services, CFDA 84.042, Program Year 2005-2006. According to the code of Federal Regulations, Title 34, Sections 646-7 and 646-11, at least two-thirds of the students served by a Student Support Services project must be low-income individuals who are the first-generation college students or individuals with disabilities.

Status/corrective action planned/reasons for no further action:
Corrective action has been taken and this matter has been fully resolved. For the program year 2007-2008, 120 of 177, or 68 percent of program participants met the programmatic requirement for low-income individuals who are first generation college students or individuals with disabilities.

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STATE OF ALASKA
CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2008

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, 2008.* 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, 2008
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
	Alaska Aerospace Development Corporation			
12.400	W91ZRU-06-2-3038		Military Construction, National Guard	726,582
	Alaska Aerospace Development Corporation Total			726,582
	Alaska Commission on Postsecondary Education			
84.069A	N069A070002		Leveraging Educational Assistance Partnership Program	48,399
84.069B	N069B070001		Special Leveraging Educational Assistance Partnership Program	62,984
	Alaska Commission on Postsecondary Education Total			111,383
	Alaska Energy Authority			
10.001	UAF 07-0127		Agricultural Research - Basic and Applied Research	10,266
10.859			Assistance to High Energy Cost Rural Communities	459,294
15.615	70152-03-0007		Cooperative Endangered Species Conservation Fund	51,095
66.034	XA-960429-01		Surveys Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	35,089
66.202	EM-833233-01		Congressionally Mandated Projects	607,752
81.041	DE-FG51-05RO21604		State Energy Program	182,000
81.041	F07-52105-001		State Energy Program	27,627
81.079	DE-FG36-05GO85001		Regional Biomass Energy Programs	198,000
81.079	DE-FG36-02RO21317		Regional Biomass Energy Programs	41,899
81.087	DE-FG36-05GO85038		Renewable Energy Research and Development	661,637
81.087	DE-AC36-99GO10337		Renewable Energy Research and Development	48,673
81.117	DE-FG3604R021600		Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	25,470
81.117	DE-FG3604GO46015		Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	1,299
90.100	Various		Denali Commission Program	17,737,490
90.100	DC-2006-T1		Denali Commission Program	240,825
	Alaska Energy Authority Total			20,328,416
	Alaska Housing Finance Corporation			
10.410			Very Low to Moderate Income Housing Loans	93,786
14.117			Mortgage Insurance - Homes	1,639,091
14.182		S8PBC	Section 8 New Construction/Substantial Rehabilitation	2,303,567
14.195		S8PBC	Section 8 Housing Assistance Payments Program - Special Allocations	6,316,279
14.227			Community Development Block Grants /Technical Assistance Program	69,917

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2008
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
14.235			Supportive Housing Program	9,651
14.238			Shelter Plus Care	503,294
14.239			HOME Investment Partnerships Program	3,342,085
14.241			Housing Opportunities for Persons with AIDS	466,593
14.249		S8PBC	Section 8 Moderate Rehabilitation Single Room Occupancy	334,597
14.850			Public and Indian Housing	9,032,583
14.871			Section 8 Housing Choice Vouchers	30,428,293
14.872			Public Housing Capital Fund	2,703,676
14.875			Public Housing Neighborhood Networks Grants	32,736
64.114			Veterans Housing - Guaranteed and Insured Loans	1,496,877
81.041			State Energy Program	229,948
81.042			Weatherization Assistance for Low-Income Persons	1,620,518
90.100			Denali Commission Program	12,911,615
93.048			Special Programs for the Aging - Title IV - and Title II - Discretionary Projects	113,773
93.568			Low-Income Home Energy Assistance	301,437
93.779			Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	51,815
	Alaska Housing Finance Corporation Total			74,002,131
	Alaska Industrial Development and Export Authority			
11.300	07-01-05278	PWEDC	Investments for Public Works and Economic Development Facilities	690,000
11.307	07-79-05820	PWEDC	Economic Adjustment Assistance	1,019,311
	Alaska Industrial Development and Export Authority Total			1,709,311
	Alaska Permanent Fund Corporation			
15.227	National Petroleum Reserve - Alaska special revenue fund transfer to Permanent Fund principal		Distribution of Receipts to State and Local Governments	552,270
	Alaska Permanent Fund Corporation Total			552,270
	Alaska Railroad Corporation			
10.999	05DG11100000226		U.S. Forest Service - Whistle Stop	543,797
12.999	DTFRDV-04-G-00006		Track Realignment – Elmendorf AFB and Ft. Richardson 2004 (**Pass-through from FRA**)	1,351
12.999	DTFRDV-07-G-00005		Track Realignment - Ft. Wainwright 2007	55,449
12.999	DTFRDV-07-G-00006		Northern Line Extension - 2007	302,018
12.999	DTFRDV-06-G-00008		Track Realignment - Ft. Wainwright 2006	1,226,297
12.999	DTFRDV-05-G-00005		Track Realignment – Elmendorf AFB and Ft. Richardson 2005 (**Pass-through from FRA**)	1,812,550
12.999	DTFRDV-05-G-00006		Northern Line Realignment & Extension - 2005	2,550,819

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2008
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
12.999	DTFRDV-06-G-00007		Locomotive/Railcars to Support Stryker Brigade - 2006	8,104,574
15.608	DCN 70181-3-G236		Fish and Wildlife Management Assistance	865
20.500	AK-55-0003	FTC	Federal Transit - Capital Investment Grants	570,888
20.500	AK-04-0003	FTC	Federal Transit - Capital Investment Grants	1,028,060
20.500		FTC	Federal Transit - Capital Investment Grants	22,031,378
20.507	AK-20-X001-00	FTC	Federal Transit - Formula Grants	1,052,163
20.507		FTC	Federal Transit - Formula Grants	15,970,952
20.999	DTFRDV-03-G-60040		Rail Safety and Infrastructure Improvements - 2003	12,436
20.999	DTFRDV-02-G-60032		Rail Safety and Infrastructure Improvements - 2002	34,076
20.999	DTFRDV53-04-G-00007		Anchorage C Street Grade Crossing - 2004	75,960
20.999	DTFR53-05-G-00005		Luminescent Grade Crossing-R&D - 2005	79,839
20.999	DTFRDV-05-G-00007		Rail Safety and Infrastructure Improvements - 2005	83,544
20.999	DTFRDV-99-G-60005		Anchorage International Airport Rail Passenger Station - 1999	187,121
20.999	DTFRDV-04-G-00005		Rail Safety and Infrastructure Improvements - 2004	281,069
20.999	DTFRDV-06-G-00006		Rail Safety and Infrastructure Improvements - 2006	446,184
97.078	HSES-0961079		Buffer Zone Protection Program (BZPP)	16,836
	Alaska Railroad Corporation Total			56,468,226
	Alaska Student Loan Corporation			
84.032		SFAC	Federal Family Education Loans	1,689,041
	Alaska Student Loan Corporation Total			1,689,041
	Alaska Seafood Marketing Institute			
10.601	Export Marketing		Market Access Program	5,026,793
10.605	Quality Samples		Quality Samples Program	25,534
11.452	Alaska Fish Marketing Board		Unallied Industry Projects	502,246
	Alaska Seafood Marketing Institute Total			5,554,573
	Alaska Court System / Alaska Judicial Council			
16.580	2005-RG-CX-1072		Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	109,369
16.585	2003-DC-BX-0059		Drug Court Discretionary Grant Program	44,036
16.590	2004-WE-AX-0013		Grants to Encourage Arrest Policies and Enforcement of Protection Orders	45,222
93.586	G-0501AKSCIP		State Court Improvement Program	18,465
93.586	0701AKSCID		State Court Improvement Program	25,600
93.586	G-0601AKSCIP		State Court Improvement Program	46,070
93.586	0601AKSCID		State Court Improvement Program	66,604
93.586	0601AKSCIT		State Court Improvement Program	84,473
	Alaska Court System / Alaska Judicial Council Total			439,839
	Department of Commerce, Community and Economic Development			

STATE OF
ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2008
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
10.665	National Forest Receipts	SRC	Schools and Roads - Grants to States	9,155,079
10.672	Mini Grant		Rural Development, Forestry, and Communities	9,972
10.766	Rural Internet Access		Community Facilities Loans and Grants	944,520
10.769	Rural Business Enterprise		Rural Business Enterprise Grants	45,710
10.857	Bulk Fuel Bridge Loans		State Bulk Fuel Revolving Fund Grants	10,517
11.307	Coalition For Economic Development	PWEDC	Economic Adjustment Assistance	757,671
11.419	Coastal Zone Management		Coastal Zone Management Administration Awards	692,255
11.438	Fish Revitalization-Fish & Game		Pacific Coast Salmon Recovery - Pacific Salmon Treaty Program	2,095,798
11.452	Fish Revitalization-Governor's Office		Unallied Industry Projects	315,466
12.999	Delta Junction Missile Defense		Delta Junction Missile Defense Test Bed Facilities Impact	951,922
14.228	Community Development Block Grants		Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	2,883,677
14.231	Emergency Shelter Grants Program		Emergency Shelter Grants Program	108,201
15.226	Payments in Lieu of Taxes		Payments in Lieu of Taxes	6,465,085
15.227	National Petroleum Reserve Alaska Impact Mitigation		Distribution of Receipts to State and Local Governments	11,288,848
16.580	Prescription Drug Monitoring		Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	12,818
20.205	Sea Trails	HPCC	Highway Planning and Construction	97,952
20.930	Small Air Service		Payments for Small Community Air Service Development	4,684
66.202	Rural Utility Business Advisor		Congressionally Mandated Projects	2,070,295
90.100	Accelerated Infrastructure		Denali Commission Program	150,990
90.100	Mini Grant		Denali Commission Program	359,427
90.100	Multi-Use Facilities		Denali Commission Program	1,311,320
93.569	Community Services Block Grant		Community Services Block Grant	2,435,073
94.003	Administration		State Commissions	227,500
94.004	Learn & Serve Formula		Learn and Serve America - School and Community Based Programs	43,412

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2008
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
94.006	Formula/Competitive		AmeriCorps	1,449,377
94.007	Education/Disability		Planning and Program Development Grants	29,189
94.009	Program Development and Training		Training and Technical Assistance	80,556
97.023	Community Assistance Program		Community Assistance Program State Support Services Element	56,951
97.029	Flood Mitigation Assistance		Flood Mitigation Assistance	12,793
97.045	Cooperating Technical Partners		Cooperating Technical Partners	1,042
97.070	Map Modernization		Map Modernization Management Support	56,946
	Department of Commerce, Community and Economic Development Total			44,125,046
	Department of Environmental Conservation			
10.025			Plant and Animal Disease, Pest Control and Animal Care	247,393
10.479			Food Safety Cooperative Agreements	119,143
10.760			Water and Waste Disposal Systems for Rural Communities	17,925,567
12.113			State Memorandum of Agreement Program for the Reimbursement of Technical Services	1,929,422
66.034			Surveys Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	234,196
66.202			Congressionally Mandated Projects	40,600,867
66.419			Water Pollution Control State, Interstate and Tribal Program Support	122,471
66.432			State Public Water System Supervision	2,258,317
66.436			Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act	61,174
66.454			Water Quality Management Planning	99,965
66.458			Capitalization Grants for Clean Water State Revolving Funds	9,070,438
66.467			Wastewater Operator Training Grant Program (Technical Assistance)	14,788
66.468			Capitalization Grants for Drinking Water State Revolving Fund	17,203,850
66.471			State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	211,340
66.472			Beach Monitoring and Notification Program Implementation Grants	175,858
66.474			Water Protection Grants to the States	149,654
66.511			Office of Research and Development Consolidated Research / Training / Fellowships	568,726

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2008
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
66.605			Performance Partnership Grants	4,561,957
66.608			Environmental Information Exchange Network Grant Program and Related Assistance	190,617
66.700			Consolidated Pesticide Enforcement Cooperative Agreements	278,572
66.804			State and Tribal Underground Storage Tanks Program	199,870
66.805			Leaking Underground Storage Tank Trust Fund Program	338,113
66.809			Superfund State and Indian Tribe Core Program Cooperative Agreements	157,169
66.817			State and Tribal Response Program Grants	511,461
90.100			Denali Commission Program	617,103
93.210			Tribal Self-Governance Program: Planning and Negotiation Cooperative Agreements and IHS Compacts/Funding Agreements (**Pass-through from ANTHC**)	3,197,189
10.12-25A-4790			Pesticide Recordkeeping	17,284
10.AG-0109-P-07-0012			Forest Service Regulatory Oversight	7,412
10.AG-0109-P-08-0028			Forest Service Regulatory Oversight	7,266
11.45ABNAON0252			Miscellaneous Inspection Service	12,703
11.AB133C06SE3435			NOAA Pribilof Island Restoration	7,767
12.USAF Elmendorf Site cleanup			USAF Elmendorf Site Cleanup	3,534
15.LAB072032			Bureau of Land Management Oversight	25,999
15.R9917070011			National Park Service Oversight	28,553
20.DTFAAL-04X-8000			Clean up Contaminated Sites in AK	50,812
66.LUST Trust Cost Recovery			LUST Trust Cost Recovery	133,827
81.DE-FG01-06LM00075			Amchitka Oversight Monitoring	35,655
93.HHSF223200640053C			FDA Food Inspections	165
93.HHSF223200740056C			FDA Inspections	399,137
	Department of Environmental Conservation Total			101,775,334
	Department of Education and Early Development			
10.550			Food Donation	2,695,609
10.553	17131	CNC	School Breakfast Program	5,224,182
10.555	17132	CNC	National School Lunch Program	23,684,231
10.556	17133	CNC	Special Milk Program for Children	18,110
10.558	17134		Child and Adult Care Food Program	7,735,186
10.559	17137	CNC	Summer Food Service Program for Children	490,885
10.560	17135		State Administrative Expenses for Child Nutrition	635,385
10.568	17138	EFAC	Emergency Food Assistance Program (Administrative Costs)	127,800
10.574	17400		Team Nutrition Grants	69,843
12.999	17178		Troops to Teachers	5,751

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
21.999			Jobs and Growth Tax Relief Reconciliation Act of 2003	139,147
42.006	17188		Library of Congress - Library Services	4,503
45.025	17335		Promotion of the Arts - Partnership Agreements	545,660
45.307	17276		21st Century Museum Professionals	51,993
45.310	17336		Grants to States	950,133
45.312	17278		National Leadership Grants	2,837
84.010	17126		Title I Grants to Local Educational Agencies	33,266,855
84.011	17127		Migrant Education - State Grant Program	6,921,547
84.013	17129		Title I Program for Neglected and Delinquent Children	246,141
84.027	17232	SEC	Special Education - Grants to States	31,869,801
84.041	17238		Impact Aid	27,601,133
84.048	17244		Career and Technical Education - Basic Grants to States	3,057,568
84.161	17152		Rehabilitation Services - Client Assistance Program	117,883
84.173	17242	SEC	Special Education - Preschool Grants	1,135,708
84.185	17254		Byrd Honors Scholarships	93,000
84.186	17255		Safe and Drug-Free Schools and Communities - State Grants	1,575,638
84.196	17257		Education for Homeless Children and Youth	137,976
84.213	17264		Even Start - State Educational Agencies	340,846
84.215	17231		Fund for the Improvement of Education	39,280
84.243	17246		Tech-Prep Education	198,420
84.282	17247		Charter Schools	1,143,250
84.287	17271		Twenty-first Century Community Learning Centers	4,575,844
84.298	17267		State Grants for Innovative Programs	568,632
84.318	17241		Education Technology State Grants	1,810,132
84.323	17159		Special Education - State Personnel Development	746,863
84.330	17122		Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	8,798
84.332	17256		Comprehensive School Reform Demonstration	12,220
84.350	17164		Transition to Teaching	118,785
84.357	17273		Reading First State Grants	2,316,463
84.358	17373		Rural Education	32,704
84.365	17175		English Language Acquisition Grants	846,223
84.366	17252		Mathematics and Science Partnerships	23,724
84.367	17172		Improving Teacher Quality State Grants	14,312,122
84.369	17171		Grants for State Assessments and Related Activities	4,177,633
84.372	17274		Statewide Data Systems	1,438,616
84.377	17165		School Improvement Grants	6,466
84.999	17300		Consolidated Programs IASA Admin	940,940
89.003	17141		National Historical Publications and Records Grants	3,825
93.600	17330		Head Start	116,653

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
93.938	17308		Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	177,894
	Department of Education and Early Development			182,360,838
	Department of Fish and Game			
10.025			Plant and Animal Disease, Pest Control and Animal Care	106,315
10.914			Wildlife Habitat Incentive Program	69,671
10.999			Miscellaneous U.S. Forest Service	669,157
11.307		PWEDC	Economic Adjustment Assistance	21,234
11.405			Anadromous Fish Conservation Act Program	327,124
11.407			Interjurisdictional Fisheries Act of 1986	179,669
11.417			Sea Grant Support	496,020
11.420			Coastal Zone Management Estuarine Research Reserves	475,976
11.437			Pacific Fisheries Data Program	5,198,137
11.437			Pacific Fisheries Data Program (**Pass-through Pacific States Marine Fisheries Commission**)	2,223,006
11.438			Pacific Coast Salmon Recovery - Pacific Salmon Treaty Program	23,945,964
11.439			Marine Mammal Data Program	2,603,414
11.463			Habitat Conservation	34,940
11.472			Unallied Science Program (**Pass-through North Pacific Research Board**)	66,624
11.473			Coastal Services Center	75,976
11.477			Fisheries Disaster Relief	176,188
11.999			Miscellaneous NOAA	588,758
12.999			Miscellaneous Army	53,689
15.222			Cooperative Inspection Agreements With States and Tribes	19,835
15.224			Cultural Resource Management	310
15.225			Recreation Resource Management	57,313
15.231			Fish, Wildlife and Plant Conservation Resource Management (**Pass through National Fish & Wildlife Foundation**)	57,689
15.231			Fish, Wildlife and Plant Conservation Resource Management	96,135
15.605		F&WC	Sport Fish Restoration Program	17,482,178
15.608			Fish and Wildlife Management Assistance	1,018,389
15.611		F&WC	Wildlife Restoration	10,578,181
15.615			Cooperative Endangered Species Conservation Fund	115,718
15.622			Sportfishing and Boating Safety Act	208,798
15.626			Hunter Education and Safety Program	80,000
15.630			Coastal Program	1,122

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
15.631			Partners for Fish and Wildlife	1,255
15.633			Landowner Incentive Program	71,522
15.634			State Wildlife Grants	2,130,347
15.636			Alaska Subsistence Management	1,894,792
15.999			Miscellaneous National Park Service	97,901
15.999			Miscellaneous Bureau of Land Management	471,175
15.999			Miscellaneous U.S. Fish and Wildlife Service	172,217
15.999			Miscellaneous U.S. Fish and Wildlife Service	308,877
66.461			Regional Wetland Program Development Grants	57,985
97.999			Miscellaneous Homeland Security	4,251
	Department of Fish and Game			72,237,852
	Department of Health and Social Services			
10.551		FSC	Supplemental Nutrition Assistance Program (Formerly: Food Stamp Program)	92,068,615
10.557			Special Supplemental Nutrition Program for Women, Infants and Children	23,228,001
10.561		FSC	State Administrative Matching Grants for the Special Nutrition Assistance Program	10,773,550
16.202			Prisoner Reentry Initiative Demonstration (Offender Reentry)	66,958
16.523			Juvenile Accountability Block Grants	445,966
16.529			Education, Training and Enhanced Services to End Violence Against Women with Disabilities	(49)
16.540			Juvenile Justice and Delinquency Prevention - Allocation to States	627,952
16.541			Part E - Developing, Testing and Demonstrating Promising New Programs	2,304,592
16.544			Gang Free Schools and Communities - Community-Based Gang Intervention	54,558
16.548			Title V - Delinquency Prevention Program	147,855
16.727			Enforcing Underage Drinking Laws Program	306,616
17.720			Disability Employment Policy Development	190,664
64.022			Veterans Home Based Primary Care	1,918
84.181			Special Education - Grants for Infants and Families	2,365,045
90.100			Denali Commission Program	5,239,127
93.009			Compassion Capital Fund	219,682
93.041			Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	(60,253)
93.042			Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	74,395
93.043			Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	41,494

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
93.044		AC	Special Program for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	1,108,003
93.045		AC	Special Program for the Aging - Title III, Part C - Nutrition Services	2,897,607
93.048			Special Program for the Aging - Title IV and Title II - Discretionary Projects	132,301
93.052			National Family Caregiver Support, Title III, Part E	614,835
93.053		AC	Nutrition Services Incentive Program	435,381
93.069			Public Health Emergency Preparedness	4,685,322
93.110			Maternal and Child Health Federal Consolidated Programs	313,292
93.116			Project Grants and Cooperative Agreements for Tuberculosis Control Programs	451,380
93.127			Emergency Medical Services for Children	107,184
93.130			Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	538,959
93.136			Injury Prevention and Control Research and State and Community Based Programs	200,341
93.150			Projects for Assistance in Transition from Homelessness (PATH)	407,614
93.193			Urban Indian Health Services	101,793
93.217			Family Planning - Services	448,628
93.230			Consolidated Knowledge Development and Application (KDandA) Program	343,454
93.234			Traumatic Brain Injury State Demonstration Grant Program	97,121
93.235			Abstinence Education Program	24,061
93.238			Cooperative Agreement for State Treatment Outcomes and Performance Pilot Studies Enchancement	1,814
93.240			State Capacity Building	290,665
93.241			State Rural Hospital Flexibility Program	509,659
93.243			Substance Abuse and Mental Health Services - Projects of Regional and National Significance	258,834
93.251			Universal Newborn Hearing Screening	174,663
93.256			State Planning Grants Health Care Access for the Uninsured	138,890
93.259			Rural Access to Emergency Devices Grant	5,902
93.268			Immunization Grants	12,899,097
93.283			Centers for Disease Control and Prevention: Investigations and Technical Assistance	6,592,041
93.301			Small Rural Hospital Improvement Grant Program	146,301
93.556			Promoting Safe and Stable Families	1,032,176
93.558			Temporary Assistance for Needy Families	25,833,452
93.568			Low-Income Home Energy Assistance	11,304,890

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
93.575		CCC	Child Care and Development Block Grant	14,864,528
93.590			Community-Based Child Abuse Prevention Grants	183,510
93.596		CCC	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	4,229,745
93.599			Chafee Education and Training Vouchers Program (ETV)	134,153
93.630			Developmental Disabilities Basic Support and Advocacy Grants	499,939
93.643			Children's Justice Grants to States	112,644
93.645			Child Welfare Services - State Grants	313,148
93.658			Foster Care - Title IV-E	12,363,725
93.659			Adoption Assistance	8,184,396
93.667			Social Services Block Grant	8,883,365
93.669			Child Abuse and Neglect State Grants	143,380
93.670			Child Abuse and Neglect Discretionary Activities	40,563
93.674			Chafee Foster Care Independence Program	402,271
93.767			State Children's Insurance Program	14,634,662
93.768			Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities	272,902
93.773			Medicare - Hospital Insurance	692,801
93.777		MC	State Survey and Certification of Health Care Providers and Suppliers	247,820
93.778		MC	Medical Assistance Program	636,703,405
93.779			Centers for Medicare and Medicaid Service (CMS) Research, Demonstrations and Evaluations	1,424,347
93.789			Alternatives to Psychiatric Residential Treatment Facilities for Children	(2,351)
93.887			Health Care and Other Facilities	51,682
93.888			Specially Selected Health Projects	50,580
93.889			National Bioterrorism Hospital Preparedness Program	2,145,913
93.913			Grants to States for Operation of Office of Rural Health	153,325
93.917			HIV Care Formula Grants	1,216,475
93.940			HIV Prevention Activities - Health Department Based	1,335,566
93.944			Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	110,126
93.945			Assistance Programs for Chronic Disease Prevention and Control	143,560
93.946			Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	184,535
93.952			Trauma Care Systems Planning and Development	7,975
93.958			Block Grants for Community Mental Health Services	680,547

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
93.959			Block Grants for Prevention and Treatment of Substance Abuse	4,125,335
93.977			Preventive Health Services - Sexually Transmitted Diseases Control Grants	617,157
93.988			Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	413,737
93.991			Preventive Health and Health Services Block Grant	308,653
93.994			Maternal and Child Health Services Block Grant to the States	1,171,118
93.030178D4D-CDC			Adult Lead Surveillance Data	4,013
93.03-HHSH2502004360			Frontier Extended Stay	72,957
93.200-2000-07201			NCHS Contract	217,424
93.230-BHPR-034(03)			National Health Services Corp - Student/Resident Experiences and Rotations in Community Health (SEARCH)	108,384
93.243-03-1045			NIOSH Trauma Registry	117,800
	Department of Health and Social Services			927,758,161
	Department of Labor and Workforce Development			
11.300	805	PWEDC	Investments for Public Works and Economic Development Facilities	1,368
17.002	850		Labor Force Statistics	663,503
17.005	853		Compensation and Working Conditions	79,910
17.203	856		Labor Certification for Alien Workers	63,977
17.207	858	ESC	Employment Service/Wagner-Peyser Funded Activities	7,860,416
17.225	864		Unemployment Insurance	145,411,197
17.235	867		Senior Community Service Employment Program	1,751,290
17.245	871		Trade Adjustment Assistance	531,595
17.258	881	WIAC	WIA Adult Program	2,674,334
17.259	882	WIAC	WIA Youth Activities	2,775,129
17.260	883	WIAC	WIA Dislocated Workers	5,395,667
17.261	884		WIA Pilots, Demonstrations, and Research Projects	1,370,648
17.266	885		Work Incentive Grants	426,267
17.503	887		Occupational Safety and Health - State Program	1,380,177
17.504	888		Consultation Agreements	733,543
17.720	891		Disability Employment Policy Development	43,426
17.801	893	ESC	Disabled Veterans' Outreach Program (DVOP)	239,923
17.804	895	ESC	Local Veterans' Employment Representative Program	271,501
17.807	897		Transition Assistance Program	61,591
84.002	813/PR87846		Adult Education - Basic Grants to States	1,068,919
84.063	815	SFAC	Federal Pell Grant Program	214,440
84.126	819		Rehabilitation Services - Vocational Rehabilitation Grants to States	9,216,747
84.169	823		Independent Living - State Grants	361,443

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
84.177	827		Rehabilitation Services - Independent Living Services for Older Individuals who are Blind	258,095
84.187	830		Supported Employment Services for Individuals with Significant Disabilities	264,348
84.224	834		Assistive Technology	383,335
84.265	836		Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	25,118
90.100	842		Denali Commission Program	3,723,220
93.558	PR89832/88806		Temporary Assistance for Needy Families	3,470,190
96.001	844	DISSIC	Social Security - Disability Insurance	3,900,682
96.006	845	DISSIC	Supplemental Security Income	294,249
	Department of Labor and Workforce Development			194,916,248
	Department of Military and Veterans' Affairs			
11.419			Coastal Zone Management Administration Awards	232,149
11.555			Public Safety Interoperable Communications Grant Program	33,606
12.400			Military Construction, National Guard	29,487
12.401			National Guard Military Operations and Maintenance (O&M) Projects	16,993,287
12.404			National Guard Civilian Youth Opportunities	3,011,694
16.999			Counterdrug Support Program-Asset Forfeiture	59,300
20.703			Interagency Hazardous Materials Public Sector Training and Planning Grants	109,070
43.002			Technology Transfer	955,432
64.999			State Approving Agency	97,200
97.017			Pre-Disaster Mitigation Competitive Grants	1,198,543
97.026			Emergency Management Institute - Training Assistance	17,699
97.036			Disaster Grants - Public Assistance (Presidentially Declared Disasters)	11,057,767
97.039			Hazard Mitigation Grant	1,653,709
97.042			Emergency Management Performance Grants	1,961,135
97.053		HLSC	Citizen Corps	145,524
97.071		HLSC	Metropolitan Medical Response System	640,573
97.073		HLSC	State Homeland Security Program (SHSP)	6,389,250
97.074		HLSC	Law Enforcement Terrorism Prevention Program (LETPP)	3,167,033
97.075			Rail and Transit Security Grant Program	71,392
97.078			Buffer Zone Protection Program (BZPP)	79,000
	Department of Military and Veterans' Affairs			47,902,850
	Department of Natural Resources			
10.025			Plant and Animal Disease, Pest Control and Animal Care	757,099
10.156			Federal-State Marketing Improvement Program	8,943

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
10.162			Inspection Grading and Standardization	8,965
10.163			Market Protection and Promotion	205,730
10.169			Specialty Crop Block Grant Program	57,372
10.664			Cooperative Forestry Assistance	2,953,059
10.676			Forest Legacy Program	10,134
10.677			Forest Land Enhancement Program	188,075
10.680			Forest Health Protection	21,214
10.902			Soil and Water Conservation	26,541
10.905			Plant Materials for Conservation	301,383
10.999			Miscellaneous U.S. Forest Service Fire Suppression	2,974
11.419			Coastal Zone Management Administration Awards	1,664,898
12.999	F1U3CE6089G001		Satellite Imagery Purchase	49,500
15.222			Cooperative Inspection Agreements with States and Tribes	287,001
15.224			Cultural Resource Management	1,369,773
15.228			National Fire Plan - Wildland Urban Interface Community Fire Assistance	15,281
15.250			Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	163,966
15.252			Abandoned Mine Land Reclamation (AMLR) Program	1,493,074
15.614			Coastal Wetlands Planning, Protection, and Restoration Act	25,455
15.808			U.S. Geological Survey - Research and Data Collection	943,360
15.810			National Cooperative Geologic Mapping Program	292,137
15.904			Historic Preservation Fund Grants-In-Aid	725,950
15.916			Outdoor Recreation - Acquisition, Development and Planning	934,824
15.999			Miscellaneous U.S. Fish and Wildlife Service Fire Billings	1,002
15.999	LAPO72043		Resource Management Plans	29,084
20.219			Recreational Trails Program	1,043,713
47.076			Education and Human Resources	51,440
97.012			Boating Safety Financial Assistance	727,216
97.013			State Access to the Oil Spill Liability Trust Fund	4,226
97.041			National Dam Safety Program	2,492
97.046			Fire Management Assistance Grant	1,011,142
10.43-0120-4-0169			Spot Revegetation (purchase order)	11,289
10.43-0120-5-0113			Spot Revegetation #2 (purchase order)	9,692
10.L83008			USFS Fire Suppression	8,214,392
10.PO-0150-05-030	PO-0150-05-030		NRCS Imagery Purchase	70,445
15.1435-02-04-CA-40364			Onshore Compliance	207,919
15.701815M333			Izembek Interpretation Panels	2,963
15.701816M445	701816M445		Cabin Site Surveys	19,163
15.701817J676			Scenic Byway Planning	12,272

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
15.701817M364			Frazer Fish Pass	2,081
15.70HQSA0115			Digital Catalog	71
15.AAI	0203ML1302		Wickersham House	51,937
15.AK-C-12-L-1	AK-C-12-L-1		Portage River-Afognak Coastal Protection	713
15.DDD	LAA-02-0005		Cadastral Project	152,240
15.DDD	LAA-08-0002		Cadastral Project	46,941
15.H9807050013			Kadyak Archeology Investigation	1,422
15.LAA040005			BLM Fire Suppression	2,204,453
15.P9911070004			NPS Planning Assistance - 07	17,469
15.P9911080006			NSP Anilca Planning - 08	35,946
20.DTHF70-05-E-00028			Alaska Trails Initiative	1,031,837
	Department of Natural Resources			27,470,268
	Department of Administration			
16.541			Part E - Developing, Testing and Demonstrating Promising New Programs	50,000
16.576			Crime Victim Compensation	409,791
16.710			Public Safety Partnership and Community Policing Grants	189,750
20.232			Commercial Drivers License State Programs	884,860
21.999			Jobs and Growth Tax Relief Reconciliation Act of 2002	34,917
39.003			Donation of Federal Surplus Personal Property	1,439,235
66.433			State Underground Water Source Protection	127,217
	Department of Administration			3,135,770
	Department of Corrections			
16.593	RSAT 08-02		Residential Substance Abuse Treatment for State Prisoners	75,325
16.999	3/6/2005		U. S. Marshall Service Cooperative Agreement Prog	53,321
84.331	V331A010032		Grants to States for Incarcerated Youth Offenders	48,946
84.002A	V002A070002		Adult Basis Education/ (ABE/GED)	40,000
	Department of Corrections			217,592
	Department of Revenue			
16.541	16-2005-JL-FK (Project #) Grant ID is 16-081860		Part E - Developing, Testing and Demonstrating Promising New Programs	70,377
93.563			Child Support Enforcement	16,456,970
93.597			Grants to States for Access and Visitation Programs	151,306
	Department of Revenue			16,678,653
	Department of Transportation and Public Facilities			
10.665		SRC	Schools and Roads - Grants to States	170,000
10.999	USDA-NRM0999K060		Contract with USDA to replace culvert on Plack Rd. PJ 76740	(2)

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
10.999	USFS 07-RO-11100100-076		Contract with USFC for fish passage-ways on Mitkof, Hydaburg, and Yakutat Highways	18,244
10.999	USDA 05RO-11100100-120		Design 24' bridge on USFC Road 81 A-Lewis Reef Road	21,198
10.999	USDA 68-0150-5-009		Design & construct facility for the Plant Materials Center in Palmer	181,905
11.999			Space leased by National Weather Service at DOTPF facility in Slana and Ernestine	20
12.999	F65501-95C0017		Maintain Galena Airport to USAF Safety Standards	182,266
12.999	F65501-96C0006		Maintain King Salmon Airport to USAF Safety Standards	363,987
12.999	N6871104MDC4010		Funding from US Navy for Adak Airport Operations	1,102,976
15.999	BLM-LAA 08-001		BLM partnership to develop Dalton Hwy Corridor	3,530
15.999			National Park Service for Maintenance at Nebesna Rest Stop	7,500
16.585			Drug Court Discretionary Grant Program	11,912
16.585			Drug Court Discretionary Grant Program	78,089
20.106			Airport Improvement Program	201,473,877
20.205		HPCC	Highway Planning and Construction	308,349,201
20.218			National Motor Carrier Safety	694,557
20.231			Performance & Resistration Information Systems Mgmt (PRISM)	10,024
20.233			Boarder Enforcement Grants	1,259,127
20.234			Safety Data Improvement Program	140,113
20.235			Commercial Motor Vehicle Operator Training Grants	394,030
20.237			Safety Data Improvement Program (SADIP)	80,630
20.238			Commercial Drivers License Information System	242,771
20.500		FTC	Federal Transit - Capital Investment Grants	10,852,494
20.505			Federal Transit - Metropolitan Planning Grants	312,193
20.509			Formula Grants for Other Than Urbanized Areas	4,094,535
20.513		TSPC	Capital Assistance Program for Elderly Persons and Persons with Disabilities	657,997
20.514			Public Transportation Research	9,170
20.516		TSPC	Job Access - Reverse Commute	148,476
20.600		HSC	State and Community Highway Safety	1,865,353
20.601		HSC	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	385,834
20.602		HSC	Occupant Protection	185,436
20.605		HSC	Safety Incentives to Prevent Operation of Motor Vehicles By Intoxicated Persons	26,411
20.607			Alcohol Open Container Requirements	4,564,774
20.609		HSC	Safety Belt Performance Grants	1,055,528
20.610		HSC	State Traffic Safety Information System Improvements Grants	103,910
20.612		HSC	Incentive Grant Program to Increase Motorcyclist Safety	35,152

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
20.613		HSC	Child Safety and Child Booster Seat Incentive Grants	32,483
20.999	DTFA-04-02-X-44090		Runway End Identifier Lighting (REIL) at various airports.	(19,127)
20.999	AK PFH 44-1(1)		Forest Highway agreement for Glacier Highway trailhead improvements	(1,764)
20.999	AK PFH 2-1(1)		Forest Highway agreement for improvements to Coffman Cove Road	989
20.999	DTFH70-07E-0007		Forest Highway agreement for geotechnical invest. & drilling Coffman Cove Rd, Aufeis Rd & at Metlakatla	1,192
20.999	DTFA04-81-F-81018		Pay half of electric billed on shared meter at Kodiak Airport	17,770
20.999	BRM/09/02/2004		FAA agreement to install Runway End Identifier Lights (REIL) at Ekwok airport. PJ 57882	30,676
20.999	DTFA04-92-89229		Prorated Share of utilities and repair/maintenance Cost FAA ARFF Deadhorse Combined Facility	69,002
20.999	DTFA-04-A-00003		FAA agreement for installation of lighting at Gustavus, Kohkanok & Perryville airports.	76,097
20.999	FHWA-AK-PRA-DENA 10(19)		Contract with Forest Highway Administration for Denali Bridges	84,400
20.999			Contract with FHWA Office of Acquisition Management for CLARUS	114,276
20.999	DTFAWA-26-A00009		FAA agreement to install lighting at Tuntutuliak airport	136,981
20.999	DTFAAL-05-A-00011		FAA agreement to install lighting at Kohkanok & Kongiganak airports	199,733
20.999	DTFAAL-05-A-00002		FAA agreement for install of Precision Approach Path Indicator (PAPI) & Runway End Identifier Lighting (REIL) at various airports	210,395
20.999	DTFAAL-05-X-00011		FAA agreement to install lighting at King Cove & New Stuyahok airports	279,080
20.999	DTFAWA-05-A-00009		FAA agreement to install REIL lights at Stevens Village & King Cove airports	298,518
20.999	DTFAAL-05-X-00006		Design & construct FAA facility in Nome reimbursed by FAA through PO	464,457
20.999	DTFAWA-06-A-00009		FAA agreement to install PAPI lights at Stuyahok airport	467,865
90.100			Denali Commission Program	1,499,974
97.056			Port Security Grant Program	22,442
97.056			Port Security Grant Program	425,280
97.067		HLSC	Homeland Security Grant Program	636,922
97.072			National Explosives Detection Canine Team Program	150,000
	Department of Transportation and Public Facilities			544,280,859
	Department of Public Safety			
16.543			Missing Children's Assistance	8,555

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16.554			National Criminal History Improvement Program (NCHIP)	344,382
16.560			National Institute of Justice Research, Evaluation, and Development Project Grants	51,810
16.575			Crime Victim Assistance	1,405,161
16.580			Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	1,606,766
16.588			Violence Against Women Formula Grants	1,461,649
16.589			Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	207,722
16.590			Grants to Encourage Arrest Policies and Enforcement of Protection Orders	441,961
16.593			Residential Substance Abuse Treatment for State Prisoners	81,181
16.609			Community Prosecution and Project Safe Neighborhoods	47,813
16.710			Public Safety Partnership and Community Policing Grants	1,152,424
16.728			Drug Prevention Program	139,580
16.738			Edward Byrne Memorial Justice Assistance Grant Program	1,367,881
16.741			Forensic DNA Backlog Reduction Program	17,670
16.742			Paul Coverdell Forensic Sciences Improvement Grant Program	92,186
16.743			Forensic Casework DNA Backlog Reduction Program	55,292
21.999			Jobs and Growth Tax Relief Reconciliation Act of 2002	175,139
93.228			Indian Health Service - Health Management Development Program	3,716,550
93.671			Family Violence Prevention and Services/Grants for Battered Women's Shelters Grants to States and Indian Tribes	711,572
97.043			State Fire Training Systems Grants	11,201
97.044			Assistance to Firefighters Grant	631,381
10.02CA-111001-039			Cooperative Law Enforcement Agreement	44,187
11.04 and 05/06/07-NMFS-JEA			National Marine Fisheries Joint Enforcement Agreement	1,659,714
16.05-2 & CY07/CY08			Marijuana Eradication	102,526
	Department of Public Safety			15,534,303
	<u>Knik Arm Bridge Toll Authority</u>			
20.205	PJ E 56047	HPCC	Highway Planning and Construction	3,982,736
	Knik Arm Bridge Toll Authority			3,982,736

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
	Department of Law			
16.580	2005DDBX1154		Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	732,834
16.588	2005WFAX0001		Violence Against Women Formula Grants	836,127
93.775	0701AK5050	MC	State Medicaid Fraud Control Units	107,350
93.775	0801AK5050	MC	State Medicaid Fraud Control Units	408,986
	Department of Law			2,085,297
	Office of the Governor			
11.452			Unallied Industry Projects	453,973
30.002			Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	126,750
39.011			Election Reform Payments	591,206
90.401			Help America Vote Act Requirements Payments	964,416
93.617			Voting Access for Individuals with Disabilities Grants to States	43,775
	Office of the Governor			2,180,120
	University of Alaska			
10.001		R&DC	Agricultural Research - Basic and Applied Research	985,187
10.025		R&DC	Plant and Animal Disease, Pest Control and Animal Care	3,934
10.200		R&DC	Grants for Agricultural Research, Special Research Grants	4,526,711
10.200			Grants for Agricultural Research, Special Research Grants	66,984
10.200	61553007	R&DC	Grants for Agricultural Research, Special Research Grants (**Pass-through from Utah State University**)	77,006
10.202		R&DC	Cooperative Forestry Research	216,323
10.203		R&DC	Payments to Agricultural Experiment Stations Under the Hatch Act	114,875
10.206			Grants for Agricultural Research - Competitive Research Grants	80,403
10.206		R&DC	Grants for Agricultural Research - Competitive Research Grants	258,119
10.206	Z507223/2005-35605-15388 PENDI	R&DC	Grants for Agricultural Research - Competitive Research Grants (**Pass-through from University of Maryland**)	352,407
10.228			Alaska Native Serving and Native Hawaiian Serving Institutions Education Grants	1,668,908
10.228		R&DC	Alaska Native Serving and Native Hawaiian Serving Institutions Education Grants	164,009
10.303			Integrated Programs	6,476

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
10.303	K009607-AK Amendment 5		Integrated Programs (**Pass-through from University of California, Davis)**	29,639
10.303		R&DC	Integrated Programs	37,968
10.303	BJKE27-UA (PO013815)		Integrated Programs (**Pass-through from University of Idaho)**	53,937
10.304	07-002558-12		Homeland Security-Agricultural (**Pass-through from University of California, Davis)**	36,512
10.443	PO Z738018	R&DC	Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers (**Pass-through from University of Hawaii, HILO)**	4,538
10.455			Community Outreach and Assistance Partnership Program	35,059
10.500		R&DC	Cooperative Extension Service	113,833
10.500	K007797-02	R&DC	Cooperative Extension Service (**Pass-through from University of California, Davis**)	(104)
10.500	UTSTUNV46460AK		Cooperative Extension Service (**Pass-through from University of Wyoming**)	4,992
10.500	S08023		Cooperative Extension Service (**Pass-through from Kansas State University**)	53,378
10.500	G002219		Cooperative Extension Service (**Pass-through from Washington State University**)	256,053
10.500			Cooperative Extension Service	1,797,860
10.557	PO 3409010318 Rev 1		Special Supplemental Nutrition Program for Women, Infants, and Children (**Pass-through from Oklahoma State Department of Health**)	12,576
10.578	ASO Log 08-092		WIC Grants to States (WGS) (**Pass-through from State of Hawaii - Department of Health Honolulu**)	23,810
10.652		R&DC	Forestry Research	190,401
10.664		R&DC	Cooperative Forestry Assistance	49,213
10.680		R&DC	Forest Health Protection	104,373
10.760			Water and Waste Disposal Systems for Rural Communities	129,972
10.769			Rural Business Enterprise Grants	21,096
10.771			Rural Cooperative Development Grants	86,364
10.861	Letter Dated 07/01/2006		Public Television Station Digital Transition Grant Program (**Pass-through from Alaska One**)	50,435
10.999	Contract Signed 1-9-07	R&DC	Miscellaneous (**Pass-through from Organic Seed Alliance**)	1,822
10.999	SA# TNC/AKNHP LDFIRE 2007	R&DC	Miscellaneous (**Pass-through from The Nature Conservancy**)	7,219
10.999	ALF $120,000 4/31/08		Miscellaneous (**Pass-through from State of Arizona Women, Infants and Children**)	36,865
10.999			Miscellaneous	368,557
10.999		R&DC	Miscellaneous	484,332
11.303			Economic Development - Technical Assistance	110,104

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
11.307		PWEDC	Economic Adjustment Assistance	256,251
11.400			Geodetic Surveys and Services (Geodesy and Applications of the National Geodetic Reference System)	13,530
11.417		R&DC	Sea Grant Support	1,687,152
11.417			Sea Grant Support	632,898
11.420		R&DC	Coastal Zone Management Estuarine Research Reserves	8,719
11.430		R&DC	Undersea Research	1,159,646
11.431		R&DC	Climate and Atmospheric Research	1,856,212
11.432		R&DC	Office of Oceanic and Atmospheric Research (OAR) Joint and Cooperative Institutes	2,608,648
11.438	L1300-01	R&DC	Pacific Coast Salmon Recovery - Pacific Salmon Treaty Program (**Pass-through from Seward Association for Advancement of Science**)	10,704
11.439	NA05NMF4391068	R&DC	Marine Mammal Data Program (**Pass-through from North Pacific Marine Science Foundation**)	16,638
11.439			Marine Mammal Data Program	119,327
11.439	ADN 1175033	R&DC	Marine Mammal Data Program	754,560
11.454	AC-598	R&DC	Unallied Management Projects (**Pass-through from Bering Sea Fisherman's Association**)	32,351
11.460		R&DC	Special Oceanic and Atmospheric Projects	518,330
11.463	2006-0093-012	R&DC	Habitat Conservation (**Pass-through from National Fish and Wildlife Foundation**)	3,380
11.467	S08-68871	R&DC	Meteorologic and Hydrologic Modernization Development (**Pass-through from University Corporation for Atmospheric Research**)	10,120
11.472	PO 10263677	R&DC	Unallied Science Program (**Pass-through from University of California, San Diego**)	8,461
11.472	A100501	R&DC	Unallied Science Program (**Pass-through from Woods Hole Oceanographic Institution**)	39,548
11.472	R0326 F0326-00		Unallied Science Program (**Pass-through from North Pacific Research Board**)	50,378
11.472	R0320	R&DC	Unallied Science Program (**Pass-through from North Pacific Research Board**)	1,169,053
11.473	07-5-25535.3734 CA05-22	R&DC	Coastal Services Center (**Pass-through from University of Maryland - UMCES**)	127,261
11.473	H2100-12		Coastal Services Center (**Pass-through from Alaska Ocean Observing System**)	1,334
11.473	Project H2100-13, Amd 2	R&DC	Coastal Services Center (**Pass-through from Alaska Ocean Observing System**)	205,829
11.473	H-2201	R&DC	Coastal Services Center (**Pass-through from Seward Association for Advancement of Science**)	448,784
11.478		R&DC	Center for Sponsored Coastal Ocean Research - Coastal Ocean Program	72,762

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11.481	Subagreement 270040E	R&DC	Educational Partnership Program (**Pass-through from North Carolina A&T State University**)	136,818
11.481			Educational Partnership Program	194,728
11.999	CA- 07-11 Z7315-1	R&DC	Miscellaneous (**Pass-through from University of Maryland, UMCES**)	107,688
11.999	F0401	R&DC	Miscellaneous (**Pass-through from North Pacific Research Board**)	(1,267)
11.999		R&DC	Miscellaneous	11,514
11.999	ADN 180022		Miscellaneous	27,206
12.002			Procurement Technical Assistance for Business Firms	260,696
12.114	UM 07-11-041	R&DC	Collaborative Research and Development (**Pass-through from University of Mississippi**)	340,465
12.300		R&DC	Basic and Applied Scientific Research	2,431,344
12.300	R00427 FSU 091004-520-015474	R&DC	Basic and Applied Scientific Research (**Pass-through from Florida State University**)	18,203
12.300	A100585	R&DC	Basic and Applied Scientific Research (**Pass-through from Woods Hole Oceanographic Institution**)	31,074
12.300	Index 332520 PO 426688	R&DC	Basic and Applied Scientific Research (**Pass-through from Wayne State University**)	81,332
12.420		R&DC	Military Medical Research and Development	1,885,157
12.431	07-41		Basic Scientific Research (Pass-through from Academy of Applied Science)	1,209
12.431	07-40		Basic Scientific Research (Pass-through from Academy of Applied Science)	2,600
12.431			Basic Scientific Research	3,958
12.431		R&DC	Basic Scientific Research	167,812
12.630		R&DC	Basic, Applied, and Advanced Research in Science and Engineering	395,375
12.800	Sub Q01193	R&DC	Air Force Defense Research Sciences Program (**Pass-through from New Mexico State University**)	132,349
12.800		R&DC	Air Force Defense Research Sciences Program	161,969
12.910		R&DC	Research and Technology Development	1,932,157
12.999	06-84 and 06-85		Miscellaneous (**Pass-through from Academy of Applied Science**)	372
12.999	885205	R&DC	Miscellaneous (**Pass-through from John Hopkins University**)	742
12.999	Sub UM 07-04-095	R&DC	Miscellaneous (**Pass-through from University of Mississippi**)	19,833
12.999	2-340-0210766	R&DC	Miscellaneous (**Pass-through from RTI International**)	45,673
12.999	Sub UNDER CA W56HZV-04-2-0001	R&DC	Miscellaneous (**Pass-through from University of Michigan**)	55,150
12.999		R&DC	Miscellaneous	418,134

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14.515			Alaska Native / Native Hawaiian Institutions Assisting Communities	2,040,219
15.114			Indian Education - Higher Education Grant Program	29,473
15.224	G245-06-W0094	R&DC	Cultural Resource Management (**Pass-through from Montana State University**)	(13)
15.224	1076020	R&DC	Cultural Resource Management	35,564
15.224			Cultural Resource Management	205,642
15.225		R&DC	Recreation Resource Management	95,806
15.231		R&DC	Fish, Wildlife and Plant Conservation Resource Management	(394)
15.421		R&DC	Alaska Coastal Marine Institute	158,236
15.423		R&DC	Minerals Management Service (MMS) Environmental Studies Program (ESP)	65,871
15.608		R&DC	Fish and Wildlife Management Assistance	32,326
15.608	ALF $125,000 5/23/08		Fish and Wildlife Management Assistance (**Pass-through from National Fish & Wildlife Foundation**)	116,632
15.630		R&DC	Coastal Program	939
15.631		R&DC	Partners for Fish and Wildlife	9,455
15.642		R&DC	Challenge Cost Share	24,932
15.643		R&DC	Alaska Migratory Bird Co-Management Council	1,589
15.650		R&DC	Research Grants (Generic)	1,247
15.805		R&DC	Assistance to State Water Resources Research Institutes	96,892
15.807		R&DC	Earthquake Hazards Reduction Program	540,952
15.808	AV04-AK01	R&DC	U.S. Geological Survey - Research and Data Collection (**Pass-through from America View, Inc.**)	37,673
15.808	ADN 1056014	R&DC	U.S. Geological Survey - Research and Data Collection	2,947,852
15.811		R&DC	GAP Analysis Program	(2,730)
15.812		R&DC	Cooperative Research Units Program	548,795
15.900			Disposal of Surplus Wildlife	1,769
15.900		R&DC	Disposal of Surplus Wildlife	416,420
15.904		R&DC	Historic Preservation Fund Grants-in-Aid	93,693
15.999	ADN1078006/45-7-0805	R&DC	Miscellaneous	1,771,416
15.999	2005-0011-036	R&DC	Miscellaneous (**Pass-through from National Fish & Wildlife Foundation**)	5,695
15.999	MOA Dated 8-21-07	R&DC	Miscellaneous (**Pass-through from Hoonah Indian Association**)	11,784
15.999	(PO) 0000326714-21833	R&DC	Miscellaneous (**Pass-through from Rutgers**)	32,265
15.999	20118 Initial 2002	R&DC	Miscellaneous (**Pass-through from University of Vermont**)	42,722
15.999	AC-299	R&DC	Miscellaneous (**Pass-through from Bering Sea Fisherman's Association**)	53,313

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15.999			Miscellaneous	1,401,323
16.542	Agrmt Dtd 5/25/05 PO39607-0169	R&DC	Part D - Research, Evaluation, Technical Assistance and Training (**Pass-through from Indiana University - Purdue University Indianapolis**)	13,332
16.550		R&DC	State Justice Statistics Program for Statistical Analysis Centers	57,164
16.560		R&DC	National Institute of Justice Research, Evaluation, and Development Project Grants	200,452
16.999			Miscellaneous	5,655
16.999		R&DC	Miscellaneous	28,335
17.260	EN 786145	WIAC	WIA Dislocated Workers	5,643
17.261	EN 786128		WIA Pilots, Demonstrations, and Research Projects	595,766
17.268			H-1B Job Training Grants	112,696
17.269			Community Based Job Training Grants	53,597
17.600			Mine Health and Safety Grants	38,260
19.999			Miscellaneous	349,803
20.109		R&DC	Air Transportation Centers of Excellence	5,366
20.109	61069-UAADTFACT-02-D-00037#12		Air Transportation Centers of Excellence (**Pass-through from Embry-Riddle Aeronautical University**)	123,356
20.200		R&DC	Highway Research and Development Program	10,514
20.215			Highway Training and Education	255,023
20.701		R&DC	University Transportation Centers Program	1,618,383
20.999	61049 04-C-GA-ERAU 011/031/054		Miscellaneous (**Pass-through from Embry-Riddle Aeronautical University**)	(2,022)
21.999		R&DC	Miscellaneous	612,718
27.011			Intergovernmental Personnel Act (IPA) Mobility Program	145,428
39.009		R&DC	Federal Citizen Information Center	14,154,048
39.999			Miscellaneous	177
43.001	478959	R&DC	Aerospace Education Services Program (**Pass-through from University of Washington**)	(2,072)
43.001	Sub Z631501	R&DC	Aerospace Education Services Program (**Pass-through from University of Maryland**)	31,633
43.001		R&DC	Aerospace Education Services Program	320,134
43.999		R&DC	Miscellaneous	10,468,750
43.999	0000251 (Formerly) 402256-1)	R&DC	Miscellaneous (**Pass-through from University of Pittsburgh**)	(3,448)
43.999	1541927	R&DC	Miscellaneous (**Pass-through from University of Colorado**)	(477)
43.999	Sub 200707-E		Miscellaneous (**Pass-through from George Mason University**)	4,027
43.999	1-0001080910	R&DC	Miscellaneous (**Pass-through from University of California, Berkeley**)	8,917
43.999	Sub NNG06GH12G-06-002	R&DC	Miscellaneous (**Pass-through from SETI Institute**)	12,037

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43.999			Miscellaneous	18,139
43.999	UW # 471380	R&DC	Miscellaneous (**Pass-through from University of Washington**)	18,950
43.999	0965 G FB372	R&DC	Miscellaneous (**Pass-through from University of California, Los Angeles**)	19,705
43.999	Z627201	R&DC	Miscellaneous (**Pass-through from University of Maryland**)	49,382
45.129	G08-0044		Promotion of the Humanities - Federal/State Partnership (**Pass-through from Alaska Humanities Forum**)	4,898
45.149			Promotion of the Humanities - Division of Preservation and Access	73,592
45.164			Promotion of the Humanities - Public Programs	971
45.169			Promotion of the Humanities - Office of Digital Humanities	417
45.301	Project E0802-01	R&DC	Museums for America (**Pass-through from Alaska SeaLife Center**)	10,000
45.312			National Leadership Grants	96,280
47.041		R&DC	Engineering Grants	361,482
47.049	Subaward 30891-A	R&DC	Mathematical and Physical Sciences (**Pass-through from Stanford University**)	154,610
47.049		R&DC	Mathematical and Physical Sciences	270,891
47.050			Geosciences	2,650,022
47.050		R&DC	Geosciences	2,567,568
47.050	Sub 20-E&O		Geosciences (**Pass-through from Incorporated Research Institutions for Seismology**)	7,350
47.050	MBL Subcontract #10705	R&DC	Geosciences (**Pass-through from Marine Biological Laboratory**)	10,066
47.050	UNR-02-72 PO12GC0000075	R&DC	Geosciences (**Pass-through from University of Nevada, Reno**)	12,800
47.050	A100521	R&DC	Geosciences (**Pass-through from Woods Hole Oceanographic Institution**)	15,118
47.050	Service Agrmnt Dated 5/15/08		Geosciences (**Pass-through from WGBH Educational Foundation**)	25,541
47.050	892069	R&DC	Geosciences (**Pass-through from University of Washington**)	33,417
47.050	Sub 1703-01 PO126669	R&DC	Geosciences (**Pass-through from Embry-Riddle Aeronautical University**)	102,727
47.050	Subaward EAR-0350028-11	R&DC	Geosciences (**Pass-through from UNAVCO, Inc.**)	143,944
47.050	59-001127	R&DC	Geosciences (**Pass-through from SRI International**)	665,668
47.070		R&DC	Computer and Information Science and Engineering	595,315
47.070	1120822-184882		Computer and Information Science and Engineering (**Pass-through from Carnegie Mellon University**)	16,974
47.070			Computer and Information Science and Engineering	81,832

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47.074		R&DC	Biological Sciences	3,075,073
47.074	SA5573-11487, PO 1382500	R&DC	Biological Sciences (**Pass-through from University of California, Berkeley**)	31,615
47.074			Biological Sciences	187,615
47.075	420-40-46	R&DC	Social, Behavioral, and Economic Sciences (**Pass-through from Iowa State University**)	402
47.075		R&DC	Social, Behavioral, and Economic Sciences	478,311
47.076		R&DC	Education and Human Resources	3,805,619
47.076			Education and Human Resources	1,498,565
47.078			Polar Programs	1,010,071
47.078		R&DC	Polar Programs	12,237,710
47.078	Pending		Polar Programs (**Pass-through from Barrow Arctic Science Consortium**)	(17,400)
47.078	NO. 153556	R&DC	Polar Programs (**Pass-through from University of Washington**)	457
47.078	AGRMT BSSN-SA-4 / ARC-0634079	R&DC	Polar Programs (**Pass-through from Aleut International Association**)	3,683
47.078	PO S115043	R&DC	Polar Programs (**Pass-through from Woods Hole Oceanographic Institution**)	6,885
47.078	05-143C	R&DC	Polar Programs (**Pass-through from Idaho State University**)	7,331
47.078	SPO 0000061551	R&DC	Polar Programs (**Pass-through from University of Colorado**)	10,645
47.078	CA 08-09	R&DC	Polar Programs (**Pass-through from University of Maryland**)	13,815
47.078	Agreement X424034	R&DC	Polar Programs (**Pass-through from University of Wisconsin-Madison**)	19,390
47.078	Sub PZ07010	R&DC	Polar Programs (**Pass-through from University of New Hampshire**)	23,340
47.078	SDSU SUBE0003588,E0004 159	R&DC	Polar Programs (**Pass-through from San Diego State University**)	30,122
47.078	3872	R&DC	Polar Programs (**Pass-through from University of Delaware**)	30,439
47.078	ARCUS Contract 8.26.04	R&DC	Polar Programs (**Pass-through from Arctic Research Consortium of the U.S.**)	52,410
47.079		R&DC	International Science and Engineering (OISE)	489,770
47.999		R&DC	Miscellaneous	385,233
47.999	Agreement Dated 7/24/2006		Miscellaneous (**Pass-through from Bristol Bay Native Association**)	17,278
59.009			Procurement Assistance to Small Businesses	154,008
59.037			Small Business Development Centers	488,491
66.202	Subaward		Congressionally Mandated Projects (**Pass-through from Alaska Native Tribal Health Consortium**)	51,089
66.202	PO 600663	R&DC	Congressionally Mandated Projects (**Pass-through from Fairbanks North Star Borough**)	80,233

STATE OF
ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2008
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
66.202			Congressionally Mandated Projects	180,495
66.202			Congressionally Mandated Projects	180,682
66.514			Science to Achieve Results (STAR) Fellowship Program	16,229
66.605	Subaward Dtd 9/27/2007	R&DC	Performance Partnership Grants (**Pass-through from Bristol Bay Native Association**)	11,609
66.610			Surveys, Studies, Investigations and Special Purpose Grants Within the Office of the Administrator	3,550
66.708			Pollution Prevention Grants Program	9,686
66.999			Miscellaneous	110,282
66.999	Award Dtd 05/25/2007	R&DC	Miscellaneous (**Pass-through from UNGA Tribal Council**)	9,090
81.089			Fossil Energy Research and Development	7,066
81.089		R&DC	Fossil Energy Research and Development	166,452
81.113	UM03-02-074	R&DC	Defense Nuclear Nonproliferation Research (**Pass-through from University of Mississippi**)	96,760
81.999		R&DC	Miscellaneous	2,381,412
81.999	Agreement 234041A	R&DC	Miscellaneous (**Pass-through from University of Oregon**)	(223)
81.999			Miscellaneous	10,897
81.999	109081 G002315		Miscellaneous (**Pass-through from Washington State University**)	20,999
84.007		SFAC	Federal Supplemental Educational Opportunity Grants	620,170
84.031			Higher Education - Institutional Aid	4,695,910
84.032		SFAC	Federal Family Education Loans	45,869,030
84.033		SFAC	Federal Work - Study Program	651,498
84.042		TRIOC	TRIO - Student Support Services	648,423
84.044		TRIOC	TRIO - Talent Search	665,544
84.047		TRIOC	TRIO - Upward Bound	1,394,417
84.063		SFAC	Federal Pell Grant Program	9,847,651
84.066		TRIOC	TRIO - Educational Opportunity Centers	462,686
84.116			Fund for the Improvement of Postsecondary Education	104,276
84.215			Fund for the Improvement of Education	216,827
84.299			Miscellaneous	42,085
84.305			Education Research, Development and Dissemination	250,427
84.306		R&DC	National Institute on the Education of At-Risk Students	(323)
84.325			Special Education - Personnel Development to Improve Services and Results for Children With Disabilities	251,441

STATE OF
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2008
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
84.330	Agmt Dated 3/30/06 Amendment 1	R&DC	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants) (**Pass-through from Anchorage School District**)	23,741
84.333			Demonstration Projects to Ensure Students With Disabilities Receive a Higher Education	209,229
84.336			Teacher Quality Enhancement Grants	1,879,653
84.350			Transition to Teaching	12,553
84.356			Alaska Native Educational Programs	4,628,057
84.356	Prof Svcs Agmt Dtd 4/21/08	R&DC	Alaska Native Educational Programs (**Pass-through from Alaska Pacific University**)	853
84.356	Amended PO 100-ISER-06	R&DC	Alaska Native Educational Programs (**Pass-through from Association of Alaska School Boards**)	8,599
84.356	MOA Dated 3/27/2006		Alaska Native Educational Programs (**Pass-through from Project GRAD Kenai Peninsula**)	15,777
84.356	Subaward Dtd 4/9/05 Amend #4	R&DC	Alaska Native Educational Programs (**Pass-through from Copper River Native Association**)	29,395
84.356	MOA 11-30-06		Alaska Native Educational Programs (**Pass-through from Doyon Foundation**)	56,523
84.375		SFAC	Academic Competitiveness Grants	86,550
84.376		SFAC	National Science and Mathematics Access to Retain Talent (SMART) Grants	205,201
84.999	Svc Agrmt Dtd 12/19/2007	R&DC	Miscellaneous (**Pass-through from Anchorage School District**)	50,385
84.999	Agreement 06/2006 Amend 1/08	R&DC	Miscellaneous (**Pass-through from Alaska Humanities Forum**)	57,509
84.999	92-AK01		Miscellaneous (**Pass-through from National Writing Project Corporation**)	86,034
89.003	Agreement Dated 08/09/2005		National Historical Publications and Records Grants (**Pass-through from Whitworth College**)	(129)
90.100	ADN 780101 EN786121		Denali Commission Program	360,381
90.100	Letter Award 10/31/05		Denali Commission Program (**Pass-through from Corporation For Public Broadcasting**)	5,339
90.100		R&DC	Denali Commission Program	30,238
93.048		R&DC	Special Programs for the Aging - Title IV - and Title II - Discretionary Projects	258,965
93.110			Maternal and Child Health Federal Consolidated Programs	79,671
93.110	PO Y432109 MOD 3	R&DC	Maternal and Child Health Federal Consolidated Programs (**Pass-through from University of Arizona Tucson**)	9,650
93.110	Agreement 228		Maternal and Child Health Federal Consolidated Programs (**Pass-through from Children's Hospital Los Angeles**)	31,021
93.178			Nursing Workforce Diversity	212,727

STATE OF
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2008
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
93.226		R&DC	Research on Healthcare Costs, Quality and Outcomes	19,829
93.242		R&DC	Mental Health Research Grants	1,290,757
93.247	Sub GSONO0130A B Amend 2	R&DC	Advanced Education Nursing Grant Program (**Pass-through from Oregon Health & Science University**)	63
93.273		R&DC	Alcohol Research Programs	279,478
93.279	Sub 320020-1R01DA015966-01A2	R&DC	Drug Abuse and Addiction Research Programs (**Pass-through from Pacific Institute for Research and Evaluation Louisville Center**)	33,793
93.279		R&DC	Drug Abuse and Addiction Research Programs	422,243
93.283	U58/CCU024463		Centers for Disease Control and Prevention - Investigations and Technical Assistance (**Pass-through from Southeast Alaska Regional Health Consortium**)	2,180
93.283	EN 0680483		Centers for Disease Control and Prevention - Investigations and Technical Assistance	293,912
93.300		R&DC	National Center for Health Workforce Analysis	14,153
93.307		R&DC	Minority Health and Health Disparities Research	640,763
93.358			Advanced Education Nursing Traineeships	7,200
93.389		R&DC	National Center for Research Resources	5,693,817
93.587	Contract Dated 12/5/07	R&DC	Promote the Survival and Continuing Vitality of Native American Languages (**Pass-through from Kenaitze Indian Tribe IRA**)	26,802
93.632			University Centers for Excellence in Developmental Disabilities Education, Research, and Service	475,840
93.648			Child Welfare Services Training Grants	71,930
93.822			Health Careers Opportunity Program	1,100
93.824			Basic / Core Area Health Education Centers	1,001,662
93.837	938G Subaward Mod #1	R&DC	Cardiovascular Diseases Research (**Pass-through from MedStar Research Institute**)	(1,059)
93.837		R&DC	Cardiovascular Diseases Research	133,918
93.848		R&DC	Digestive Diseases and Nutrition Research	379,276
93.849	8018-TGF004134-01 Agrmt 210	R&DC	Kidney Diseases, Urology and Hematology Research (**Pass-through from Children's Hospital Los Angeles**)	1,080
93.853		R&DC	Extramural Research Programs in the Neurosciences and Neurological Disorders	203,784
93.859		R&DC	Biomedical Research and Research Training	2,270
93.888			Specially Selected Health Projects	58,320
93.888		R&DC	Specially Selected Health Projects	103,884
93.912	PO 76643 Amendment 1	R&DC	Rural Health Care Services Outreach and Rural Health Network Development Program (**Pass-through from Southeast Alaska Regional Health Consortium**)	138,801

STATE OF
ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2008
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
93.928	ANTHC-03-U-6877 MOD 009	R&DC	Special Projects of National Significance (**Pass-through from Alaska Native Tribal Health Consortium**)	(23,980)
93.969			Block Grants for Prevention and Treatment of Substance Abuse	277,143
93.999			Miscellaneous	(800)
93.999	258-070-2-1-12	R&DC	Miscellaneous (**Pass-through from Fairbanks Native Association**)	39,882
93.999		R&DC	Miscellaneous	98,228
93.999	1935 S JB147	R&DC	Miscellaneous (**Pass-through from UCLA School of Public Health**)	854,512
94.005	Sub 00001316		Learn and Serve America - Higher Education (**Pass-through from Princeton University**)	4,365
94.013			Volunteers in Service to America	3,578
96.008			Social Security - Work Incentives Planning and Assistance Program	72,961
98.001	280/000-08-1146	R&DC	USAID Foreign Assistance for Programs Overseas (**Pass-through from University Of Maryland - College Park**)	8,049
98.012	FY08-AR03-U-ALASKA-01		USAID Development Partnerships for University Cooperation and Development (**Pass-through from International Research Exchange Board**)	162,670
USAID	65338	R&DC	USAID (**Pass-through from University Of Hawaii**)	53
USAID			USAID	146,467
	University of Alaska			195,718,619
				2,543,942,318

STATEWIDE ABBREVIATIONS

A

AAC	Alaska Administrative Code
AADC	Alaska Aerospace Development Corporation
AAL	Actuarial Accrued Liabilities
ABE/GED	Adult Basic Education/General Education Degree
ACF	Administration for Children and Families
ACS	Alaska Court System
ACES	Alaska's Clear and Equitable Share
ADP	Automated Data Processing
AEA	Alaska Energy Authority
AHCC	Alaska Housing Capital Corporation
AHFC	Alaska Housing Finance Corporation
AIDEA	Alaska Industrial Development and Export Authority
AIDS	Acquired Immunodeficiency Virus Syndrome
AIGA	Alaska Insurance Guarantee Association
AJE	Adjusting Journal Entries
AK	Alaska
AKSAS	Alaska State Accounting System
ALAE	Allocated Loss Adjustment Expenses
ALDER	Alaska Data Enterprise Reporting
AMBBA	Alaska Municipal Bond Bank Authority
AMHT	Alaska Mental Health Trust
AMHTA	Alaska Mental Health Trust Authority
AMLR	Abandoned Mine Land Reclamation
ANGDA	Alaska Natural Gas Development Authority
ANTHC	Alaska Native Tribal Health Consortium
APFC	Alaska Permanent Fund Corporation
AR	Accounts Receivable
ARFF	Aircraft Rescue and Firefighting
ARHCT	Alaska Retiree Health Care Trusts
ARLF	Agriculture Revolving Loan Fund
ARMB	Alaska Retirement Management Board
ARO/SERO	Anchorage Regional Office/Southeast Regional Office
ARRC	Alaska Railroad Corporation
AS	Alaska Statute
ASLC	Alaska Student Loan Corporation
ASMI	Alaska Seafood Marketing Institute
ASPIB	Alaska State Pension Investment Board

B

BLM	Bureau of Land Management

C

CAFR	Comprehensive Annual Financial Report
CAP	Cost Allocation Plan
CBRF	Constitutional Budget Reserve Fund (Alaska)
CCC	Child Care Cluster
CCDBG	Child Care and Development Block Grant
CCDF	Child Care Development Fund
CCLS	Community Care Licensing Specialists (Foster Care)
CDC	Center for Disease Control
CFDA	Catalog of Federal Domestic Assistance
CFR	Code of Federal Regulations
CIP	Capital Improvement Projects
CMS	Centers for Medicare and Medicaid Services
COA	Chart of Accounts
COPs	Certificates of Participation
COURT	Alaska Court System/Alaska Judicial Council
CPA	Certified Public Accountant
CSREES	Cooperative State Research, Education, and Extension Service

D

DBP	Division of Business Partnerships
DC	Denali Commission
DCCED	Department of Commerce, Community, and Economic Development (AK)
DCP	Deferred Compensation Plan
DCR	Duff & Phelps Credit Rating
DCRA	Department of Community and Regional Affairs (Alaska)
DEC	Department of Environmental Conservation (Alaska)
DED	Division of Early Development (see Early Development)
DEED	Department of Education and Early Development (Alaska)
DES	Division of Emergency Services
DFG	Department of Fish and Game (Alaska)
DFYS	Division of Family and Youth Services
DGS	Division of General Services
DHCS	Division of Health Care Services
DHSS	Department of Health and Social Services (Alaska)
DKC	Denali Kid Care
DLA	Defense Logistics Agency
DLWD	Department of Labor and Workforce Development (Alaska)
DMA	Division of Medical Assistance
DMHDD	Division of Mental Health and Developmental Disabilities
DMVA	Department of Military and Veterans Affairs (Alaska)

DNR	Department of Natural Resources (Alaska)
DOA	Department of Administration (Alaska)
DOC	Department of Corrections (Alaska)
DODFX	Dodge & Cox International Stock Fund
DOE	Department of Education
DOF	Division of Finance
DOL	Department of Law (Alaska)
DOR	Department of Revenue (Alaska)
DOTPF	Department of Transportation and Public Facilities (Alaska)
DPA	Division of Public Assistance
DPH	Division of Public Health
DPS	Department of Public Safety
DRB	Division of Retirement and Benefits
DSDS	Division of Senior and Disability Services
DSH	Disproportionate Share Hospital
DSS	Division of Senior Services
DUA	Disaster Unemployment Assistance
DUR	Drug Utilization Review
DVA	Department of Veterans Affairs
DVOP	Disabled Veterans' Outreach Program

E

ED	Early Development (see Division of Early Development)
EDA	Economic Development Administration
eGrants	Electronic Grants database
EMGF	Emerging Markets Growth Fund
EMS	Emergency Medical Services
ENERGY	U.S. Department of Energy
EPA	U.S. Environmental Protection Agency
EPORS	Elected Public Officers Retirement System
ERISA	Employee Retirement Income Security Act of 1974
ESEA	Elementary and Secondary Education Act
ESS	Education Support Services
ETA	Employment and Training Administration
ETS	Enterprise Technology Services
ETV	Education and Training Vouchers

F

F&M	Facilities and Maintenance
FAA	Federal Aviation Administration
FAS	Foreign Agricultural Service
FASB	Financial Accounting Standards Board
FDA	Food and Drug Administration
FE	Funding Excess

FEMA	Federal Emergency Management Agency
FFEL	Federal Family Education Loan
FFELP	Federal Family Education Loan Program
FFP	Federal Financial Participation
FFY	Federal Fiscal Year
FHSC	First Health Services Corporation
FHWA	Federal Highway Administration
FIA	Fairbanks International Airport
FIFO	First in, first out
FMS	Finance and Management Services
FNMA	Federal National Mortgage Association
FNS	Food and Nutrition Service
FRA	Federal Railroad Administration
FSA	Farm Service Agency
FSIS	Food Safety and Inspection Service
FTA	Federal Transit Administration
FSSLA	First Special Session Law of Alaska
Fund	Alaska Permanent Fund
FVPSP	Family Violence Prevention and Services Program
FX Forward	Foreign Currency Forward Exchange Contracts
FY	Fiscal Year

G

GAAP	generally accepted accounting principles
GAAS	generally accepted auditing standards
GASB	Governmental Accounting Standards Board
GCU	Grants and Contracts Unit
GEAR-UP	Gaining Early Awareness and Readiness for Undergraduate Programs
GeFONSI	General Fund and Other Non-Segregated Investments
GF	General Fund
GFOA	Government Finance Officers Association
GOV	Office of the Governor
GNMA	Government National Mortgage Association
GSA	U.S. General Services Administration

H

HAP	Housing Assistant Plan
HCB	Home- and Community-Based Agency
HCFA	Health Care Financing Administration
HCS	Health Care Services
HFHC	Office of Housing – Federal Housing Commissioner
HIPAA	Health Insurance Portability and Accountability Act
HIV	Human Immunodeficiency Virus
HRA	Health Reimbursement Arrangement

HRSA	Health Resources and Services Administration
HUD	U.S. Department of Housing and Urban Development

I

IASA	Improving America's Schools Act of 1994
IEVS	Income Eligibility and Verification System
IHS	Indian Health Service
ILP	Infant Learning Program
IMLS	Institute of Museum and Library Services
IRS	Internal Revenue System
ISF	Information Services Fund
IT	Information Technology
ITA	International Trade Administration
ITBE	International Trade and Business Endowment
ITQSG	Improving Teacher Quality State Grants

J

JGTRRA	Job Growth Relief Reconciliation Act
JHC	Juneau Health Center
JRS	Judicial Retirement System
JUCE	Juneau Claims Eligibility

K

KABTA	Knik Arm Bridge and Toll Authority
KD&A	Knowledge, Development, and Application Program
KLC	Kodiak Launch Complex

L

LAs	Local Administrators
LAW	Department of Law (Alaska)
LBA	Legislative Budget and Audit Committee (Alaska)
LC	Library of Congress
LEA	Local Education Agencies
LIBOR	London Interbank Offered Rate
LIHEAP	Low-Income Home Energy Assistance
LMCS	Liquidity Management Cash System
LSC	Legal Services Corporation
LUST	Leaking Underground Storage Tanks

M

MAXCARS	Maximus Cost Allocation and Rate System
MBE/WBE	Minority & Women's Business Enterprises Program
MBIA	Municipal Bond Insurance Association
MD&A	Management's Discussion and Analysis

MEBA	Marine Engineers' Beneficial Association (Pension Plan)
Medicaid	Medical Assistance Program
MEHS	Mt. Edgecumbe High School
MFCU	Medicaid Fraud Control Unit
MIS	Management Information System
MMIS	Medicaid Management Information Systems
MMS	Minerals Management Service
MOA	Memorandum of Agreement
MOE	Maintenance of Effort
MOU	Memorandum of Understanding
MRDD	Mentally Retarded/Developmentally Disabled
MSA	Master Settlement Agreement and Final Judgment
MSCI EAFE	Morgan Stanley Capital International - Europe, Australasia, and Far East
MSHA	Mine Safety and Health Administration

N

NARA	National Archives and Records Administration
NASA	National Aeronautics and Space Administration
NAVY	U.S. Department of the Navy, Office of the Chief of Naval Research
NBCC	National Breast and Cervical Cancer
NCCCP	National Comprehensive Cancer Control Program
NCHIP	National Criminal History Improvement Program
NCLB	No Child Left Behind
NEA	National Endowment for the Arts
NEH	National Endowment for the Humanities
NFAH	National Foundation on the Arts and the Humanities
NGA	Notice of Grant Award
NGB	National Guard Bureau
NGNMRS	National Guard and Alaska Naval Militia Retirement System (Alaska)
NHTSA	National Highway Traffic Safety Administration
NICU	Neonatal Intensive Care Unit
NIH	National Institute of Health
NIJ	National Institute of Justice
NMRT	Northwest Marine Retirement Trust
NOAA	National Oceanic and Atmospheric Administration
NOICC	National Occupational Information Coordinating Committee
NPCR	National Program of Cancer Registries
NPI	National Provider Identification
NPO	Net Pension Obligation
NPR	National Petroleum Reserve
NPS	National Park Service
NRCS	Natural Resources Conservation Service
NRO/SCRO	Northern Regional Office/Southcentral Regional Office
NRSRO	Nationally Recognized Statistical Rating Organization

NSF	National Science Foundation
NTIA	National Telecommunications and Information Administration
NTS	Nutrition, Transportation, and Support Services program
NTSC	Northern Tobacco Securitization Corporation

O

O&M	Operations and Maintenance
OA	Office of Administration
OAH	Office of Administrative Hearings
OAR	Office of Air and Radiation
OASH	Office of the Assistant Secretary for Health
OASVET	Office of the Assistant Secretary for Veterans Employment & Training
OCOPS	Office of Community Oriented Policing Services
OD&D	Occupation Death & Disability
OCS	Office of Children's Services
ODEP	Office of Disability Employment Policy
OEA	Office of Economic Adjustment (USDOD)
OECA	Office of Enforcement and Compliance Assurance
OEE	Office of Environmental Education
OESE	Office of Elementary and Secondary Education
OG	Office of the Governor (Alaska)
OIG	Office of Inspector General
OJJDP	Office of Juvenile Justice and Delinquency Prevention
OJP	Office of Justice Programs
OMB	U.S. Office of Management and Budget
OPA	Office of Population Affairs
OPDR	Office of Policy Development and Research
OPEB	Other Post-Employment Benefits
OPPTS	Office of Prevention, Pesticides, and Toxic Substances
ORCA	Online Resources for the Children of Alaska
ORD	Office of Research and Development
OS	Secretary of Health and Social Services (USDHHS)
OSDFS	Office of State and Drug-Free Schools
OSERS	Office of Special Education and Rehabilitative Services
OSHA	Occupational Safety and Health Administration
OSMRE	Office of Surface Mining Reclamation and Enforcement
OSWER	Office of Solid Waste and Emergency Response
OTIS	On-line Tax Information System
OVC	Office of Victims of Crime
OW	Office of Water

P

PA	Prior Authorization
PACAP	Public Assistance Cost Allocation Plan
PAPI	Precision Approach Path Indicator
PATH	Projects for Assistance in Transition from Homelessness
PBF	Public Building Fund (Alaska)
PCA	Personal Care Assistant
PERM	Payment Error Rate Measurement
PERS	Public Employees' Retirement System
PERS-DB	Public Employees' Retirement System – Defined Benefits
PERS-DCR	Public Employees' Retirement System – Defined Contribution Retirement
PHA	Public Housing Agency
PHD	Public Housing Division
PHMSA	Pipeline and Hazardous Materials Safety Administration
PIH	Office of Public and Indian Housing
PO	Purchase Order
POS	Point of Sell
PPA	Prior Period Adjustments
PPT	Petroleum Profit Tax
PVE	Petroleum Violation Escrow
PWEDC	Public Works and Economic Development Center

Q

QSP	Quality Sample Program – Forest Service

R

RBCS	Rural Business-Cooperative Services
RD	Responsibility/Distribution codes
R&DC	Research and Development Center
REIL	Runway End Identifier Lights
REIT	Real Estate Investment Trust
REOMB	Recipient Explanations of Medical Benefits
RFP	Request for Proposal
RHF	Retiree Health Fund
RHS	Rural Housing Service
RICR	Restricted Indirect Cost Rate
RMP	Retiree Major Medical Insurance
RMTS	Random Motion Time Study
RPL	Revised Program/Legislative
RPTC	Residential Psychiatric Treatment Centers
RSA	Reimbursable Services Agreement
RUS	Rural Utilities Service

S

SAAMS	Seward Association for Advancement of Science
SAMHSA	Substance Abuse and Mental Health Services Administration
SAS	Statement on Auditing Standards
SB	Senate Bill
SBA	Small Business Administration
SBJPA	Small Business Job Protection Act of 1996
SBRF	Statutory Budget Reserve Fund
SBS	Supplemental Benefits System (Alaska)
SCHIP	State Children's Health Insurance Program
SEA	State Education Agency
SEARCH	Student/Resident Experiences and Rotations in Community Health
SEF	State Equipment Fleet
SEP	Senior Employment Program
SF	Division of School Finance
SFA	Student Financial Assistance
SFAG	State Family Assistance Grant
SF Rev Bond	Sport Fishing Revenue Bonds
SFY	State Fiscal Year
SGBG	Social Services Block Grant
SHSGP	State Homeland Security Grant Program
SIFMA	Securities Industry and Financial Markets Association
SIR	Self-Insured Retention
SJI	State Justice Institute
SL	Money Market Fund
SLA	Session Laws of Alaska
SOP	Standard Operating Procedures
SPCS	State Property Control System
SSA	Social Security Administration
SSD	Support Services Division
SSSLA	Second Special Session Law of Alaska
State	State of Alaska
STEP	State Training and Employment Program
SUR	Surveillance and Utilization Review
SW	Statewide
SWSA	Statewide Single Audit

T

TA	Travel Authorization
TANF	Temporary Assistance for Needy Families
TBA	to-be-announced
The Bank	Bank of New York Mellon
TIPS	Treasury Inflation-Protected Securities
TLS	Teaching and Learning Support

TRS	Teachers' Retirement System
TRS-DB	Teachers' Retirement System – Defined Benefits
TRS-DCR	Teachers' Retirement System – Defined Contribution Retirement
TSRs	Tobacco Settlement Revenues
Treasury	Treasury Division, Department of Revenue (Alaska)

U

UAAL	Unfunded Actuarial Accrued Liabilities
UCF	Unitized Cash Fund and/or Unemployment Compensation Fund
UI	Unemployment Insurance
UofA	University of Alaska
UPL	Upper Payment Limit
USAF	Office of the Air Force, Material Command
USAID	U.S. Agency for International Development
USCG	U.S. Coast Guard
USCNCS	U.S. Corporation for National and Community Services
USDA	U.S. Department of Agriculture
USDHHS	U.S. Department of Health and Human Services
USDHS	U.S. Department of Homeland Security
USDOC	U.S. Department of Commerce
USDOD	U.S. Department of Defense
USDOE	U.S. Department of Education
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
USEEOC	U.S. Equal Employment Opportunity Commission
USFS	U.S. Forest Service
USFWS	U.S. Fish and Wildlife Service (USDOI)
USGS	U.S. Geological Survey (USDOI)
USGSA	U.S. General Services Administrator
USIA	U.S. Information Agency
USSBA	U.S. Small Business Administration
USTREAS	U.S. Treasury

V

VAWA	Violence Against Women Act
VAWGO	Violence Against Women Grants Office
VBA	Veterans Benefits Administration
VSW	Village Safe Water

W

WAFD	Western Alaska Fisheries Disaster
WAI	Wostman & Associates
WIA	Workforce Investment Act
WIC	Women, Infants, & Children Special Supplemental Nutrition Program

Y

Y2K	Year 2000

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STATE OF ALASKA
DEPARTMENT OF ADMINISTRATION
ANNETTE KREITZER, COMMISSIONER

SARAH PALIN, GOVERNOR
P.O. BOX 110200
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March 20, 2009

Pat Davidson
Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, Alaska 99811-3300

RECEIVED
MAR 19 2009
LEGISLATIVE AUDIT

Dear Ms. Davidson:

This is in regard to your preliminary audit report on *State of Alaska Single Audit, for Fiscal Year Ended June 30, 2008.*

In my response to the management letter of January 14, 2009 I stated that the Enterprise Technology Services division (ETS) initiated a disaster recovery/continuity of operations plan and was initiating current asset management systems and both existing and future requirements across other divisions within DOA. I further indicated that ETS was exploring potential efficiencies that can be gained by developing an improved asset management tracking system and concomitant procedures that can offer a larger enterprise solution. This would offer the potential for additional cost savings as well as efficiencies of a single asset management tool across multiple divisions.

Since the January 14, 2009 response, ETS has initiated a task order to secure a contractor to fully develop the asset management and tracking requirements for three divisions within DOA: ETS, The Division of General Services and the Division of Administrative Services. In addition, the contractor will develop a fully detailed RFP for use by ETS to secure the software and programming tools required to meet these collective asset management requirements. These Task Order products are scheduled for completion by August 2009. ETS is on schedule to secure the necessary enterprise asset management system software and programming tools and implement the system by February 2010.

Thank you for the opportunity to comment on the preliminary audit report. If you need additional information, please contact me.

Sincerely,

Annette Kreitzer

cc: Eric Swanson, Director, Administrative Services
Anand Dubey, Director, Enterprise Technology Services
Jim Kohler, Deputy Director, Enterprise Technology Services

State of Alaska

Department of Revenue

Commissioner's Office

SARAH PALIN, GOVERNOR
333 Willoughby Avenue, 11th Floor
P.O. Box 110400
Juneau, Alaska 99811-0405
Phone: (907) 465-2300
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March 23, 2009

RECEIVED
MAR 23 2009
LEGISLATIVE AUDIT

Pat Davidson, Legislative Auditor
Legislative Budget and Audit Committee
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811

Dear Ms. Davidson:

Thank you for your agency's review of the Department of Revenue, Tax Division, as part of the FY2008 Statewide Single Audit. We appreciate the opportunity to respond to the recommendation contained in the preliminary report dated March 3, 2009. The Department of Revenue concurs with your recommendation, and has taken action to make immediate improvements. The deficiencies identified in your letter are itemized and addressed below for the Tax Division and the response for AHFC's federal programs is inserted as the response to Recommendation Nos. 20 and 21.

Recommendation No. 2

The Department of Revenue (DOR) Tax Division director should improve controls over the recording, monitoring, and auditing of severance tax revenues.

Item 1, Finding: Taxpayers' reported annual tax amount not correctly reconciled to payments.

Response: A key internal control objective for the Department is to ensure that taxpayers' reported annual tax is reconciled to payments received. The reconciliation function is an accounting function which was being performed by a Tax Technician for production taxes whereas the reconciliation for all other tax types was being performed by the accounting group in Juneau. In October, 2008 the responsibility for reconciling the payments for production tax was transferred to the accounting group and has shown improved accuracy.

Item 2, Finding: A taxpayer's interest refund of $1.3 million was posted to the wrong AKSAS account which misstated interest revenue and severance tax.

Response: Posting for payments received is based on the information provided by the taxpayer on the remittance form received via OTIS. In this particular instance, the taxpayer did not identify on the remittance form that the taxpayer was adjusting a severance tax payment for interest the taxpayer calculated based on the taxpayer's estimation of overpayments of installments made pursuant to PPT for

2007. The amount for the PPT payment was combined with the ACES payment for 2007. The amount of interest was also not distinguishable on the taxpayer's annual filing form. It is an internal control objective of the Department to ensure that the taxpayers' reported annual tax amounts reconcile to the payments received. Audit management has been reviewing, and will continue to review our current procedures to ensure that these errors do not occur and will improve the supervisory review of reconciliation of information received from taxpayers. In addition, we have modified our monthly remittance form so that taxpayers must specifically identify what they are paying at the time they make payment. With the new form in use, we believe this oversight will not occur again.

Item 3, Finding: Audit procedures and oversight lacked the following:

- Written audit procedures;
- Enforcement of standard audit forms;
- Documentation of the work conducted and corresponding supervisor reviews;
- Communication between staff and management regarding audit issues.

Response: The goal of audit management is to ensure that audit procedures are relevant and current and that members of the staff are properly trained in audit documentation standards and procedures. Management will ensure that audit staff is following the procedures and adhering to documentation standards which provide sufficient evidence to substantiate audit conclusions. The existing production tax audit manual contains listings of the documentation, audit programs, checklists, sample letters, forms, and other procedures to be followed in the completion of the various audits performed by the group. Production Audit management is in the process of reviewing these procedures and standards in light of the changes in production tax statutes and will adapt them as necessary. The Production Audit group has undergone and will continue to undertake organizational changes to address necessary changes in audit strategy due to the changes in production tax statutes and regulations. Production Audit management will fully develop and implement a training program to ensure that audit staff know and follow audit procedures and protocols.

Item 4, Finding: The determination of whether certificate holders have been issued original certificates or obtained transferred certificates is difficult using the division's tax credit certificate tracking system.

Response: Legislative Audit reviewed an excel spreadsheet containing tax credit certificate information. A system of tracking tax credits has undergone further development since the time of the audit. We have in place a credit tracking database that contains the data necessary to determine whether a taxpayer has an original or transferred certificate. In addition, a new credit tracking application will go into effect which will enable electronic tracking of tax credits to ensure the timeliness of tax credit application and audit processes. The department is also seeking capital funding for an automated, integrated information management system for the Tax Division to replace information management processes in the Tax Division that are currently either manual or antiquated. Should funding be approved, the successful implementation of an automated information management system will allow the Department to more effectively monitor tax credit certificates in addition to other information management processes in the Tax Division.

Alaska Housing Finance Corporation

Recommendations No. 20 and 21

Department of Housing and Urban Development – Section 8 Housing Choice Vouchers CFDA 14.871

See following letter from the U.S. Department of Housing and Urban Development for information regarding these recommendations.

Regina, I believe we maintain an 'Audit' file opposite John D.

ORIGINAL

U.S. Department of Housing and Urban Development

Seattle Regional Office
Seattle Federal Office Building
Office of Public Housing
909 First Avenue, Suite 360
Seattle, WA 98104-1000

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PD ___ Cont ___
HSC ✓ HR ___
PHD ✓ Mtg/Svc ___
Const ___ R2D2 ___
IS ___ File SSBUS
Audit ✓ Other ___

December 31, 2008

Daniel Fauske Executive Director
Attn: Jim Gurke, Director, Public Housing Division
Alaska Housing Finance Corporation
PO Box 101020
Anchorage, AK 99510-1020

Dear Mr. Fauske:

Subject: Report on Financial Statements and Federal Single Audit
Audit Period: July 1, 2007 through June 30, 2008

We received and reviewed the Alaska Housing Finance Corporation (AHFC), Financial Statements and Federal Single Audit, for the audit period from July 1, 2007 through June 30, 2008. Mikunda, Cottrell and & Co., independent auditors, issued an unqualified opinion on the financial statements. They noted no instances of noncompliance that were material to the financial statements. They also issued an unqualified opinion on the Alaska Housing Finance Corporation's compliance with requirements applicable to your major federal programs. Mikunda, Cottrell and & Co. reported two (2) findings, which were required to be disclosed under OMB Circular A-133. Management Letter was not issued.

The audit report contained three (3) prior audit findings and two (2) new findings, which were required to be disclosed under OMB Circular A-133. AHFC considers the prior findings related to the Internal Control Documentation, Internal Controls over Journal Entries and Software Controls over Duplicate Invoice Payments as being resolved. We have reviewed the two (2) new findings and provided our responses. As a reference, we have provided excerpts from the findings and AHFC's responses. Please refer to your audit for a complete description of the findings.

Finding Number 2008-01: Lack of Documentation to Assess Rent Reasonableness

Condition

Of the 23 participant files tested, three files were found to have deficiencies in the documentation of a reasonableness rent determination. Two files were missing all documentation for rent reasonableness (no "Unassisted Unit Comparability Survey"). The third file had filled out forms which contained two "Unassisted Unit Comparability Survey" with amounts but they were substantially lower than the accepted unit and no explanation was documented on their forms.

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Recommendation

AHFC management reviews their process for documenting rent reasonableness, and establishes controls to ensure that the procedures are followed and that documentation is adequate. Continue to perform periodic file reviews, in order to identify and correct deficiencies in documentation.

AHFC Response

The Public Housing Division responded to the audit funding by first reviewing the particular files in question. Two files failed to contain the documentation required for rent reasonableness; corrections were made to both to ensure the rent fell within a comparable rate for similar units. One file contained comparisons, but the comparable units had much lower rent, and there was no documentation to support why it was determined the unit in question is rent reasonable. The unit contains five bedrooms, which are difficult to find in the Anchorage rental market. Unit comparables from three different areas of the city were required to establish a comparable rent.

All of the questioned files were located in Anchorage. Central Office staff conducted staff training during the month of August to address these and other voucher related issues. Time is also set aside during the statewide staff training in October. A contributing part of the rent reasonableness issue is the fact that Public Housing Division software is outdated. PHA relies on paper files to pull comparable rents, which can prove difficult in the case of the five-bedroom unit cited above. AHFC received legislative authority in FY09 to acquire new software. Regarding periodic file reviews, PHD conducts quarterly file reviews that include rent reasonableness documentation. Staff will reexamine the data for the past four quarters and use that information as an aid in the October staff training.

HUD Response

Based upon the AHFC's response, we are not requiring any additional information or action at this time.

Finding Number 2008-2: Unexecuted lease agreement between tenant and landlord

Condition

Of the 23 participant files tested, one instance was found in which a Housing Assistance Payment (HAP) was made on behalf of a participant to a landlord when an executed lease between the tenant and landlord wasn't in place.

3

Recommendation

AHFC management develops a process to ensure that Field staff is adequately educated about applicable policies, and establish controls to ensure that documentation is adequate. Continue to perform periodic file reviews, in order to identify and correct deficiencies in documentation.

AHFC Response

A copy of the lease was requested for inclusion in the file. Obtaining a copy of landlord lease is standard operating procedure. An unsigned copy is typically obtained with the 'landlord papers;' a copy of the signed lease is believed to be a non-typical error; nevertheless, PHD staff will examine the quarterly file reviews to determine if other examples exist and use that information in the fall training.

HUD Response

Based upon the AHFC's response, we are not requiring any additional information or action at this time.

Thank you for the submission of your audit. If you have any questions, please contact Cossette Pontillas, Financial Analyst, at (206) 220-6412.

Sincerely,

Harlan Stewart
Director
Office of Public Housing

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)

Schedule of Findings and Questioned Costs, continued

(II) Findings relating to the financial statements which are required to be reported in accordance with Government Auditing Standards: None noted.

(III) Federal awards findings and questioned costs:

08-01 **Lack of Documentation to Assess Rent Reasonableness**

Program: Department of Housing and Urban Development – Section 8 Housing Choice Vouchers CFDA # 14.871

Criteria: According to OMB A-133 Compliance Supplement, the public housing agency's (PHA's) administrative plan must state the methods used to determine that the rent to owner is reasonable in comparison to rent for other comparable unassisted units. The PHA must determine that the rent to owner is reasonable at the time of initial leasing, and must maintain records to document the basis for such determination. The PHA determination must consider unit attributes such as the location, quality, size, unit type, age of unit, amenities, housing services, and maintenance and utilities provided by the owner. The Corporation's policies state that Form SE315 (Unassisted Unit Comparability Survey) will be used to document the information necessary to make a reasonable rent determination. As stated in the procedures, two forms shall be placed in the client folder.

Condition: Of the 23 participant files tested, three files were found to have deficiencies in the documentation of a reasonable rent determination. Two files were missing all documentation for rent reasonableness (no "Unassisted Unit Comparability Survey"). The third file had filled out forms which contained two "Unassisted Unit Comparability Survey" with amounts but they were substantially lower than the accepted unit and no explanation was documented on their forms.

Questioned Costs: None identified.

Context: We reported a similar finding when we tested the files for this program in 2005. At that time, AHFC revised the Unassisted Unit Comparability Survey form and trained staff on proper procedures for the program. During our current testing we still found that 3 of the 23 files tested were deficient in this area.

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)

Schedule of Findings and Questioned Costs, continued

Federal awards findings and questioned costs, continued:

Effect: The Corporation may be paying unreasonable rent for participants.

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

Recommendation: We recommend that management review their process for documenting rent reasonableness, and establish controls to ensure that the procedures are followed and that documentation is adequate. We also recommend that AHFC continue to perform periodic file reviews, in order to identify and correct deficiencies in documentation.

Views of responsible officials and planned corrective actions: Management contact person: Jim Gurke, Director of Public Housing

The Public Housing Division responded to the audit finding by first reviewing the particular files in question. Two files failed to contain the documentation required for rent reasonableness; corrections were made to both to ensure the rent fell within a comparable rate for similar units. One file contained comparisons, but the comparable units had much lower rent, and there was no documentation to support why it was determined that the rent was reasonable. Staff subsequently determined the unit in question is rent reasonable. The unit contains five bedrooms, which are difficult to find in the Anchorage rental market. Unit comparables from three different areas of the city were required to establish a comparable rent.

All of the questioned files were located in Anchorage. Central Office staff conducted staff training during the month of August to address these and other voucher related issues. Time is also set aside during the statewide staff training in October. A contributing part of the rent reasonableness issue is the fact that the Public Housing Division software is outdated. PHD relies on paper files to pull comparable rents, which can prove difficult as in the case of the five-bedroom unit cited above. AHFC received legislative authority in FY09 to acquire new software. Regarding periodic file reviews, PHD conducts quarterly file reviews that include rent reasonableness documentation. Staff will reexamine the data for the past four quarters and use that information as an aid in the October staff training.

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)

Schedule of Findings and Questioned Costs, continued

Federal awards findings and questioned costs, continued:

08-02	**Unexecuted lease agreement between tenant and landlord.**		
Program:	Department of Housing and Urban Development – Section 8 Housing Choice Vouchers	CFDA #	14.871
Criteria:	According to 24 CFR 982.308 (b)(1) "The tenant and the owner must enter a written lease for the unit. The lease must be executed by the owner and the tenant."		
Condition:	Of the 23 participant files tested, one instance was found in which a Housing Assistance Payment (HAP) was made on behalf of a participant to a landlord when an executed lease between the tenant and landlord wasn't in place.		
Questioned Costs:	None identified.		
Context:	The population of participant files tested includes files of tenants who have been clients of AHFC for several years. Some file documentation may have been missing for some time, without being detected and corrected by the file review process. Of the 23 participant files tested, one was found to be deficient in this requirement.		
Effect:	The Corporation may be making HAPs for participants who haven't officially entered into a lease agreement with their landlord.		
Cause:	The Corporation's field staff failed to obtain an executed lease agreement.		
Recommendation:	We recommend that management develop a process to ensure that field staff are adequately educated about applicable policies, and establish controls to ensure that documentation is adequate. We also recommend that AHFC continue to perform periodic file reviews, in order to identify and correct deficiencies in documentation.		

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)

Schedule of Findings and Questioned Costs, continued

Federal awards findings and questioned costs, continued

Views of responsible officials and planned corrective actions: Management contact person: Jim Gurke, Director of Public Housing

A copy of the lease was requested for inclusion in the file. Obtaining a copy of landlord lease is standard operating procedure. An unsigned copy is typically obtained with the 'landlord papers;' a copy of the signed lease at the unit inspection. The failure to include the lease is believed to be a non-typical error; nevertheless, PHD staff will examine the quarterly file reviews to determine if other examples exist and use that information in the fall training.

We believe that we have addressed the findings and recommendation presented in the preliminary audit report, however we would welcome any additional comments or questions from you or your staff.

Sincerely,

Patrick Galvin
Commissioner

CC: Dan Fauske, CEO/Executive Director, AHFC
Les Campbell, Budget Director, AHFC
Jon Iversen, Director, Tax Division
Ginger Blaisdell, Director, Administrative Services

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STATE OF ALASKA

SARAH PALIN, GOVERNOR

Department of Education & Early Development

Office of the Commissioner

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Juneau, Alaska 99811-0500
(907) 465-2800
(907) 465-4156 Fax

March 11, 2009

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LEGISLATIVE AUDIT

Pat Davidson, Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

Dear Ms. Davidson:

Thank you for the opportunity to comment on the preliminary audit report on the State of Alaska Single Audit for Fiscal Year Ended June 30, 2008.

Since there were no findings or recommendations made to the Department of Education & Early Development in the report, we have no comment.

Sincerely,

Larry LeDoux
Commissioner

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STATE OF ALASKA

DEPT. OF HEALTH AND SOCIAL SERVICES

OFFICE OF THE COMMISSIONER

SARAH PALIN, GOVERNOR

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PHONE: (907) 465-3030
FAX: (907) 465-3068

March 23, 2009

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MAR 23 2009
LEGISLATIVE AUDIT

Pat Davidson
Legislative Auditor
Division of Legislative Audit
P.O. 113300
Juneau, AK 99811-3300

RE: Response to preliminary audit report, FY08 Statewide Single Audit, Department of Health and Social Services (DHSS)

Dear Ms. Davidson:

Thank you for the opportunity to respond to the preliminary State of Alaska Single Audit Report, Department of Health and Social Services, for fiscal year ended June 30, 2008. The department's responses to the recommendations are as follows:

Recommendation No. 3

The DHSS' assistant commissioner should develop adequate controls to ensure data entered into Maximus Cost Allocation and Rate System (MAXCARS) is accurate and complete.

The department concurs that adequate controls are needed to ensure that data entered into MaxCars is accurate and complete.

Under the direction of the Assistant Commissioner the department has initiated a project to appraise current processes and implement revisions to the DHSS federal reporting and revenue collection system. Wostmann and Associates (WAI) were contracted to provide a high level business gap assessment of the DHSS federal financial reporting systems, processes and procedures in relation to federal cost principles and procedures. WAI personnel met with DHSS staff during the month of January, 2009 to review the PACAP, current systems and reports, organizational structures, processes and procedures. They have recently provided the department with an analysis with recommendations.

A project leader has been identified and additional staffing will to be added to the project team soon as DHSS embarks on a comprehensive review, rebuild and documentation of the federal reporting and revenue collection system. The target date for completion of this department-wide initiative is June, 2010.

To date, a review of the PACAP is in progress to ensure it is current. AKSAS structures and MaxCars allocation basis's are under review to ensure they are in alignment with the PACAP.

A schedule for processing the quarterly CAP is in development and will be utilized for the 3rd and 4th quarter of FY09. A double review procedure is being implemented where statistics receive an initial review by the Revenue Unit, a second review by the Divisions, and a final review by the Revenue Unit prior to running the CAP.

Once the CAP has been run, reports will be provided to the Divisions for review of the final expenditures and allocations before the CAP is finalized.

MaxCars is a mature system, utilized for cost allocation in over 12,000 cost plans for over 4,000 governmental clients throughout the United States. MaxCars is designed for transparency and comes with 38 standard reports that can track the expenditures as raw data from AKSAS to the end product. These reports include allocated costs, detailed allocated costs, pre-allocated expenses, and allocation statistics. While these reports are used for Federal submission purposes they are also pivotal as management tools in reviewing the cost allocation plans and ensuring the consistency and quality of the results. While we agree that the procedures to verify the data going into MaxCars need to be strengthened, the MaxCars system itself performs as designed and is reliable. However, additional training of staff is necessary to assure that users better understand the function of the MAXCARS program, its capabilities and its limitations. This additional training need is true for each financial reporting process and system in the accounting and claiming of federal and other revenue. One of the many goals of the federal revenue project is to improve system documentation and user understanding through improved training.

Over the last few months, the Revenue Unit has continued to review the quarterly allocation results from FY08, and make corrections where problems were identified. The allocation data entered into the system has been re-examined and the quarterly allocations were re-run to accurately allocate costs. The department is aware of the problems resulting from the untested switch to the new allocation system without having the additional revenue systems needed to complete the revenue cycle. Recognizing these problems, DHSS has increased diligence of the review of expenditures, statistics, and adjustments due to the transition to MaxCars, which has caused various corrections. DHSS can provide the back up to support expenditures, statistics, and adjustments used in the corrected plans.

Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630

Recommendation No. 4

DHSS' assistant commissioner of Finance and Management Services should implement controls over federal revenue collections.

The department concurs and has begun to address this recommendation through the project described in Recommendation No.3 above.

As part of the Revenue review process, all components of the revenue system are being examined and new systems will be designed as needed and documented. As an interim measure the department is utilizing temporary systems to provide the information needed to accurately claim federal revenues. Allocated costs are downloaded from the MaxCars system into a spreadsheet where FFP rates are applied for a base estimate of federal claims. Each grantee's allocated costs are reviewed by revenue accountants to determine if they require adjustments. For example, if costs are appropriately allocated to a grant which does not allow indirect costs, the revenue accountant would identify the adjustment needed and would not report nor claim the indirect costs against the grant. The support for the federal claims reports are maintained by the assigned grant accountant.

In addition, the department is aware that a lack of knowledge transfer from outgoing staff over the years has seriously hindered the department's ability to ensure adequate training has occurred. In order to efficiently and effectively administer federal awards, the department recognizes the importance, and is committed to, developing systems to provide ongoing staff development for all staff involved with the federal revenue process.

Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630

Recommendation No. 5

DHSS' assistant commissioner of Finance and Management Services should ensure that staff are adequately trained and supervised.

The department concurs with this recommendation.

A payment of 321.5 was made for accounting and payroll chargeback costs from DOA. The code used was inappropriately allocating the costs. An adjustment was made in the current year to split the costs and allocate the accounting charges using SW-12 (accounting transactions) and the payroll charges using SW-13 (number of filled positions). Corrections have been made to correctly charge these costs in the current and future years.

A 10.0 settlement cost was made against an allocable code. Settlement costs are not allowed under A-87. The department is processing an adjustment to correctly bill these costs to a general fund code.

Unallowable transportation charges related to State Equipment Fleet (SEF) payments were coded incorrectly to various federal programs. New collocation codes were added to the OCS FY08 and FY09 accounting structure to record the unallowable SEF costs, and AJE's have been processed to correct the FY08 expenditures.

The remaining 23.2 of FY 08 charges, from other DHSS divisions that erroneously coded unallowable SEF charges to federally claimable codes, are being adjusted in the current year. Divisions established new accounting structures in FY09 to accurately charge these costs. There are currently no unallowable SEF costs being recorded to federal codes."

Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630

Recommendation No. 6

The DHSS finance officer should ensure that expenditures are supported by sufficient documentation.

The department concurs that expenditures should be supported by sufficient documentation.

There were two areas involved in this finding, missing support for adjustments in the allocation system and missing support for a payment made by the fiscal office.

Regarding allocation adjustment support, as addressed in the response to Recommendation No. 3, the department has begun a comprehensive review, rebuild and documentation of the federal reporting and revenue collection system. As a part of this project, procedures for the compilation and permanent retention of necessary supporting documentation are being developed and documented. The staff member primarily responsible for entering adjustments into the allocation system is responsible for verifying that supporting documentation is complete and retained.

Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630

Recommendation No. 7

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

The department partially concurs with this recommendation.

Periodic risk analyses of the Medicaid Management Information System (MMIS) to ensure appropriate, cost effective safeguards of the existing automated data processing (ADP) system is accomplished through the DHSS requirement for biennial review of the MMIS by an independent contractor. This biennial review requirement includes evaluation of physical and data security, operating procedures and personnel practices.

The results of this review, known as the SAS-70 audit, are published in a service auditor report which describes findings relating to the general and application control procedures in place by the fiscal agent contractor responsible for management of the MMIS. The SAS-70 audit report is used by Alaska and other State Medicaid Agencies to satisfy federal requirements for periodic risk analysis of ADP systems. Procedures assessed in this audit include personnel policies, physical access controls, hardware and system software, systems development and maintenance, computer operations, data access controls, contingency and business recovery planning, and HIPAA compliance, as well as application input, processing, output and documentation. The most recent audit report, dated June 30, 2008, was completed by Boyce, Spady and Moore, PLC, Certified Public Accountants and Consultants. A copy of that report was provided to Legislative Audit staff during the FY 08 audit.

DHSS has contracted for the replacement of the current MMIS. The current system is expected to be replaced in June 2010. The Department will require annual SAS-70 audit reviews for the replacement system.

The Department has provided on site auditors with details on the role of the Division of Health Care Services Systems Unit in managing State security access over the MMIS, as well as the changes and updates to the automated data processing systems. In addition, our fiscal agent maintains a strong data processing security administration as a function which is independent of data entry, programming and computer operations. This security administration function manages security procedures to minimize security risks. Standard procedures exist for physical security, HIPAA EPHI security and data processing security. Periodic management compliance reviews of these procedures are conducted to ensure compliance and effectiveness. CA-ACF2 security software controls access to all computer programs and files for both on site and remote access. Shift managers review a log of console commands and commands issued by alternative consoles on a daily basis. Periodic trend analyses are run on specific jobs for management review. The Security Administrator reviews and investigates system-generated reports of security violations. The system is designed to stop access when users attempt access or a function which they are not authorized to perform. The Security Administrator reviews these security violations to establish that inadvertent violations caused access cancellation before restoring access.

The Department concurs with the drug rebate component of this legislative audit finding. Legislative Audit noted that a system security review of the automated data processing (ADP) system used to process Medicaid drug rebates had not occurred. The June 30, 2008 SAS-70 audit service auditor report omitted review and findings relating to the ADP system for Medicaid drug rebates. DHSS has directed its contractor to correct this omission by obtaining independent review of the ADP system used to process drug rebates and filing an amendment to the June 30, 2008 SAS-70 audit report. When that amendment is received by the department a copy will be provided to Legislative Audit.

Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630

Recommendation No. 8

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

The department concurs with the finding and Legislative Audit's Current Position.

It was unfortunate the program integrity leadership hired in FY 2008 turned over in early FY 2009. This was an unanticipated turn of events. However, a replacement program integrity manager was hired on November 1, 2008, and remains in place.

The Department also took the initiative to request an informal review by CMS Medicaid Integrity Group during FY 08. As part of his visit, Mr. Robb Miller commented that Alaska had a very good net result in identifying overpayments in federal fiscal year (2007) comparing Alaska's audit volume and recovery to other states.

The Program Integrity Section is organized under the Finance and Management Services portion of the department, and is finalizing written policies and procedures for its various activities. The Audit Committee, which is comprised, in part, of the quality assurance managers from the Medicaid divisions, meets monthly. The DHSS Program Integrity Section, along with the Medicaid divisions and Affiliated Computer Services (ACS), also meets with our Medicaid Fraud Control Unit on a regular basis in accordance with our Memorandum of Understanding.

Fiscal agent operations were assumed by our new contractor, Affiliated Computer Services, Inc. (ACS) on November 1, 2008, thus ensuring contract continuity and enhancing their ability to recruit and retain qualified SURS staff. This will help to ensure fiscal agent contractual obligations are met in the future.

Contact Person: Alison Elgee, Assistant Commissioner

Finance and Management Services
Telephone: (907) 465-1630

Recommendation No. 9

DHCS' director should implement written policies and procedures to improve the accounting and reporting of drug rebates.

DHCS concurs with this recommendation. It has begun to implement written policies and procedures between the three accounting offices located in Anchorage, AK, Juneau, AK, and Richmond, Virginia. There are significant challenges for such an undertaking due to the geographical distances for holding face to face meetings to discuss accounting strategies that are complex and difficult to explain via teleconferencing. Within the next year, DHCS will attempt to arrange at least one face to face meeting with all staff involved in drug rebate accounting. This meeting will take place only after DHCS has completed a working draft of proposed policies and procedures for accounting and reporting of drug rebates. To date, there has not been a meeting of staff from all three accounting office's since DHCS has been involved in drug rebates.

"The quarterly Medicaid report for the quarter ended March 31, 2008 did not connect to support maintained by DHSS's fiscal agent." Since the department began financial reporting on the CMS-64, there have been timing issues between what the fiscal agent reports to CMS versus what the state has in its accounting system at the end of the quarter. The state has always used data in its accounting records at the end of the quarter. Financial data reported to CMS by the fiscal agent has always been more up to date due to the lag time of recorded financial entries into the state's accounting system. The state will work with the fiscal agent to improve or eliminate this discrepancy.

"The OIG noted that for CMS-64 dated June 30, 2006, the state reported inaccurate drug rebate amounts and did not reconcile to the subsidiary ledger system." This item was thoroughly research and subsequently corrected on the CMS-64 report dated September 30, 2008.

"Further, they found that the state did not verify the accuracy of drug rebate interest collections." The state addressed this issue in its rebuttal dated December 23, 2008 to the *Draft Follow-up Audit of the Medicaid Drug Rebate Program in Alaska, November 2008:*

Interest Accrual and Collection:

The Department concurs with the Office of the Inspector General on this finding. Until the June 2008 release of the Data Guide that replaced the CMS Operational Manual, CMS had the interest calculation in the ownership of the manufacturers. States were required to track the interest. This is done by estimating the calculation for manufacturer delivery. Through our fiscal agent, we are now in compliance with the CMS guidelines on the calculation of interest but it is not applied daily. It is applied

on a quarterly cycle. Until CMS releases a more substantial program wide mandate, our fiscal agent, FHSC, will continue to track interest as it does today.

Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630

Recommendation No. 10

We recommend DHSS' assistant commissioner responsible for program integrity take steps to ensure that Medicaid provider audits are audited in accordance with state law.

The DHSS acknowledges that there were delays in the contracting for auditors and that the new period under audit excluded the time period between April 1, 2005 and January 1, 2006. The DHSS is committed to ensuring future audits will be performed annually and that no gaps in periods under audit will occur.

Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630

Recommendation No. 11

We recommend the director of DHSS' Division of Behavioral Health take steps to ensure out-of-state providers of residential psychiatric treatment centers (RPTC) are paid in accordance with federal and state requirements.
The department concurs with the need to better document negotiated RPTC rates.

The department continues its efforts to establish a clear documented policy and procedure to support its negotiated rate agreements with providers. While rate negotiations are conducted in accordance with 7 AAC 43.380(c), each rate file will include the service, cost and/or rate information provided by the facility in support of the negotiated rate(s).

Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630

Recommendation No. 12

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

DHSS concurs with the recommendation. During SFY 08, miscommunication occurred between the administrative manager and the Finance and Management Services budget manager resulting in unallowable costs totaling $2,679,130 being included in the reported MOE. DHSS inadvertently included the permanent fund dividend hold harmless subsidy payments in its MOE reported amount.

Currently, DHSS is in the process of revising all of the TANF quarterly reports. Recently, the DHSS revenue unit revised the quarterly MaxCars cost allocation plans for all SFY 08. These revisions resulted in additional unreported federal and MOE expenditures for the TANF program. Once the total financial effect is known, DHSS will submit a revised TANF report effective December 31, 2008 increasing the unreported federal expenditures and negating the unallowable MOE expenditures with these required financial adjustments

Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630

Recommendation No. 13

The DPA program coordinator for the TANF program should improve procedures to ensure work participation activities are documented in accordance with Alaska's work verification plan and accurately reported to the federal government.

The Division of Public Assistance concurs with the recommendation that documentation to substantiate reported activities needs to be improved. We are one of many states that are experiencing challenges meeting the strict requirements imposed by the new work verification rules. We continue to improve our methods for ensuring that Alaska's Work Verification Plan is followed and accurate work activity data is reported.

DPA contracts for case management services to work with clients to assign, document and verify work activities that are reported on the ACF-199 report. A number of DPA staff provides support for correct verification and accurate data entry of TANF client work activity through program guidance and policy clarification, technical assistance and supports, and monitoring of contractors data entry and documentation. Annual onsite reviews of each Work Services contractor are conducted, which focus on

work assignment, documentation and verification, and are used to ensure compliance with program rules.

Alaska's Work Verification Plan was approved and implemented timely in October 2007. We prepared the contractors for the implementation by notifying them of the new requirements and procedures as information became available from ACF throughout the year and the plan was developed. New performance expectations for compliance with the plan were included in their contracts for FY 2007. However the changes made were significant and the contractors had difficulty following the new rules.

DPA staff began working with contractors individually as annual reviews were conducted to ensure that the new rules were followed. However, since the FY08 Legislative Audit was done for the second quarter of FFY08, only 3 months after the new Work Verification Plan was put in place, the new requirements were still in the implementation phase and we did not have an opportunity to identify all the problems with meeting them.

Based on the annual reviews during the past year, DPA has found that the substantial burden and complexity of the new work verification rules lengthened the time it took for contractors to implement the new procedures fully and effectively. In light of this information, as well as the Legislative Audit findings, DPA instituted additional actions to ensure that contractors understand the verification requirements and implement necessary changes as quickly as possible.

- A teleconference for all contracted Work Services providers addressing changes to Alaska's Work Verification Plan for FFY09 was held in September 2008 which included guidance on verification issues that have been identified as problematic.

- "Work Services Program Management Workshops" were provided in September and October of 2008, and January of 2009, to address contractor understanding and ability to comply with ATAP and Work Verification program rules.

- Guidance and procedures on how to verify and document specific work activities have been developed and provided to the contractors.

In FY 2010, DPA plans to implement quarterly reviews of Work Services contractors using both data and case file reviews to identify compliance issues and review corrective action steps in a timely manner. These reviews will further ensure that work activity data entry is both accurate and verified in accordance with the Work Verification Plan.

Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630

Recommendation No. 14

The Director of the Office of Children's Services (OCS) should ensure that Adoption Assistance subsidy payments are made in accordance with federal regulations.

OCS concurs with the findings of 5 of the 11 cases mentioned in this recommendation, and has submitted a request for a system update in ORCA. OCS anticipates an ORCA service table update will permit adoption staff to bring existing adoption subsidies with non-allowable portions, such as the rates associated with mental health and developmental disabilities or orthodontia, into compliance. The majority of the cases found in error pre-date ORCA and current business practices. The system update is tentatively scheduled for release in June, 2009.

Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630

Recommendation No. 15

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

The department concurs in part with this recommendation. The Revenue Unit should monitor revenue collections and work with the divisions to collect all earned revenue. The department recognizes that staff turnover and vacancies impact the timely collection of revenue. In response, the department has implemented a project to appraise current processes, hired a consultant to recommend revisions to the DHSS revenue collection system and plans to fill critical staff vacancies.

The department does not agree that all of the ARs identified in Legislative Audit's review are currently in shortfall situations. Legislative Audit identified three potential shortfalls to appropriations within the department:

- AR 22920-07 Division of Children's Services. A review of this appropriation was recently completed and AJEs to correct revenue mis-postings are underway. Prior year RPs will be processed to clean up shortfalls within allocations as possible. The department believes that, while there will be a shortfall in the division, it will be significantly less than that identified in this Legislative Audit management letter. We anticipate the final shortfall amount will be determined soon and the department intends to seek ratification in the coming year.

- AR 22980-07 Departmental Support Services. A review of this appropriation was recently completed and AJs to correct revenue mis-postings are underway. Prior year RPs will be

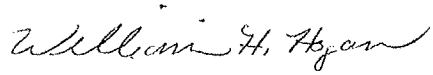
processed to clean up shortfalls within allocations as possible. Once these actions are completed, the department believes that there will be no shortfall in this appropriation.

- AR 22920-08 Division of Children's Services. A review of this appropriation was recently completed and the department does not agree that a shortfall exists.

Contact Person: Alison Elgee, Assistant Commissioner
Finance and Management Services
Telephone: (907) 465-1630

If you have any additional questions, please contact Alison Elgee at (907)465-1630 or by email alison.elgee@alaska.gov

Sincerely,



William H. Hogan
Commissioner

cc: Alison Elgee, Assistant Commissioner
Bill Streur, Deputy Commissioner
Patrick Hefley, Deputy Commissioner
Barbara Reid, Deputy Director - FMS
Bob Wright, Audit Manager

STATE OF ALASKA
DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT
Division of Administrative Services

Sarah Palin, Governor
Emil Notti, Commissioner
Amanda Ryder, Director

March 18, 2009

Pat Davidson
Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

RECEIVED
MAR 18 2009
LEGISLATIVE AUDIT

Dear Ms. Davidson:

I have reviewed the preliminary audit regarding the State of Alaska Single Audit, for Fiscal Year Ended June 30, 2008. I acknowledge the Division of Legislative Audit's zero audit findings for the Department of Commerce, Community and Economic Development and concur with the report.

Sincerely,

Amanda Ryder, Director
Division of Administrative Services

P.O. Box 110803, Juneau, Alaska 99811-0803
Telephone: (907) 465-2505 Fax: (907) 465-2563 Text Telephone: (907) 465-5437
Website: http://www.commerce.state.ak.us/

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STATE OF ALASKA
DEPARTMENT OF MILITARY AND VETERANS AFFAIRS
OFFICE OF THE COMMISSIONER

SARAH PALIN, GOVERNOR

P. O. BOX 5800
ANCHORAGE, ALASKA 99505-0800
PHONE: (907) 428-6003
FAX: (907) 428-6019

March 24, 2009

RECEIVED
MAR 24 2009
LEGISLATIVE AUDIT

Ms. Pat Davidson
Legislative Auditor
Division of Legislative Audit
PO Box 113300
Juneau, AK 99811-3300

SUBJECT: FY08 Statewide Audit - Recommendation No.1: The DMVA Finance Officer Should Take Measures To Resolve Revenue Shortfall Issues.

Dear Ms. Davidson

I have reviewed the preliminary audit report on the FY08 Statewide Single Audit and appreciate the opportunity to respond.

The department does not concur that there are revenue shortfall issues.

Specific items within AR35091-08 identified by Legislative Audit as potential problems include two lower level AR's with FY08 receivables in the amounts of $19.0 and $240.5, where billings were sent to the federal grant agencies in October and November of 2008; and a lower level AR that contains receivables in the amount of $182.5 which occurred in COA09. Because the $182.5 in receivables is current year activity, this is considered to be a non-issue in this finding and recommendation.

The required federal billing mechanism for the Department of Veterans' Affairs (DVA) and the National Oceanic Atmospheric and Administration (NOAA) includes submitting a hardcopy bill for collection through the United States Postal Service. This is unique and unlike our other federal grants where we request reimbursement of funds over the internet. Historically the average length of time for NOAA to disburse funds to DMVA is two months, and DVA averages two and a half months.

Between the date the bills for collection were submitted for reimbursement until January of 2009, numerous personnel at DMVA were in contact with both agencies several times, and representatives from each agency assured payment would be processed. It was at this point the finance officer engaged in collection efforts on these two outstanding receivables. After several phone calls to the DVA in seeking resolution on the $19.0 outstanding asset, it was discovered the majority of delay in payment was due to several new staff throughout the DVA payment approval and accounting process, as well as seasoned staff shortages which contributed to lack of training required to process reimbursements.

On March 18, 2009, the finance officer obtained a written document from the DVA stating a payment voucher was processed on March 17, 2009, and payment should be expected within one month from the date of the letter. A copy of said letter is attached to this response. On March 9, 2009, payment was received from NOAA in the amount of $240.5.

Again, based on this information, DMVA does not concur there are revenue shortfall issues. DMVA maintains that adequate controls are in place to ensure earned revenues are collected and that no revenue shortfall issues occur.

CRAIG E. CAMPBELL, Lt Gen (AK) AKANG
The Adjutant General / Commissioner

Attachment: U.S. Department of Veterans Affairs letter

DEPARTMENT OF VETERANS AFFAIRS
VA Regional Office
P.O. Box 8888
Muskogee OK 74402-8888

March, 18, 2009

In Reply Refer To: 351/224

STATE OF ALASKA
DEPT OF MILITARY AND VETERANS AFFAIRS
PO BOX 5800
FT RICHARDSON AK 99505

Dear State of Alaska:

This letter is in regards to your payments for FY08 contract V101 (223D) P-4801. We did a payment voucher on March 17, 2009, for $21,352.55 for periods May 1, 2008 thru September 30, 2008. We also did a supplement payment on March 17, 2009, for $36,700 for a supplement request. You should expect these payments within one month of this letter.

We appreciate your participation in this program. Your Education Liaison Representative is Rita Stewart. If you need additional information or have questions regarding this letter, please call us at (918) 781-7827 for assistance, or email at rita.stewart@va.gov. However, please note that this is not a public phone number and should not be given to any trainee. Trainees may obtain general education benefit information, assistance regarding payment issues, and specific education benefit eligibility, by calling our toll-free telephone number at Muskogee Regional Processing Office, 1-888-442-4551. Information can also be obtained at our web site: www.gibill.va.gov

Sincerely yours,

Sincerely yours,

J. D. Dillingham
Education Officer

Department of
Military and Veterans Affairs
MAR 18 2009
Administrative Services
Division

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State of Alaska
Department of
Public Safety

Sarah Palin, Governor
Joseph A. Masters, Commissioner

March 3, 2009

Pat Davidson
Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

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MAR 0 6 2009
LEGISLATIVE AUDIT

Dear Ms. Davidson:

RE: Preliminary Statewide Single Audit, Fiscal Year Ended June 30, 2008

Thank you for the opportunity to comment on this draft audit. It has no recommendations or findings specifically related to the Department of Public Safety, hence I have no comment on the audit.

Sincerely,

Joseph Masters
Commissioner

cc: Dan Spencer, Director of Administrative Services

"Public Safety through Public Service"

Office of the Commissioner
5700 E. Tudor Road – Anchorage, AK 99507 – Voice (907) 269-5086 – Fax (907) 269-4543
Juneau Office – Voice (907) 465-4322 – Fax (907) 465-4362

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STATE OF ALASKA

SARAH PALIN,
GOVERNOR

DEPARTMENT OF CORRECTIONS
OFFICE OF THE COMMISSIONER

550 West 7th Avenue, Ste. 601
Anchorage, AK 99501
PHONE: (907) 269-7397
FAX: (907) 269-7390

March 24, 2009

RECEIVED
MAR 24 2009
LEGISLATIVE AUDIT

Ms. Pat Davidson, CPA
Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

Dear Ms. Davidson:

Thank you for the opportunity to respond to your March 3, 2009, preliminary audit report on:

State of Alaska Single Audit, for Fiscal Year Ended June 30, 2008

Recommendation No. 17

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

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

Appropriation	Appropriation Title	Amount
AR 50582-07	Existing Community Residential Centers	$770,000

Appropriation 50582-07 continues to have an Accounts Receivable open item reflecting the amount of restricted receipts collected by the Department of Law (Law) on the behalf of the Department of Corrections for this appropriation. The dollar amount used as supporting documentation when establishing this receivable was taken directly from a memorandum from Law to DOC reporting the FY07 total dollar amount of judgments Law's Collection Unit had acknowledged as already collected for fiscal year 2007 for the DOC.

DOC is continuing to work diligently with the Law administrative staff to collect this outstanding amount. The disposition of any transfers from Law to DOC will be carefully reviewed to assure funds are posted to the correct fiscal year.

The Department of Corrections will continue to communicate with the Department of Law and endeavor to resolve this revenue issue as well as identifying means to prevent this type of issue from recurring. We look forward to assisting your office in any way possible.

Sincerely,

Joseph D. Schmidt
Commissioner

STATE OF ALASKA

SARAH PALIN, GOVERNOR

DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES
OFFICE OF THE COMMISSIONER

3132 CHANNEL DRIVE
PO Box 112500
JUNEAU, ALASKA 99811-2500
FAX: (907) 586-8365
PHONE: (907) 465-3900

March 20, 2009

Ms. Pat Davidson
Legislative Auditor
Legislative Budget and Audit Committee
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

RECEIVED
MAR 20 2009
LEGISLATIVE AUDIT

Dear Ms. Davidson:

Thank you for allowing me to respond to the findings and recommendations contained in the preliminary audit report, State of Alaska Single Audit, for Fiscal Year Ended June 30, 2008 regarding the Department of Transportation and Public Facilities (DOT&PF). The following are our comments:

Recommendation 18

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

DOT&PF agrees with this recommendation. Training and adequate follow-up will be provided to staff. Procedures will be reviewed and updated regarding the development of the infrastructure report. Previous staff turnover in key positions related to capital assets have stabilized and we look forward to refining our processes and procedures relating to this critical portion of the State's CAFR.

Recommendation No. 19

DOT&PF's finance officer should take measures to resolve revenue shortfall issues.

The administrative manager in charge of this RSA requested funds from the Commissioner's office to cover the non-payment of indirect costs charged to the project. The request was approved and staff began work to finalize the transfer to the affected appropriation. Unfortunately, the appropriation terminated in 2008 and thus we were unable

to record the authorized general funds to resolve the issue. Review of other DOT&PF appropriations revealed that there was no over collection of the same funding source so preparing a retroactive revised program was not possible. Attached is our request to OMB for ratification of this under collection related to this appropriation.

If you have any questions, please contact Nancy Slagle at 465-8974.

Sincerely,

Leo von Scheben, P.E., L.S., M.B.A.
Commissioner

cc: Bob Janes, CPA, Internal Review, DOT&PF
Frank Richards, Deputy Commissioner, DOT&PF
Nancy Slagle, Director, Administrative Services, DOT&PF

RECEIVED
MAR 20 2009
LEGISLATIVE AUDIT

MEMORANDUM

State of Alaska

Department of Transportation & Public Facilities

TO: Karen Elliott
Budget Analyst
OMB

DATE: March 19, 2009

FROM: Nancy Slagle
Administrative Services
Director
DOT/PF

SUBJECT: Ratification request for terminated AR with shortfall balance

The Department of Transportation and Public Facilities requests that a ratification be included in the FY09 supplemental bill. Appropriation (AR) 68983-08, Measurement Standards & Commercial Vehicle Enforcement (MSCVE), SHSGP Critical Infrastructure Upgrades shows a revenue short fall of $4,158.

MSCVE established an RSA with the Department of Military and Veteran's Affairs (DMVA) for critical infrastructure upgrades. In most cases, arrangements of this type with DMVA would have also included a second RSA to facilitate the payment of indirect costs DOT&PF would incur. However, this was not the case in this instance. In an effort to remove this under collection from the accounting system, MSCVE requested and received non participating authority from the Commissioner's office to cover the short fall. Unfortunately, the AR terminated in 2008 and therefore DOT&PF staff was unable to record the non participating funds.

DOT&PF finance staff reviewed AR 68983-08 and all other AR's in the same logical level vein in AKSAS. They found that there were no other AR's with the same funding source that was over collected, so preparing a retroactive revised program was not possible.

If you have any questions or comments, please contact me at 465-8974 or at nancy.slagle@alaska.gov

"Providing for the safe movement of people and goods and the delivery of State 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@legis.state.ak.us

March 25, 2009

Members of the Legislative
Budget and Audit Committee:

Agency responses to audit recommendations have been incorporated into this report twice. First, agency responses appear in Section II with the audit recommendations themselves, then again in Section IV of this report. The responses for the recommendations to the component units – the Alaska Housing Finance Corporation and the University of Alaska are from separately issued single audit reports. Copies of those reports can be obtained directly from Alaska Housing Finance Corporation and the University of Alaska.

We have also reviewed the responses submitted by various agencies to the recommendations made in this report. Generally, the responses concur with the recommendations. However there are three responses which we believe warrant further comment.

Recommendation No. 7

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

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

DHSS contends that controls implemented by its fiscal agent and "the role of the Division of Health Care Services Systems Unit in managing State security access over the MMIS, as well as changes and updates to the automated data processing systems" are sufficient to fulfill federal requirements for a period risk analysis. We disagree. Federal regulations are explicit in their requirement that a state establish and maintain a program for conducting periodic risk analyses. DHSS describes various operational procedures – most of which are conducted by its fiscal agent. None of these operational procedures accomplish the purpose of a risk analysis. The risk analysis is separate and distinct from a SAS 70 review, and each is required by federal regulations.

We reaffirm this recommendation.

Recommendation No. 15

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

We reviewed DHSS' response and based on inspection of AR 22920-08 financial activity, multiple receivables exist that have been in the accounting system for a period of six months to over one year. We reaffirm this recommendation.

Recommendation No. 16

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

We have reviewed DMVA's response and note that sufficient revenues have been collected so the shortfall identified in AR 35091-08 no longer exists.

Sincerely,

Pat Davidson, CPA
Legislative Auditor