

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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SUMMARY OF: State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2016

PURPOSE AND SCOPE OF THE REPORT

This report summarizes our review of the State of Alaska's basic financial statements and the State's compliance with federal laws and regulations in the administration of approximately \$4.1 billion of federal financial assistance programs. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. It also complies with the federal *Single Audit Act Amendments of 1996* and the related *United States Office of Management and Budget Uniform Guidance*.

The report contains an opinion on the basic financial statements of the State of Alaska for FY 16, recommendations on financial and compliance matters, auditor's reports on internal controls and compliance, the Schedule of Expenditures of Federal Awards, and the Summary of Prior Audit Findings.

REPORT CONCLUSIONS

The basic financial statements for the State of Alaska are fairly presented in accordance with accounting principles generally accepted in the United States of America without qualification.

The State has substantially complied with the applicable laws and regulations in the administration of its major federal financial assistance programs. The report does contain recommendations regarding material weaknesses and significant deficiencies in the State's internal control over financial reporting and internal control over compliance.

FINDINGS AND RECOMMENDATIONS

This report contains 63 recommendations, of which 15 are unresolved issues from last year. Of the 63 recommendations included in this report, 11 recommendations are made to the Department of Health and Social Services whose major federal programs were audited by other auditors. Some of the recommendations made in this report require significant changes in procedures or a shifting of priorities and, therefore, may take more than one year to implement. The Summary Schedule of Prior Audit Findings in Section III identifies the current status of financial and federal program related prior audit recommendations not resolved as of June 30, 2016.

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July 11, 2017

Honorable Members of the
Alaska State Legislature

The Honorable Bill Walker
Governor
State of Alaska

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

We are pleased to transmit the Single Audit of the State of Alaska for the Fiscal Year Ended June 30, 2016. 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 United States Office of Management and Budget's Uniform Guidance.

The report includes an opinion on the basic financial statements of the State of Alaska for FY 16, recommendations on financial and compliance matters, 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 and compliance findings not fully corrected by the departments. Our FY 15 single audit contained 44 recommendations; this report presents a total of 63 recommendations, 15 of which were presented, at least in part, last year. With your active support and encouragement, we hope to see improvement in the implementation of these recommendations by the state agencies.

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

Members of the Legislature
Governor Walker
Inspector General Levinson

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July 11, 2017

continued efforts toward resolving statewide accounting and reporting concerns are commendable.

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

A handwritten signature in black ink, appearing to read "Kris Curtis", with a stylized flourish at the end.

Kris Curtis, CPA, CISA
Legislative Auditor

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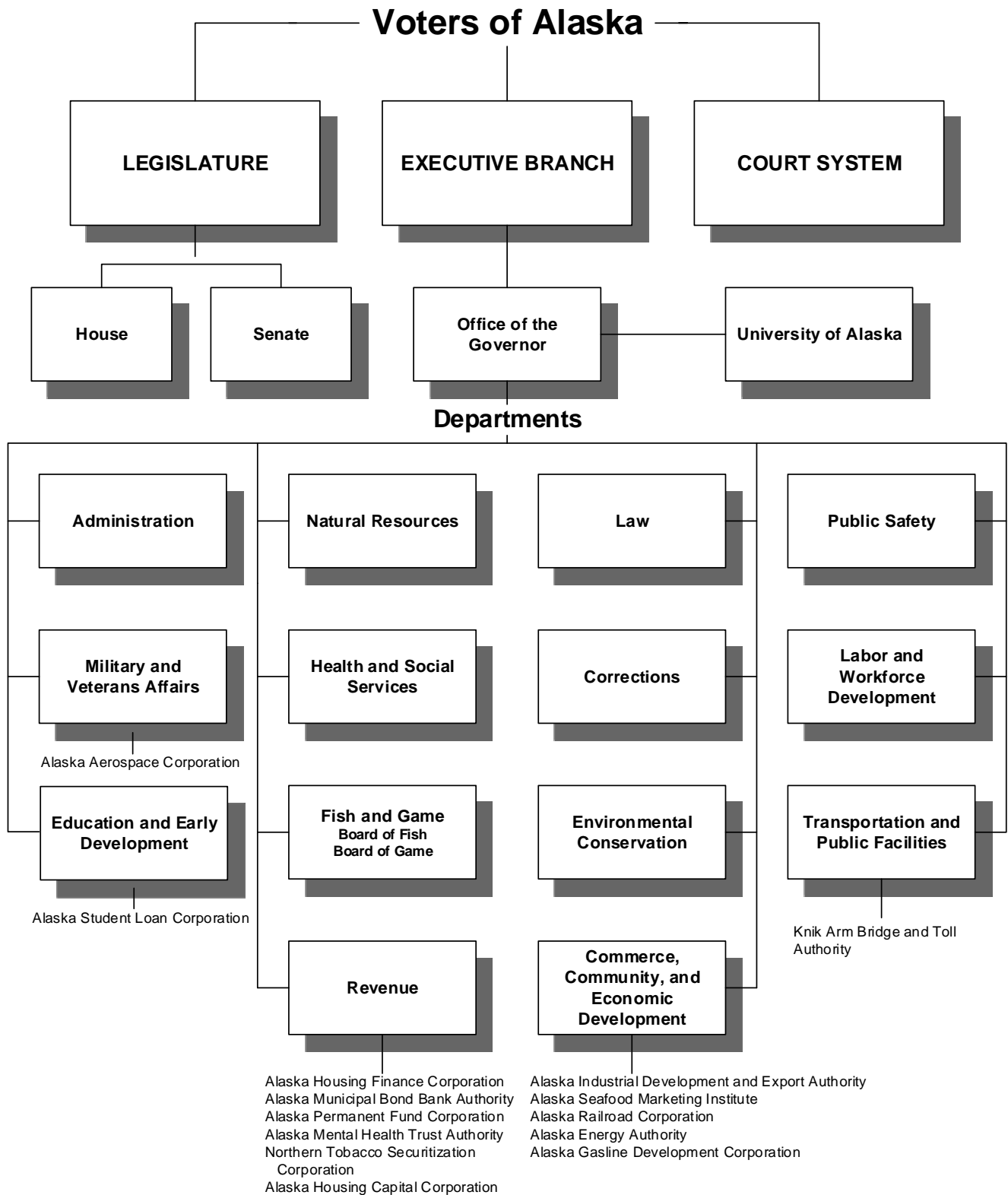
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SECTION I – AUDITOR’S REPORT AND FINANCIAL STATEMENTS

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Independent Auditor's Report

Members of the Legislative Budget
and Audit Committee:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alaska, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the: Alaska Permanent Fund, International Airports Fund, University of Alaska, Alaska Housing Finance Corporation, Alaska Industrial Development and Export Authority, Alaska Railroad Corporation, Alaska Energy Authority, Alaska Municipal Bond Bank Authority, Alaska Gasline Development Corporation, Alaska Clean Water Fund, Alaska Drinking Water Fund, Pension and Other Employee Benefit Trust Funds, and Invested Assets Under the Investment Authority of the Commissioner of the Department of Revenue. As shown on the following page, those financial statements reflect the assets and revenues of the indicated opinion units.

<u>Opinion Unit</u>	<u>Percent of Assets</u>	<u>Percent of Revenues</u>
Governmental Activities	87%	18%
Business-Type Activities	72%	52%
Aggregate Discretely Presented Component Units	92%	94%
Major Funds:		
General Fund	83%	4%
Alaska Permanent Fund	100%	100%
Alaska International Airports	100%	100%
Aggregate Remaining Fund Information	91%	62%

Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those accounts, funds, retirement plans, and component units, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Certain entities of the State of Alaska were not audited in accordance with *Government Auditing Standards*. These entities include: the Alaska Municipal Bond Bank Authority (a discretely presented component unit), the Alaska Gasline Development Corporation (a discretely presented component unit), the Pension and Other Employee Benefit Trust Funds (fiduciary funds), and Invested Assets Under the Investment Authority of the Commissioner of the Department of Revenue (certain cash and investment accounts).

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alaska, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Alaska's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying

accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2017 on our consideration of the State of Alaska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Alaska's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Kris Curtis", is positioned above the printed name and title.

Kris Curtis, CPA, CISA
Legislative Auditor

Juneau, Alaska
May 26, 2017

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, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the preceding pages of this report, and the financial statements that follow.

Financial Highlights

Government-wide

- The assets and deferred outflows of resources of the State exceeded its liabilities and deferred inflows of resources at the close of FY 16 by \$68.1 billion (net position). Of this amount, \$7.6 billion is invested in capital assets, \$46.1 billion is restricted for various purposes, and unrestricted net position is \$14.3 billion. Unrestricted net position may be used to meet the State's ongoing obligations to citizens and creditors.
- The State's total net position decreased by \$5.5 billion as a result of this year's operations. This decrease is primarily attributable to a decrease in interest and investment income as well as charges for services.

Fund level

- As of the close of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$63.8 billion, with \$18.5 billion unrestricted (includes committed, assigned, and unassigned), \$44.9 billion nonspendable, and \$386 million restricted to specific purposes such as development, debt, and education. The nonspendable fund balance includes \$44.2 billion of the Alaska Permanent Fund principal with the remaining related to nonspendable assets such as inventory, advances and prepaid items, and the principal of other nonmajor permanent funds.
- At the end of the current fiscal year, unrestricted fund balance for the General Fund was a surplus of \$9.9 billion. This is a decrease of \$5.6 billion from FY 15. The decrease is mainly attributable to a decrease in revenue collected by the State and a result of operations for the year.

Long-term debt

- As a result of this year's activity the State's total long-term debt decreased by \$1.6 billion (18.93 percent). The decrease in debt is primarily due to a decrease in the net pension liability, revenue bonds, and capital leases. Additional information regarding long-term debt can be found in Note 6.

Overview of the Financial Statements

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

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

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

The statement of net position presents information on all of the State's assets, liabilities and deferred outflows and inflows of resources. Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Over time, increases or decreases in net position should serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

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

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

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

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

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

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

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

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

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

are reported using modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund financial statements are statement numbers 1.11 through 1.14.

As mentioned earlier, the State has only two major governmental funds, the Alaska Permanent Fund and the General Fund. Together these two funds represent 97.1 percent of total government-wide cash and investments and 92.3 percent of total government-wide net position (excluding component units). The governmental funds financial statements present detail on each of these funds, with summarized information on all other governmental funds. In addition, detail for each of the nonmajor governmental funds is available in combining statements elsewhere in this report.

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

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

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

The proprietary fund financial statements are statement numbers 1.21 through 1.23. The International Airports Fund is a major enterprise fund of the State of Alaska. The International Airports Fund is 5.8 percent of total government-wide liabilities (excluding component units). The proprietary funds financial statements present detail on this fund with summarized information on all other proprietary funds. In addition, detail for each of the nonmajor proprietary funds is provided in the combining statements elsewhere in this report.

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

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

Notes to the Basic Financial Statements

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

Additional Required Supplementary Information (RSI)

In addition to the basic financial statements and accompanying notes, this report includes additional required supplementary information. Included in the RSI is a budgetary comparison schedule for the General Fund reconciling the statutory and generally accepted accounting principles (GAAP) fund balances at fiscal year-end (statement number 2.01). Also included are schedules displaying the sources of changes in the net pension liability, components of the net pension liability and related ratios, and the net pension liability as a percentage of covered-employee payroll.

Other Supplementary Information

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

Government-wide Financial Analysis

As noted earlier, net position should serve over time as a useful indicator of a government's financial position. State assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$68.1 billion at the close of FY 2016 (see table below). By far the largest portion of the State's net position (77.5 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 (\$44.2 billion) may not be spent.

The remainder of the State's net position (22.5 percent) represents net investment in capital assets (\$7.6 billion), resources that are subject to external restrictions of how they may be used (\$1.9 billion), and the remaining unrestricted net position of \$5.8 billion, which excludes \$8.6 billion that is in the Alaska Permanent Fund.

Net Position (Stated in millions)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 16	FY 15	FY 16	FY 15	FY 16	FY 15
Current and Other Noncurrent Assets	\$ 67,835	\$72,688	\$ 1,417	\$ 1,381	\$ 69,252	\$ 74,069
Capital Assets	7,635	7,397	1,237	1,254	8,872	8,651
Total Assets	75,470	80,085	2,654	2,635	78,124	82,720
Deferred Outflows of Resources	554	2,853	11	18	565	2,871
Long-term Liabilities	6,287	7,903	541	570	6,828	8,473
Other Liabilities	3,437	2,855	25	20	3,462	2,875
Total Liabilities	9,724	10,758	566	590	10,290	11,348
Deferred Inflows of Resources	320	695	1	8	321	703
Net Position:						
Net Investment in Capital Assets	6,786	6,683	814	817	7,600	7,500
Restricted	45,174	46,443	967	940	46,141	47,383
Unrestricted	14,020	18,359	317	298	14,337	18,657
Total Net Position	\$ 65,980	\$71,485	\$ 2,098	\$ 2,055	\$ 68,078	\$ 73,540

The net position of governmental activities decreased \$5,505 million and business-type activities decreased \$43 million as a result of this year's operations. The decrease in governmental activities is primarily due to a decrease in overall revenues collected during the year; specifically interest and investment income as well as charges for services. The decrease in business-type activities is primarily due to a decrease in program revenues collected for the year.

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the State's net position changed during FY 16.

Changes in Net Position						
(Stated in millions)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 16	FY 15	FY 16	FY 15	FY 16	FY 15
Revenues						
Program Revenues						
Charges for Services	\$ 1,325	\$ 2,100	\$ 304	\$ 333	\$ 1,629	\$ 2,433
Operating Grants	2,157	1,918	1	-	2,158	1,918
Capital Grants	728	769	60	69	788	838
General Revenues						
Taxes	127	513	-	-	127	513
Interest and Investment Income/(Loss)	706	2,833	(11)	(10)	695	2,823
Payments In from Component Units	175	14	-	-	175	14
Other Revenues	67	34	-	1	67	35
Total Revenues	5,285	8,181	354	393	5,639	8,574
Expenses						
General Government	323	587	-	-	323	587
Alaska Permanent Fund Dividend	1,330	1,203	-	-	1,330	1,203
Education and University	2,389	2,810	-	-	2,389	2,810
Health and Human Services	2,941	2,771	-	-	2,941	2,771
Law and Justice	292	259	-	-	292	259
Public Protection	843	791	-	-	843	791
Natural Resources	438	475	-	-	438	475
Development	448	410	2	61	450	471
Transportation	1,289	1,278	-	-	1,289	1,278
Intergovernmental	119	134	-	-	119	134
Debt Service	70	66	-	-	70	66
Loans	-	-	16	11	16	11
Unemployment Compensation	-	-	152	143	152	143
Airports	-	-	140	150	140	150
Total Expenses	10,482	10,784	310	365	10,792	11,149
Excess (Deficiency) of Revenues						
Over Expenditures	(5,197)	(2,603)	44	28	(5,153)	(2,575)
Transfers	1	(11)	(1)	11	-	-
Change in Net Position	(5,196)	(2,614)	43	39	(5,153)	(2,575)
Net Position - Beginning of Year	71,485	73,813	2,055	2,016	73,540	75,829
Prior Period Adjustment	(309)	286	-	-	(309)	286
Net Position - End of Year	\$ 65,980	\$ 71,485	\$ 2,098	\$ 2,055	\$ 68,078	\$ 73,540

Financial Analysis of the State's Funds

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

Governmental Funds

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

assigned, and committed fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$63.8 billion, a decrease of \$5.6 billion in comparison with the prior year. This decrease is primarily due to a decrease in interest and investment income as well as a decrease in charges for services collected by the State.

The General Fund unassigned and committed fund balances, which are available for spending at the government's discretion, had balances of \$6.4 billion, and \$3.5 billion, respectively. The Alaska Permanent Fund (earnings reserve account) had an assigned fund balance of \$8.6 billion, and the remaining nonmajor governmental funds had committed fund balances of \$68.1 million. The remainder of fund balance is restricted or nonspendable to indicate that it is not available for new spending such as the principal of the Alaska Permanent Fund (\$44.2 billion), and other items that are nonspendable, such as inventory, advances and prepaid items, and principal (\$744 million), and amounts restricted for a variety of other purposes (\$386 million).

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, unrestricted fund balance (includes committed, assigned, and unassigned) of the General Fund was \$9.9 billion, while total fund balance reached \$10.1 billion. As a measure of the General Fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total fund expenditures. Unrestricted fund balance represents 96 percent of total General Fund expenditures, while total fund balance represents 98 percent of that same amount.

The fund balance of the State's General Fund decreased by \$5.8 billion during the current fiscal year. For FY 16, the most significant source of revenue was federal revenues (63.9 percent) followed by rents and royalties (15.1 percent). With the decline in petroleum related revenues, Rents and Royalties and Taxes continue to be a significant concern as income continues to decline (17.6 percent for FY 16 compared to 32.9 percent for FY 15).

General Fund revenues for FY 16 were \$4.2 billion, a decrease of \$0.6 billion compared to revenues of \$4.8 billion for FY 15. Revenues by source for FY 16 are compared to FY 15 in the following schedule (in millions):

Revenue Source	FY 16	Percent	FY 15	Percent
Taxes	\$ 107.1	2.5%	\$ 491.7	10.1%
Rents and Royalties	640.8	15.1%	1,106.1	22.8%
Interest and Investment Income/(Loss)	195.4	4.6%	336.9	6.9%
Federal	2,705.6	63.9%	2,512.7	51.8%
Miscellaneous	588.9	13.9%	406.0	8.4%
Total Revenue	<u>\$ 4,237.8</u>	<u>100.0%</u>	<u>\$ 4,853.4</u>	<u>100.0%</u>

The primary component of this revenue decrease is petroleum related income as well as interest and investment income compared to the previous year. In FY 16, amounts paid out for prior year tax overpayments were more than what was collected for corporate petroleum income taxes resulting in a significant reduction in tax revenue. The General Fund received \$142 million less in interest and investment income revenue during FY 16.

Alaska Permanent Fund

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

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

The fund is made up of two parts.

- **Nonspendable Fund Balances:** The nonspendable fund balances, or principal, include all historical contributions and appropriations, which are the main body of the fund. At June 30, 2016, this amounted to \$39.5 billion. The sources of contributions and appropriations of the fund, since inception, were as follows: \$16.2 billion in dedicated

mineral revenues; \$16.2 billion of fund realized earnings transferred to principal for inflation proofing; \$6.9 billion in additional deposits approved by special legislative appropriation, and \$153 million in settlement earnings (*State v. Amerada Hess, et al.*).

A portion of accumulated unrealized appreciation on invested assets is also part of the nonspendable fund balances. The unrealized amounts allocated to contributions and appropriations are nonspendable, unless and until they become realized, at which point they will be transferred to the assigned fund balance. The portion of the unrealized appreciation at the end of the fiscal year allocated to principal amounted to \$4.8 billion.

- **Assigned Fund Balances:** The assigned fund balances, which are available for legislative appropriation per AS 37.13.145, consist of the realized earnings of the fund and a portion of accumulated unrealized appreciation. From inception through June 30, 2016, realized earnings (both gains and losses) have amounted to \$52.5 billion. Of this amount \$23.8 billion has been paid out for dividends, \$16.2 billion has been transferred to principal for inflation proofing, \$4.3 billion has been added to principal by special appropriation, \$554 million has been paid out to the General Fund, and \$7.6 billion remains in the fund at June 30, 2016 in the realized earnings account. The portion of the unrealized appreciation at the end of the fiscal year allocated to the assigned fund balance amounted to \$921 million.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was a \$391.2 million increase in appropriations (or 2 percent) and can be briefly summarized as follows:

- \$140.3 million increase allocated to health and human services
- \$139.7 million increase allocated to transportation
- \$71.2 million increase allocated to public protection
- The balance is allocated across several expenditure functions

Of this overall increase in appropriated expenditures, \$171.0 million was funded out of an increase in interagency receipts, which represent purchases between departments, as well as a \$193.2 million increase in Federal Grants in Aid. The remaining increase was funded with money transferred from the Constitutional Budget Reserve Fund (CBR). Please see Note 2 for additional information on the CBR.

The difference between the final amended budget and actual expenditures was a \$6.0 billion decrease (or 33 percent) primarily due to a \$4.6 billion decrease in transportation expenditures.

Capital Assets and Debt Administration

Capital assets. The State's net investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to \$7.6 billion. The table below displays total capital assets, net of accumulated depreciation. Depreciation charges for FY 16 totaled \$453 million for governmental activities and \$68 million for business-type activities.

Capital Assets
(net of depreciation, in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 16	FY 15	FY 16	FY 15	FY 16	FY 15
Land	\$ 1,001	\$ 968	\$ 31	\$ 31	\$ 1,032	\$ 999
Buildings	1,490	1,343	715	735	2,205	2,078
Equipment	453	442	32	30	485	472
Infrastructure	2,777	2,831	449	397	3,226	3,228
Construction in Progress	1,914	1,812	10	60	1,924	1,872
Total Capital Assets	\$ 7,635	\$ 7,396	\$ 1,237	\$ 1,253	\$ 8,872	\$ 8,649

In FY 16, increases were primarily in buildings and construction in progress with an increase of \$127 million and \$52 million respectively. Additional information on the State's capital assets can be found in Note 5 in the notes to the basic financial statements.

Long-term debt. At the end of the current fiscal year, the State had total bonded debt outstanding of \$1,767 million. Of this amount, \$921 million was general obligation bonds, and \$846 million of revenue bonds payable comprised of \$343 million issued by the Northern Tobacco Securitization Corporation (NTSC), \$29 million of sport fishing revenue bonds, and \$474 million issued by the International Airport Fund. The general obligation bonds are secured by the full faith, credit, and resources of the State, whereas the NTSC bonds are secured by and payable solely from Tobacco Settlement Revenues (TSRs). Neither the State of Alaska, nor the Alaska Housing Finance Corporation (of which NTSC is a subsidiary) is liable for any debt issued by NTSC. The sport fishing revenue bonds are secured by the sport fishing facilities surcharge imposed under AS 16.05.340 and related federal revenues. The remaining \$474 million are International Airports revenue bonds secured solely by specified revenue sources. The general obligation, NTSC, and sport fishing bonds are reported as governmental activities debt, and the International Airports bonds are reported as business-type activities debt.

Long-term Debt
(Stated in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 15				FY 15	
	FY 16	Restated	FY 16	FY 15	FY 16	Restated
Revenue Bonds Payable	\$ 372	\$ 382	\$ 474	\$ 497	\$ 846	\$ 879
General Obligation Debt	921	657	-	-	921	657
Notes Payable	16	-	-	-	16	-
Capital Leases Payable	302	318	-	-	302	318
Unearned Revenues	65	45	1	1	66	46
Certificates of Participation	32	35	-	-	32	35
Compensated Absences	176	176	4	5	180	181
Claims and Judgments	163	156	-	-	163	156
Pollution Remediation	118	92	5	1	123	93
Other Noncurrent Liabilities	3	1	-	-	3	1
Net Pension Liability	4,119	5,990	57	66	4,176	6,056
Total	<u>\$ 6,287</u>	<u>\$ 7,852</u>	<u>\$ 541</u>	<u>\$ 570</u>	<u>\$ 6,828</u>	<u>\$ 8,422</u>

The State's total long-term debt decreased by \$1,594 million (18.93 percent) during FY 16. The decrease in debt is primarily due to a decrease in the net pension liability, revenue bonds, and capital leases.

With the implementation of GASB Statement 68, the State of Alaska reported net pension liability in relation to a special funding situation in the amount of \$1,640 million. The State of Alaska, Department of Law issued a legal opinion that the State of Alaska is not legally responsible for this portion of the net pension liability. Regardless, the financial statements must be reported under generally accepted accounting principles.

During FY 16 the State of Alaska's bond rating was downgraded by the three rating agencies from AAA to Aa1 with a negative outlook by Moody's Investor's Service and AA+ with a negative outlook by Standard's & Poor and Fitch Ratings. Moody's Investor's Service further downgraded the State's rating to Aa2 on July 25, 2016.

Additional information regarding the restated balances for FY 15 and of the State's long-term debt can be found in Notes 14 and 6 respectively, in the notes to the basic financial statements.

Significant Facts

While the General Fund revenue decreased by \$615.6 million over all, petroleum related revenue decreased by \$631.6 million between FY 15 and FY16. The decrease is primarily related to the fall in oil prices and payments of tax credits.

The Public Employee's Retirement System's (PERS) investment income decreased \$566.4 million to a loss of \$86.8 million during fiscal year 2016. The Teacher's Retirement System's (TRS) net investment income decreased \$279.4 million to a loss of \$43.5 million during fiscal year 2016.

Another significant factor affecting interest and investment revenues was a decrease of \$2.0 billion between FY 15 and FY 16 for the Alaska Permanent Fund (APF). In FY 15 the APF experienced investment income gain of \$2.5 billion, compared to a gain of \$0.5 billion in FY 16. The APF experienced a total fund return of 1.02 percent for FY 16. FY 2016's results are substantially below mid-point of the range of returns since 1985, which have ranged from -17.96 percent to 25.58 percent. Please see Note 1 for further information regarding this blended component unit and how to obtain the separately issued financial statements.

Economic Factors and Next Year's Budgets and Rates

- The State's average unemployment rate for FY 16 was 6.6 percent, unchanged from the adjusted average unemployment rate for FY 15. Alaska's five year average (2012 to 2016) was 6.9 percent. The United States unemployment rate for FY 16 was 4.9 percent.
- Total General Fund revenue for FY 16 was \$4.2 billion. Two sources of revenue accounted for 90.5 percent of total state revenue; federal and nonpetroleum revenues. Federal accounted for 63.9 percent and nonpetroleum related revenues accounted for 26.7 percent of general fund revenue. The State's budget is primarily structured around petroleum and federal revenue. Federal funds are generally restricted for use for federal programs and therefore cannot be used to balance the State budget. Petroleum revenues continue to decline as a result in decreased oil prices.
- FY 16 crude oil and natural gas liquids production in the State of Alaska for the North Slope averaged 514 thousand barrels per day. This is 13 thousand barrels per day more than in the prior year. Cook Inlet also saw an increase in production, but this was not nearly enough to offset the effect of the decrease in oil prices on the State's revenue.
- The State of Alaska FY 16 budgeted expenditures include certain items that are unique to Alaska, such as the Alaska Permanent Fund Dividend and State-operated Pioneer Homes. The Alaska Permanent Fund Dividend (\$2,072/resident) was paid to each qualifying Alaskan for a total of \$1,330 million.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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STATE OF ALASKA
Statement of Net Position
Government-wide
June 30, 2016
(Stated in Thousands)

STATEMENT 1.01

	Primary Government			
	Governmental	Business-type		Component
	Activities	Activities	Total	Units
ASSETS				
Cash and Investments	\$ 65,072,526	\$ 803,962	\$ 65,876,488	\$ 2,145,635
Accounts Receivable - Net	508,107	39,741	547,848	54,053
Interest and Dividends Receivable	132,394	15,596	147,990	40,517
Internal Balances	22,173	(22,173)	-	-
Due from Primary Government	-	-	-	47,137
Due from Component Units	22,296	-	22,296	4,069
Due from Other Governments	849,476	23,513	872,989	35,871
Loans, Notes, and Bonds Receivable	17,697	460,359	478,056	4,478,329
Inventories	23,051	-	23,051	17,707
Reposessed Property	-	1,262	1,262	175
Net Investment in Direct Financing Leases	-	-	-	198,856
Investments in Projects, Partnerships, or Corporations	-	-	-	55,621
Restricted Assets	4,678	94,000	98,678	2,254,259
Securities Lending Collateral	1,022,398	-	1,022,398	8,625
Other Assets	160,288	1,438	161,726	55,913
Capital Assets:				
Equipment, Net of Depreciation	452,626	32,252	484,878	435,192
Buildings, Net of Depreciation	1,490,446	714,129	2,204,575	1,170,787
Library Books, Net of Depreciation	-	-	-	9,807
Infrastructure, Net of Depreciation	2,776,845	449,632	3,226,477	1,028,972
Museum Collections	-	-	-	7,344
Land / Right-of-Way	1,000,792	31,202	1,031,994	115,443
Construction in Progress	1,914,232	9,599	1,923,831	506,347
Total Assets	75,470,025	2,654,512	78,124,537	12,670,659
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	553,926	10,936	564,862	292,662
LIABILITIES				
Accounts Payable and Accrued Liabilities	2,360,174	10,880	2,371,054	137,595
Obligations Under Securities Lending	1,022,398	-	1,022,398	8,625
Due to Primary Government	-	-	-	68,260
Due to Component Units	39,082	-	39,082	19,866
Due to Other Governments	23	5,332	5,355	978
Interest Payable	15,107	7,529	22,636	30,447
Derivative Instruments	-	-	-	210,543
Other Current Liabilities	-	1,516	1,516	95,321
Long-term Liabilities:				
Portion Due or Payable Within One Year:				
Claims, Judgments, Compensated Absences, and Pollution Remediation	227,520	4,533	232,053	16,855
Unearned Revenue	51,026	554	51,580	35,444
Notes, Bonds, and Leases Payable	91,335	18,720	110,055	199,830
Other Noncurrent Liabilities	2,787	-	2,787	426
Portion Due or Payable After One Year:				
Claims, Judgments, Compensated Absences, and Pollution Remediation	229,033	4,707	233,740	4,429
Unearned Revenue	14,308	-	14,308	56,553
Notes, Bonds, and Leases Payable	1,551,334	455,757	2,007,091	3,742,838
Net Pension Liabilities	4,119,479	56,810	4,176,289	326,604
Other Noncurrent Liabilities	523	-	523	24,469
Total Liabilities	9,724,129	566,338	10,290,467	4,979,083
DEFERRED INFLOWS OF RESOURCES				
Total Deferred Inflows of Resources	320,256	1,005	321,261	594,959
NET POSITION				
Net Investment in Capital Assets	6,786,011	813,876	7,599,887	2,305,494
Restricted for:				
Permanent Funds				
Nonexpendable	44,773,119	-	44,773,119	430,255
Expendable	18,216	-	18,216	148,340
Education	67,389	-	67,389	359,422
Development	250,170	-	250,170	119,158
Unemployment Compensation	-	440,599	440,599	-
Health and Human Services	16,042	483,984	500,026	-
Debt Service	44,732	19,523	64,255	643,780
Other Purposes	3,690	23,160	26,850	1,242,683
Unrestricted	14,020,197	316,963	14,337,160	2,140,147
Total Net Position	\$ 65,979,566	\$ 2,098,105	\$ 68,077,671	\$ 7,389,279

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, 2016
(Stated in Thousands)

STATEMENT 1.02

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services, Royalties and Other Fees	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 323,158	\$ 15,917	\$ 20,321	\$ (726)
Alaska Permanent Fund Dividend	1,330,027	-	-	-
Education	1,921,828	6,510	197,229	-
University	467,456	-	1,513	-
Health and Human Services	2,940,851	55,533	1,553,775	45,939
Law and Justice	291,706	12,656	23,724	445
Public Protection	842,739	170,302	76,102	6,986
Natural Resources	438,036	1,005,680	104,065	12,006
Development	447,510	2,030	65,788	3,984
Transportation	1,289,035	55,877	94,117	658,792
Intergovernmental Revenue Sharing	118,807	-	20,356	-
Debt Service	70,447	-	278	-
Total Governmental Activities	10,481,600	1,324,505	2,157,268	727,426
Business-type Activities:				
Loans	15,905	9,969	430	19,807
Unemployment Compensation	152,505	155,660	-	-
Airports	139,529	137,167	-	40,030
Development	1,570	1,455	-	-
Total Business-type Activities	309,509	304,251	430	59,837
Total Primary Government	\$ 10,791,109	\$ 1,628,756	\$ 2,157,698	\$ 787,263
Component Units:				
University of Alaska	\$ 855,174	\$ 196,969	\$ 210,648	\$ 60,299
Alaska Housing Finance Corporation	260,128	139,986	51,438	74,082
Alaska Industrial Development and Export Authority	58,244	57,024	646	1,377
Nonmajor Component Units	678,870	231,055	50,068	48,828
Total Component Units	\$ 1,852,416	\$ 625,034	\$ 312,800	\$ 184,586

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, Transfers, and Contributions	
Change in Net Position	
Net Position - Beginning of Year (restated)	
Prior Period Adjustment	
Net Position - End of Year	

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (287,646)	\$	\$ (287,646)	\$
(1,330,027)		(1,330,027)	
(1,718,089)		(1,718,089)	
(465,943)		(465,943)	
(1,285,604)		(1,285,604)	
(254,881)		(254,881)	
(589,349)		(589,349)	
683,715		683,715	
(375,708)		(375,708)	
(480,249)		(480,249)	
(98,451)		(98,451)	
(70,169)		(70,169)	
<u>(6,272,401)</u>		<u>(6,272,401)</u>	
	14,301	14,301	
	3,155	3,155	
	37,668	37,668	
	(115)	(115)	
	<u>55,009</u>	<u>55,009</u>	
<u>(6,272,401)</u>	<u>55,009</u>	<u>(6,217,392)</u>	
			(387,258)
			5,378
			803
			<u>(348,919)</u>
			<u>(729,996)</u>
(318,546)	-	(318,546)	9,682
265,992	-	265,992	-
65,795	-	65,795	-
111,137	-	111,137	-
2,576	-	2,576	-
706,296	(11,403)	694,893	35,999
30,479	-	30,479	-
174,722	-	174,722	31,152
-	-	-	515,194
36,905	380	37,285	17,486
747	(747)	-	-
<u>1,076,103</u>	<u>(11,770)</u>	<u>1,064,333</u>	<u>609,513</u>
(5,196,298)	43,239	(5,153,059)	(120,483)
71,484,731	2,054,866	73,539,597	7,509,762
(308,867)	-	(308,867)	-
<u>\$ 65,979,566</u>	<u>\$ 2,098,105</u>	<u>\$ 68,077,671</u>	<u>\$ 7,389,279</u>

STATE OF ALASKA
Balance Sheet
Governmental Funds
June 30, 2016
(Stated in Thousands)

STATEMENT 1.11

	General Fund	Alaska Permanent Fund	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 10,073,709	\$ 53,867,991	\$ 1,014,469	\$ 64,956,169
Accounts Receivable - Net	199,743	298,961	2,302	501,006
Interest and Dividends Receivable	5,774	126,522	98	132,394
Due from Other Funds	798,665	31,026	2,510	832,201
Due from Component Units	22,163	-	133	22,296
Due from Other Governments	848,529	-	2	848,531
Loans, Notes, and Bonds Receivable	17,625	-	72	17,697
Inventories	19,106	-	-	19,106
Securities Lending Collateral	-	1,022,398	-	1,022,398
Other Assets	136,045	-	15,770	151,815
Total Assets	<u>\$ 12,121,359</u>	<u>\$ 55,346,898</u>	<u>\$ 1,035,356</u>	<u>\$ 68,503,613</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 1,455,905	\$ 841,048	\$ 8,170	\$ 2,305,123
Obligations Under Securities Lending	-	1,022,398	-	1,022,398
Due to Other Funds	109,878	713,765	33,033	856,676
Due to Component Units	39,082	-	-	39,082
Due to Other Governments	23	-	-	23
Unearned Revenue	65,066	-	268	65,334
Other Liabilities	2,787	-	523	3,310
Total Liabilities	<u>1,672,741</u>	<u>2,577,211</u>	<u>41,994</u>	<u>4,291,946</u>
DEFERRED INFLOWS OF RESOURCES				
Total Deferred Inflows of Resources	<u>389,010</u>	<u>-</u>	<u>4</u>	<u>389,014</u>
FUND BALANCES				
Nonspendable:				
Inventory	19,106	-	-	19,106
Principal	-	44,199,667	573,452	44,773,119
Advances and Prepaid Items	135,656	-	15,731	151,387
Restricted for:				
Debt Service	4,678	-	44,177	48,855
Education	14,853	-	52,536	67,389
Health and Human Services	622	-	15,420	16,042
Development	26,398	-	223,772	250,170
Other Purposes	3,514	-	176	3,690
Committed to:				
Debt Service	-	-	-	-
Education	787,262	-	18,216	805,478
Health and Human Services	167,304	-	-	167,304
Public Protection	171,506	-	-	171,506
Permanent Fund	711,020	-	-	711,020
Development	1,505,991	-	49,878	1,555,869
Other Purposes	127,154	-	-	127,154
Assigned to:				
Permanent Fund	-	8,570,020	-	8,570,020
Unassigned:	6,384,544	-	-	6,384,544
Total Fund Balances	<u>10,059,608</u>	<u>52,769,687</u>	<u>993,358</u>	<u>63,822,653</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 12,121,359</u>	<u>\$ 55,346,898</u>	<u>\$ 1,035,356</u>	<u>\$ 68,503,613</u>

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

STATE OF ALASKA
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2016
(Stated in Thousands)

STATEMENT 1.12

Total Fund Balances - Governmental Funds **\$ 63,822,653**

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

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

These assets consist of:

Equipment, net of depreciation	269,167	
Buildings, net of depreciation	1,363,405	
Infrastructure, net of depreciation	2,776,845	
Land / right-of-way	1,000,792	
Construction in progress	1,883,373	
		7,293,582

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

Claims and judgments, net of federal reimbursement	945	
Other post employment benefits asset (Note 7)	773	
		1,718

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

Losses on bond refunding	13,453	
Related to pensions	534,124	
		547,577

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

417,966

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

389,014

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

Claims and judgments, net of federal reimbursement	(163,137)	
Compensated absences	(172,093)	
Pollution remediation	(117,841)	
Capital lease obligations	(293,769)	
Net pension liability	(4,086,491)	
		(4,833,331)

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

Notes and bonds payable	(1,324,833)	
Accrued interest payable	(15,107)	
		(1,339,940)

Deferred inflows of resources related to pensions that are not reported in the funds.

(319,673)

Net Position of Governmental Activities

\$ 65,979,566

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

STATE OF ALASKA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016
(Stated in Thousands)

STATEMENT 1.13

	General Fund	Alaska Permanent Fund	Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 107,074	\$ -	\$ 19,880	\$ 126,954
Licenses and Permits	131,428	-	35,095	166,523
Charges for Services	183,424	-	486	183,910
Fines and Forfeitures	32,357	-	323	32,680
Rents and Royalties	640,843	284,462	6,357	931,662
Premiums and Contributions	21,286	-	25,656	46,942
Interest and Investment Income (Loss)	195,405	512,316	13,363	721,084
Federal Grants in Aid	2,705,575	-	578	2,706,153
Payments In from Component Units	174,720	-	-	174,720
Other Revenues	45,692	-	24,916	70,608
Total Revenues	4,237,804	796,778	126,654	5,161,236
EXPENDITURES				
Current:				
General Government	410,384	105,357	3,547	519,288
Alaska Permanent Fund Dividend	1,330,027	-	-	1,330,027
Education	1,826,578	-	46,043	1,872,621
University	449,266	-	32,002	481,268
Health and Human Services	2,915,199	-	4,803	2,920,002
Law and Justice	252,049	2,578	-	254,627
Public Protection	764,466	-	695	765,161
Natural Resources	321,985	5,890	43,356	371,231
Development	429,184	-	5,114	434,298
Transportation	1,403,700	-	62,143	1,465,843
Intergovernmental Revenue Sharing	125,351	-	-	125,351
Debt Service:				
Principal	41,554	-	49,795	91,349
Interest and Other Charges	16,185	-	46,840	63,025
Total Expenditures	10,285,928	113,825	294,338	10,694,091
Excess (Deficiency) of Revenues Over Expenditures	(6,048,124)	682,953	(167,684)	(5,532,855)
OTHER FINANCING SOURCES (USES)				
Bonds Issued	-	-	263,090	263,090
Bonds Issued Premium	-	-	52,046	52,046
Capital Leases	12,170	-	-	12,170
Transfers In from Other Funds	715,508	-	82,631	798,139
Transfers (Out to) Other Funds	(92,063)	(713,765)	(6,577)	(812,405)
Total Other Financing Sources and Uses	635,615	(713,765)	391,190	313,040
Net Change in Fund Balances	(5,412,509)	(30,812)	223,506	(5,219,815)
Fund Balances - Beginning of Year	15,831,903	52,800,499	769,852	69,402,254
Prior Period Adjustment	(359,786)	-	-	(359,786)
Fund Balances - End of Year	\$ 10,059,608	\$ 52,769,687	\$ 993,358	\$ 63,822,653

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

STATE OF ALASKA
Reconciliation of the Change in Fund Balances to the Statement of Activities
Governmental Funds
For the Fiscal Year Ended June 30, 2016
(Stated in Thousands)

STATEMENT 1.14

Net Change in Fund Balances - Total Governmental Funds \$ (5,219,815)

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

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

Capital outlay	635,127	
Depreciation expense	(420,671)	
		214,456

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

Net current year revenue	27,355
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund. 126,909

Bond and other debt proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position (See Statement 1.02).

Bond proceeds	(315,136)	
Accrued interest	(6,120)	
Repayment of bond principal	63,997	
Amortization of bond cost	(2)	
		(257,261)

Some capital additions were financed through capital leases. In the governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Position (See Statement 1.01), the lease obligation is reported as a liability. (12,170)

Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities or deferred outflows reported on the Statement of Net Position (See Statement 1.01) and have been eliminated from the Statement of Activities (See Statement 1.02).

Claims and judgments	(14,267)	
Compensated absences	546	
Pollution remediation	(26,128)	
Capital lease payments	26,663	
Pension	(62,599)	
Other post employment benefits	13	
		(75,772)

Change in Net Position of Governmental Activities \$ (5,196,298)

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

STATE OF ALASKA
Statement of Net Position
Proprietary Funds
June 30, 2016
(Stated in Thousands)

STATEMENT 1.21

	Business-type Activities Enterprise Funds			Governmental Activities
	International Airports	Nonmajor Enterprise Funds	Enterprise Funds Total	Internal Service Funds
ASSETS				
Current Assets:				
Cash and Investments	\$ 70,841	\$ 733,121	\$ 803,962	\$ 121,035
Accounts Receivable - Net	19,357	20,384	39,741	775
Interest and Dividends Receivable	-	6,324	6,324	-
Due from Other Funds	21,817	1,459	23,276	21,732
Due from Other Governments	23,208	305	23,513	-
Loans, Notes, and Bonds Receivable	-	32,980	32,980	-
Inventories	-	-	-	3,945
Restricted Assets	1,555	-	1,555	-
Other Current Assets	-	-	-	7,700
Total Current Assets	136,778	794,573	931,351	155,187
Noncurrent Assets:				
Interest and Dividends Receivable	-	9,272	9,272	-
Loans, Notes, and Bonds Receivable	-	427,379	427,379	-
Reposessed Property	-	1,262	1,262	-
Restricted Assets	92,445	-	92,445	-
Other Noncurrent Assets	-	1,438	1,438	-
Capital Assets:				
Equipment, Net of Depreciation	32,252	-	32,252	183,459
Buildings, Net of Depreciation	714,129	-	714,129	127,041
Infrastructure, Net of Depreciation	449,632	-	449,632	-
Land / Right-of-Way	31,202	-	31,202	-
Construction in Progress	9,599	-	9,599	30,859
Total Noncurrent Assets	1,329,259	439,351	1,768,610	341,359
Total Assets	1,466,037	1,233,924	2,699,961	496,546
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	10,181	755	10,936	6,349
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	5,925	4,955	10,880	23,717
Due to Other Funds	42,133	3,316	45,449	92
Due to Other Governments	-	5,332	5,332	-
Interest Payable	7,529	-	7,529	-
Claims, Judgments, Compensated Absences, and Pollution Remediation	4,363	170	4,533	2,856
Unearned Revenue	554	-	554	-
Notes, Bonds, and Leases Payable	18,720	-	18,720	3,944
Other Current Liabilities	-	1,516	1,516	-
Total Current Liabilities	79,224	15,289	94,513	30,609
Noncurrent Liabilities:				
Claims, Judgments, Compensated Absences, and Pollution Remediation	4,583	124	4,707	626
Notes, Bonds, and Leases Payable	455,757	-	455,757	20,123
Net Pension Liabilities	52,889	3,921	56,810	32,988
Total Noncurrent Liabilities	513,229	4,045	517,274	53,737
Total Liabilities	592,453	19,334	611,787	84,346
DEFERRED INFLOWS OF RESOURCES				
Total Deferred Inflows of Resources	936	69	1,005	583
NET POSITION				
Net Investment in Capital Assets	813,876	-	813,876	317,293
Restricted for:				
Unemployment Compensation	-	440,599	440,599	-
Health and Human Services	-	483,984	483,984	-
Debt Service	19,523	-	19,523	-
Other Purposes	22,937	223	23,160	-
Unrestricted	26,493	290,470	316,963	100,673
Total Net Position	\$ 882,829	\$ 1,215,276	\$ 2,098,105	\$ 417,966

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

STATE OF ALASKA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2016
(Stated in Thousands)

STATEMENT 1.22

	Business-type Activities Enterprise Funds			Governmental Activities
	International Airports	Nonmajor Enterprise Funds	Enterprise Funds Total	Internal Service Funds
OPERATING REVENUES				
Premiums and Contributions	\$ -	\$ 155,660	\$ 155,660	\$ 118,045
Allowance for Uncollectible Revenues	(2,500)	-	(2,500)	-
Charges for Goods and Services	139,197	1,607	140,804	107,180
Interest and Investment Income	-	8,674	8,674	-
Allowance for Uncollectible Interest	-	70	70	-
Fines and Forfeitures	-	48	48	-
Other Operating Revenues	470	-	470	2,050
Total Operating Revenues	137,167	166,059	303,226	227,275
OPERATING EXPENSES				
Benefits	-	152,505	152,505	130,862
Operating	71,433	9,127	80,560	71,445
Depreciation	68,096	20	68,116	33,287
Provision for Loan Losses and Forgiveness	-	1,146	1,146	-
Total Operating Expenses	139,529	162,798	302,327	235,594
Operating Income (Loss)	(2,362)	3,261	899	(8,319)
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Income	844	11,685	12,529	127
Interest and Investment Expense	(21,034)	(2,878)	(23,912)	(209)
Gain (Loss) on Disposal of Capital Assets	542	(20)	522	(470)
Other Nonoperating Revenues (Expenses)	(162)	(5,727)	(5,889)	-
Total Nonoperating Revenues (Expenses)	(19,810)	3,060	(16,750)	(552)
Income Before Capital Contributions and Transfers	(22,172)	6,321	(15,851)	(8,871)
Capital Contributions	40,030	19,807	59,837	20,793
Transfers In from Other Funds	945	15,050	15,995	15,433
Transfers (Out to) Other Funds	-	(16,742)	(16,742)	-
Change in Net Position	18,803	24,436	43,239	27,355
Total Net Position - Beginning of Year	864,026	1,190,840	2,054,866	390,611
Total Net Position - End of Year	\$ 882,829	\$ 1,215,276	\$ 2,098,105	\$ 417,966

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

STATE OF ALASKA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2016
(Stated in Thousands)

STATEMENT 1.23

	Business-type Activities Enterprise Funds			Governmental Activities
	International Airports	Nonmajor Enterprise Funds	Enterprise Funds Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 129,076	\$ 230	\$ 129,306	\$ 266
Receipts for Interfund Services Provided	-	-	-	103,440
Receipt of Principal from Loan Recipients	-	48,362	48,362	-
Receipt of Interest and Fees from Loan Recipients	-	10,849	10,849	-
Receipts from Insured	-	158,316	158,316	118,044
Payments to Employees	(47,821)	(4,716)	(52,537)	(41,094)
Payments to Suppliers	(29,537)	(532)	(30,069)	(33,877)
Payments to Other Governments	-	(1,511)	(1,511)	-
Payments to Loan Recipients	-	(75,364)	(75,364)	-
Claims Paid	-	(147,546)	(147,546)	(132,357)
Payments for Interfund Services Used	(2,092)	(813)	(2,905)	(4,171)
Other Receipts	-	204	204	2,039
Other Payments	-	(233)	(233)	-
Net Cash Provided (Used) by Operating Activities	<u>49,626</u>	<u>(12,754)</u>	<u>36,872</u>	<u>12,290</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Subsidies and Transfers (Out to) Other Funds	-	(22,478)	(22,478)	-
Operating Subsidies and Transfers In from Other Funds	945	15,050	15,995	7,933
Federal Grants	(161)	-	(161)	-
Proceeds from Issuance of Short-term Debt	-	3,591	3,591	-
Payments on Short-term Debt	-	(3,591)	(3,591)	-
Interest and Fees Paid on Borrowing	-	(12)	(12)	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>784</u>	<u>(7,440)</u>	<u>(6,656)</u>	<u>7,933</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Sale of Capital Assets	-	(20)	(20)	2,282
Acquisition and Construction of Capital Assets	(64,820)	-	(64,820)	(38,826)
Proceeds from Capital Debt	101,780	-	101,780	14,905
Principal Paid on Capital Debt	(124,094)	-	(124,094)	(1,421)
Interest and Fees Paid on Capital Debt	(21,805)	-	(21,805)	(161)
Capital Lease Payments (and Interest)	-	-	-	(712)
Passenger Facility Charges	6,436	-	6,436	-
Federal Grants	13,182	19,807	32,989	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(89,321)</u>	<u>19,787</u>	<u>(69,534)</u>	<u>(23,933)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sales/Maturities of Investments	298,603	-	298,603	-
Purchase of Investments	(297,759)	-	(297,759)	-
Interest and Dividends on Investments	-	11,995	11,995	127
Change in Restricted Cash and Investments	21,628	(79)	21,549	-
Net Cash Provided (Used) by Investing Activities	<u>22,472</u>	<u>11,916</u>	<u>34,388</u>	<u>127</u>
Net Increase (Decrease) in Cash	<u>(16,439)</u>	<u>11,509</u>	<u>(4,930)</u>	<u>(3,583)</u>
Cash and Cash Equivalents - Beginning of Year	59,407	721,612	781,019	124,618
Cash and Cash Equivalents - End of Year	<u>\$ 42,968</u>	<u>\$ 733,121</u>	<u>\$ 776,089</u>	<u>\$ 121,035</u>

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

This statement continued on next page.

STATE OF ALASKA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2016
(Stated in Thousands)

STATEMENT 1.23

	Business-type Activities Enterprise Funds			Governmental Activities
	International Airports	Nonmajor Enterprise Funds	Enterprise Funds Total	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net				
Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (2,362)	\$ 3,261	\$ 899	\$ (8,319)
Adjustments to Reconcile Operating Income to Net Cash				
Provided (Used) by Operating Activities:				
Depreciation and Amortization	68,096	-	68,096	33,287
Other Reconciling Items	(2,092)	(65)	(2,157)	-
Net Changes in Assets, Deferred Outflows of Resources,				
Liabilities, and Deferred Inflows of Resources:				
Accounts Receivable - Net	(7,786)	4,509	(3,277)	242
Due from Other Funds	-	(1,203)	(1,203)	(1,537)
Due from Other Governments	-	19	19	-
Loans, Notes, and Bonds Receivable - Net	-	(25,566)	(25,566)	1,106
Reposessed Property	-	217	217	-
Interest and Dividends Receivable - Net	-	682	682	-
Inventories	-	-	-	(22)
Other Assets	-	(219)	(219)	(1,117)
Deferred Outflows of Resources	7,933	(546)	7,387	6,365
Due to Other Funds	-	1,451	1,451	(2,120)
Due to Other Governments	-	1,221	1,221	-
Accounts Payable and Accrued Liabilities	2,713	2,664	5,377	2,904
Net Pension Liability	(12,938)	-	(12,938)	(13,213)
Other Liabilities	3,117	828	3,945	(260)
Deferred Inflows of Resources	(7,055)	(7)	(7,062)	(5,026)
Net Cash Provided (Used) by Operating Activities	<u>\$ 49,626</u>	<u>\$ (12,754)</u>	<u>\$ 36,872</u>	<u>\$ 12,290</u>
Reconciliation of Cash to the Statement				
of Net Position:				
Total Cash and Investments per the Statement of Net Position	\$ 70,841	\$ 733,121	\$ 803,962	\$ 121,035
Less: Investments not Meeting the Definition of Cash or				
Cash Equivalents	(27,873)	-	(27,873)	-
Cash, End of Year	<u>\$ 42,968</u>	<u>\$ 733,121</u>	<u>\$ 776,089</u>	<u>\$ 121,035</u>
Noncash Investing, Capital, and Financing				
Activities:				
Contributed Capital Assets	-	-	-	20,793
Transfers (Out to) Other Funds (Accrual)	-	(2)	(2)	-
Transfers In from Other Funds (Accrual)	-	-	-	7,500

STATE OF ALASKA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016
(Stated in Thousands)

STATEMENT 1.31

	Pension and Other Employee Benefit Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 274,855	\$ 347,845
Investments:		197,067
Fixed Income	3,097,898	
Domestic Equities	6,117,275	
International Equities	5,611,140	
Alternative Equity Strategies	979,853	
Private Equity Pool	1,836,486	
Absolute Return Pool	1,515,517	
Real Assets	4,138,400	
Pooled Investment Funds	2,783,792	
Collective Investment Funds	1,844,213	
Synthetic Investment Contracts	556,258	
Investment Loss Trust Fund Assets	1,951	-
Accounts Receivable - Net	684	(1,750)
Contributions Receivable	41,845	-
Interest and Dividends Receivable	19	-
Due from Other Funds	26,963	4,377
Other Assets	5,300	-
Total Assets	<u>28,832,449</u>	<u>547,539</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	17,869	4,006
Forfeiture Payable to Employer	36,328	-
Claims Payable	93,343	-
Trust Deposits Payable	-	541,978
Due to Other Funds	4,778	1,555
Total Liabilities	<u>152,318</u>	<u>547,539</u>
NET POSITION		
Held in Trust for:		
Pension Benefits	13,350,533	-
Postemployment Benefits	10,112,530	-
Individuals, Organizations, and Other Governments	5,217,068	-
Total Net Position	<u>\$ 28,680,131</u>	<u>\$ -</u>

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

STATE OF ALASKA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2016
(Stated in Thousands)

STATEMENT 1.32

	Pension and Other Employee Benefit Trust Funds
ADDITIONS	
Premiums and Contributions:	
Employer	\$ 673,883
Member	444,962
Other	262,519
Total Premiums and Contributions	<u>1,381,364</u>
Investment Income:	
Net Appreciation (Depreciation) in Fair Value of Investments	(435,841)
Interest	96,642
Dividends	337,690
Total Investment Income	<u>(1,509)</u>
Less Investment Expense	63,781
Net Investment Income	<u>(65,290)</u>
Other	42,194
Total Additions	<u>1,358,268</u>
DEDUCTIONS	
Benefits Paid	1,999,323
Refunds of Premiums and Contributions	50,304
Administrative Expenses	41,841
Total Deductions	<u>2,091,468</u>
Net Increase (Decrease) in Net Position Held in Trust for:	
Pension Benefits	(684,324)
Postemployment Benefits	(198,466)
Individuals, Organizations, and Other Governments	149,590
Net Position - Beginning of the Year	29,413,331
Net Position - End of the Year	<u>\$ 28,680,131</u>

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

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STATE OF ALASKA
Statement of Net Position
Component Units
June 30, 2016
(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	\$ 210,185	\$ 479,410	\$ 552,930	\$ 903,110	\$ 2,145,635
Accounts Receivable - Net	25,810	-	551	27,692	54,053
Interest and Dividends Receivable	589	12,325	3,773	23,830	40,517
Due from Primary Government	10,042	16,756	-	20,339	47,137
Due from Component Units	63	192	3,814	-	4,069
Due from Other Governments	25,047	909	-	9,915	35,871
Loans, Notes, and Bonds Receivable	7,627	2,817,494	416,871	1,236,337	4,478,329
Inventories	5,375	-	759	11,573	17,707
Repossessioned Property	-	-	175	-	175
Net Investment in Direct Financing Leases	-	34,555	164,301	-	198,856
Investments in Projects, Partnerships, or Corporations	-	-	55,621	-	55,621
Restricted Assets	596,314	206,282	134,573	1,317,090	2,254,259
Securities Lending Collateral	-	-	-	8,625	8,625
Other Assets	3,966	17,889	1,993	32,065	55,913
Capital Assets:					
Equipment, Net of Depreciation	230,132	713	9,733	194,614	435,192
Buildings, Net of Depreciation	1,004,801	89,296	50,908	25,782	1,170,787
Library Books, Net of Depreciation	9,807	-	-	-	9,807
Infrastructure, Net of Depreciation	115,880	-	64,305	848,787	1,028,972
Museum Collections	7,344	-	-	-	7,344
Land / Right-of-Way	40,317	19,812	3,539	51,775	115,443
Construction in Progress	209,595	-	36,660	260,092	506,347
Total Assets	2,502,894	3,695,633	1,500,506	4,971,626	12,670,659
DEFERRED OUTFLOWS OF RESOURCES					
Total Deferred Outflows of Resources	32,536	234,921	9,147	16,058	292,662
LIABILITIES					
Accounts Payable and Accrued Liabilities	62,889	11,866	1,607	61,233	137,595
Obligations Under Securities Lending	-	-	-	8,625	8,625
Due to Primary Government	-	134	45,600	22,526	68,260
Due to Component Units	16,224	-	-	3,642	19,866
Due to Other Governments	-	-	-	978	978
Interest Payable	-	9,628	2,285	18,534	30,447
Derivative Instruments	-	210,543	-	-	210,543
Other Current Liabilities	18,733	71,589	1,591	3,408	95,321
Long-term Liabilities:					
Portion Due or Payable Within One Year:					
Claims, Judgments, Compensated Absences, and Pollution Remediation	12,723	2,360	-	1,772	16,855
Unearned Revenue	30,843	-	-	4,601	35,444
Notes, Bonds, and Leases Payable	12,249	65,766	12,109	109,706	199,830
Other Noncurrent Liabilities	-	426	-	-	426
Portion Due or Payable After One Year:					
Claims, Judgments, Compensated Absences, and Pollution Remediation	-	1,978	-	2,451	4,429
Unearned Revenue	50,000	-	-	6,553	56,553
Notes, Bonds, and Leases Payable	309,666	2,017,816	108,524	1,306,832	3,742,838
Net Pension Liabilities	239,525	37,859	12,606	36,614	326,604
Other Noncurrent Liabilities	9,906	386	13,308	869	24,469
Total Liabilities	762,758	2,430,351	197,630	1,588,344	4,979,083
DEFERRED INFLOWS OF RESOURCES					
Total Deferred Inflows of Resources	4,646	670	254	589,389	594,959
NET POSITION					
Net Investment in Capital Assets	1,411,653	109,821	167,417	616,603	2,305,494
Restricted for:					
Permanent Funds					
Nonexpendable	-	-	-	430,255	430,255
Expendable	-	-	-	148,340	148,340
Education	359,422	-	-	-	359,422
Development	-	-	950	118,208	119,158
Debt Service	11,737	552,315	-	79,728	643,780
Other Purposes	-	161,436	-	1,081,247	1,242,683
Unrestricted	(14,786)	675,961	1,143,402	335,570	2,140,147
Total Net Position	\$ 1,768,026	\$ 1,499,533	\$ 1,311,769	\$ 2,809,951	\$ 7,389,279

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, 2016
(Stated in Thousands)

STATEMENT 1.42

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services, Royalties and Other Fees	Operating Grants and Contributions	Capital Grants and Contributions
Component Units:				
University of Alaska	\$ 855,174	\$ 196,969	\$ 210,648	\$ 60,299
Alaska Housing Finance Corporation	260,128	139,986	51,438	74,082
Alaska Industrial Development and Export Authority	58,244	57,024	646	1,377
Nonmajor Component Units	678,870	231,055	50,068	48,828
Total Component Units	<u>\$ 1,852,416</u>	<u>\$ 625,034</u>	<u>\$ 312,800</u>	<u>\$ 184,586</u>

General Revenues:

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

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

STATE OF ALASKA
Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2016
(Stated in Thousands)

STATEMENT 1.42

Net (Expense) Revenue and Changes in Net Position				
University of Alaska	Alaska Housing Finance Corporation	Alaska Industrial Development and Export Authority	Nonmajor Component Units	Total Component Units
\$ (387,258)	\$	\$	\$	\$ (387,258)
	5,378			5,378
		803		803
			(348,919)	(348,919)
<u>(387,258)</u>	<u>5,378</u>	<u>803</u>	<u>(348,919)</u>	<u>(729,996)</u>
-	-	-	9,682	9,682
(4,361)	5,797	20,393	14,170	35,999
31,152	-	-	-	31,152
371,410	-	10	143,774	515,194
-	2,877	25	14,584	17,486
<u>398,201</u>	<u>8,674</u>	<u>20,428</u>	<u>182,210</u>	<u>609,513</u>
10,943	14,052	21,231	(166,709)	(120,483)
1,757,083	1,485,481	1,290,538	2,976,660	7,509,762
<u>\$ 1,768,026</u>	<u>\$ 1,499,533</u>	<u>\$ 1,311,769</u>	<u>\$ 2,809,951</u>	<u>\$ 7,389,279</u>

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**STATE OF ALASKA
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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. THE FINANCIAL REPORTING ENTITY

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

The following component units are included in the accompanying financial statements. Blended component units, although legally separate entities, are, in substance, part of the State's operations and provide services entirely or almost entirely to the State. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the State. Fiduciary component units are reported in the fiduciary section of the fund financial statements and are not included in the government-wide financial statements. Individual component unit financial reports may also be obtained from these organizations as indicated.

BLENDED COMPONENT UNITS

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

The **Alaska Permanent Fund Corporation (APFC)** is a public corporation and government instrumentality in the Department of Revenue, Alaska Statute (AS) 37.13.040. A governor-appointed six-member board manages APFC. The Legislature approves APFC's budget. The purpose of APFC is to manage and invest the assets of the Alaska Permanent Fund (Fund) and other funds designated by law. The Fund is a savings device, restricted as to usage, which belongs to all the people of Alaska. It was created in 1976 when the voters approved an amendment to the State Constitution. The beneficiaries of the Fund are all present and future generations of Alaskans. The Fund represents 82 percent of the total cash and investments and 78 percent of total government-wide net position excluding discretely presented component units. The Fund is reported as a permanent fund (a governmental fund type), and APFC operations are included in the fund statements. Separately issued financial statements may be obtained from the Alaska Permanent Fund Corporation, P.O. Box 115500, Juneau, AK 99811-5500, or from their web site at www.apfc.org.

The **Knik Arm Bridge and Toll Authority (KABTA)** is a public corporation and government instrumentality in the Department of Transportation and Public Facilities (AS 19.75.021). The authority has a separate and independent legal existence from the State. It is governed by a board of directors, including the commissioner of the Department of Transportation and Public Facilities, the commissioner of the Department of Revenue, three public members appointed by the Governor, and two non-voting members: a member of the House of Representatives appointed by the Speaker; and a member of the Senate appointed by the President. The purpose of the authority was to develop public transportation systems in the vicinity of Upper Cook Inlet with construction of a bridge to span Knik Arm and connect the Municipality of Anchorage with the Matanuska-Susitna Borough. Chapter 51, SLA 2014 transferred KABTA's authority to construct a Knik Arm Bridge, including the associated rights and financial items, to the Department of Transportation and Public Facilities effective July 1, 2014. KABTA financial statements are included in the Combining Fund section of this Comprehensive Annual Financial

Report (CAFR) with the Nonmajor Enterprise Funds. In addition, fund financial statements are included as other supplementary information, since there are no separately issued financial statements for KABTA.

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

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

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

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

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

DISCRETELY PRESENTED COMPONENT UNITS

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

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

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

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

The **Alaska Gasline Development Corporation** (AGDC) is a public corporation and governmental instrumentality within the Department of Commerce, Community, and Economic Development, but having a legal existence independent and separate from, the State (AS 31.25.010). Currently, the commissioners of the departments of Commerce, Community and Economic Development; and Labor and Workforce Development, and five independent public members appointed by the Governor and confirmed by the Legislature comprise the AGDC board of directors. The Legislature appropriates the budget for AGDC for the purpose of planning, constructing, and financing in-state natural gas pipeline projects. The corporation has the power to borrow money and issue bonds on its own behalf. AGDC financial statements may be obtained from the Alaska Gasline Development Corporation, 3201 C Street, Suite, 200, Anchorage, AK 99503.

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

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

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

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

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

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

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

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

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

FIDUCIARY COMPONENT UNITS

The **Public Employees' Retirement System** (PERS) was established by AS 39.35.095 (defined benefit) and AS 39.35.700 (defined contribution). The Commissioner of the Department of Administration or the commissioner's designee is the administrator of PERS. The administrator is responsible for the administration of PERS in accordance with State statutes. The Commissioner of the Department of Administration adopts regulations to govern the operation of the PERS. Hearings and rulings on the appeal of the decision of the administrator are in the jurisdiction of the Office of Administrative Hearings (OAH). The Alaska Retirement Management Board (ARMB) approves employers' rates. PERS costs, based upon actuarial valuations, are funded by the State, participating governmental employers, and participants. PERS is reported in the fiduciary fund types as a pension (and other employee benefit) trust fund. The ARMB is the fiduciary of PERS and consists of nine trustees: the Commissioners of the Department of Administration and Revenue; two members of the general public; one member who is employed as a finance officer for a political subdivision participating in either the PERS or Teachers' Retirement System (TRS); two members of PERS; and two members of TRS. All members of the ARMB are appointed by and serve at the pleasure of the Governor.

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

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

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

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

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

Copies of the audited financial statements for the retirement systems, and for SBS and DCP, may be obtained from the Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203 or from their website at <http://doa.alaska.gov/drbb/>.

B. BASIC FINANCIAL STATEMENTS

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

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

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

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

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available to finance operations during the current year or to liquidate liabilities existing at the end of the year (collectible within 60 days of fiscal year end). When an asset is recorded in governmental fund financial statements but the revenue is not available, the government reports a deferred inflow of resources until such time as the revenue becomes available. Major revenues that are determined to be susceptible to accrual include federal, charges for services, investment income, and petroleum related taxes and royalties.

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

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

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

D. FINANCIAL STATEMENT PRESENTATION

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

GOVERNMENTAL FUND TYPES

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

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

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

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

PROPRIETARY FUND TYPES

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

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

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

FIDUCIARY FUND TYPES

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

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

E. FISCAL YEAR ENDS

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

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

CASH AND INVESTMENTS, CASH AND CASH EQUIVALENTS

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

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

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

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

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

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

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

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

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

The Statement of Cash Flows for the enterprise funds shows changes in cash and cash equivalents. For the purpose of the Statement of Cash Flows, all highly liquid debt instruments with original maturities of three months or less are considered cash and cash equivalents. In addition, because the State's General Fund and Other Non-segregated Investment (GeFONSI) pool, the Short-term Fixed Income Pool, Short-term Treasury Fixed Income Pool, and the Short-term Liquidity Pool operate as demand deposit accounts, amounts invested in the pools are classified as cash and cash equivalents. At June 30, 2016, the assets of the GeFONSI pool were comprised of shares in the Short-term Fixed Income Pool, the Short-term Liquidity Pool and the Intermediate-term Fixed Income Pool.

RECEIVABLES

Receivables have been established and offset with proper provisions for estimated uncollectible accounts where applicable. The amount of noncurrent receivables does not constitute expendable available financial resources and therefore are not available for appropriation.

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

INTER/INTRAFUND TRANSACTIONS

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

INVENTORIES

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

CAPITAL ASSETS

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

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

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

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

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

COMPENSATED ABSENCES

Regulations governing annual/personal leave (vacation pay) provide that State employees will receive time off, or pay, for hours accumulated. Consequently, a liability exists with respect to accumulated annual/personal leave at any given time. This liability is recognized and reported in the government-wide and proprietary fund financial statements. As of June 30, 2016, the State's estimated liability for compensated absences, as reported in the government-wide Statement of Net Position, is \$175.6 million. There is no liability in the accompanying financial statements for unpaid accumulated sick leave.

Accumulated sick leave may be used only for actual illness. When an employee separates from service, any sick leave balance to their credit is reduced to zero without additional compensation to the employee. See Note 12 for disclosure of the amount of the sick leave contingency.

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

DEFERRED OUTFLOW/INFLOW OF RESOURCES

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

NET POSITION / FUND BALANCE

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

FUND BALANCE COMPONENTS

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

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

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

The appropriated balance in the General Fund (fund 1004) is committed, and the remaining balance is unassigned. All other governmental funds, including subfunds of the General Fund are presented as restricted or committed, with the exception of the three subfunds of the General Fund and a Capital Project fund as unassigned. The spendable portion of the Alaska Permanent Fund is classified as assigned.

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

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

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

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

The following shows the composition of the fund balance of the governmental funds for the fiscal year ended June 30, 2016 (in thousands):

	General	Permanent	Special Revenue	Debt Service	Capital Projects
Nonspendable:					
Inventory	\$ 19,106	\$ -	\$ -	\$ -	\$ -
Principal	-	44,773,119	-	-	-
Advances and Prepaid Items	135,656	-	15,731	-	-
Total Nonspendable	154,762	44,773,119	15,731	-	-
Restricted:					
Debt Service	4,678	-	-	44,177	-
Education	14,853	-	6,323	-	46,213
Health & Human Services	622	-	15,420	-	-
Development	26,398	-	45,296	-	178,476
Other Purposes	3,514	-	176	-	-
Total Restricted	50,065	-	67,215	44,177	224,689
Committed					
Education					
School Foundation Support	12,416	-	-	-	-
Pupil Transportation	834	-	-	-	-
Education Services	606,974	-	-	-	-
Construction & Maintenance	167,038	-	-	-	-
Public School Program Support	-	18,216	-	-	-
Health & Human Services	167,304	-	-	-	-
Public Protection	171,506	-	-	-	-
Permanent Fund					
Dividend Payments	711,020	-	-	-	-
Development					
Natural Resources	180,719	-	-	-	-
Transportation	873,475	-	-	-	-
Other	451,797	-	49,878	-	-
Other Purposes	127,154	-	-	-	-
Total Committed	3,470,237	18,216	49,878	-	-
Assigned					
Assigned for Future Appropriations					
Realized Earnings	-	7,649,016	-	-	-
Unrealized Appreciation on Invested Assets	-	921,004	-	-	-
Total Assigned	-	8,570,020	-	-	-
Unassigned	6,384,544	-	-	-	-
Total Fund Balance	\$ 10,059,608	\$ 53,361,355	\$ 132,824	\$ 44,177	\$ 224,689

Net Position Restricted by Enabling Legislation

The government-wide statement of net position reports \$46.1 billion of restricted net position for the primary government, of which \$22.2 million is restricted by enabling legislation.

NOTE 2 – BUDGETING, BUDGETARY CONTROL, AND LEGAL COMPLIANCE

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

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

Appropriations, as enacted by the legislature and signed by the governor, are entered into the accounting records. The balance of an appropriation is reduced when funds are expended or encumbered. Appropriations are encumbered for anticipated expenditures in the form of purchase orders, contracts, and other obligations. Encumbrances outstanding at year-end are reported within restricted, committed or assigned fund balance based upon the resources that eventually will fund those grants or contracts, and do not constitute expenditures or liabilities. See Note 12 for additional information on encumbrances within the governmental funds. Unencumbered balances of annual appropriations lapse at the end of the fiscal year.

Expenditures of funds are made only upon properly approved requests for payment. The total of expenditures and encumbrances (obligations) may not exceed the appropriations to which they pertain. Generally, transfers between appropriations are not authorized. 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 16, supplemental appropriations within the operating and capital budgets were enacted. The total supplemental appropriations for the FY 16 operating budget was \$243.0 million, of which \$233.3 million was from the General Fund, \$4.9 million was appropriated from other funds, and \$4.8 million was appropriated from federal funds. In addition, the total supplemental appropriations for the FY 16 capital budget was \$24.6 million, of which \$23.9 million was appropriated from the General Fund, and \$0.7 million was appropriated from other funds.

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

SPENDING LIMITS

In 1982, the voters of Alaska approved an amendment to the Alaska Constitution to control state spending. Article IX, section 16, establishes an annual appropriation limit of \$2.5 billion plus adjustments for changes in population and inflation since July 1, 1981. Within this limit, one-third is reserved for capital projects and loan appropriations. For FY 16, the Office of Management and Budget estimated the limit to be approximately \$10.0 billion. The FY 16 budget passed by the legislature after vetoes was \$5.2 billion (unrestricted General Fund revenues only), or \$4.8 billion less than the constitutional spending limit.

CONSTITUTIONAL BUDGET RESERVE FUND

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

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

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

The following is a schedule of amounts appropriated from the CBRF, the amounts transferred back to the CBRF from the General Fund as provided in section 17(d) (in thousands). The paragraphs following the schedule provide an explanation of the entries.

Chapter 18, SLA 2014, Section 48	\$ 3,000,000
Subtotal FY 15	3,000,000
Chapter 1, SSLA 2015, Section 12(b)	3,617,866
Article IX, Section 17(d) Alaska Constitution (FY 16)	(522,510)
Subtotal FY 16	3,095,356
Total appropriated from the CBRF	\$ 6,095,356

The schedule above 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. The amount was fully repaid at the end of FY 10, so this schedule shows the repayment activity that has occurred prospectively.

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

SSLA 2015, Chapter 1, Section 12(b) appropriated additional amounts from the CBRF to the general fund to fund any shortfalls between state revenue and general fund appropriations for fiscal year 2016.

STATUTORY BUDGET RESERVE FUND

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

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

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

SLA 2014, Chapter 16, Section 34, states that if the unrestricted state revenue available for appropriation in the fiscal year ending June 30, 2015, is insufficient to cover General Fund appropriations made for the fiscal year ending June 30, 2015, the amount necessary to balance revenue and general fund appropriations or to prevent a cash deficiency in the General Fund is

appropriated from the budget reserve fund (AS 37.05.540(a)) to the General Fund. For FY 15, this resulted in a year-end transfer from the SBRF to the General Fund for \$2,503 million.

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. For FY 16, this resulted in a year-end sweep from the SBRF to the General Fund for transfer to the CBRF in the amount of \$287 million.

NOTE 3 – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

In the fund financial statements, governmental funds reported deferred inflows of resources of \$389,014 thousand as this amount represents revenues that are earned and measurable, but not available within 2 months of the end of the reporting period.

Deferred Outflows and Inflows of Resources reported in the government-wide Statement of Net Position as of June 30, 2016 consisted of the following (in thousands):

Deferred Outflows and Inflows of Resources

	Primary Government		Discrete Component Units
	Governmental Activities	Business-type Activities	
Deferred Outflows:			
Change in Fair Value-Interest Rate Swaps	\$ -	\$ -	\$ 207,474
Deferred Charge on Bond Refundings	13,453	-	23,102
Deferred Lease Obligation	-	-	4,179
Intangible Gas Plant Acquisition Adjustment	-	-	2,397
Deferred Outflows Related to Postretirement Benefits	-	-	2,776
Deferred Outflows Related to Pensions	540,473	10,936	52,734
Total Deferred Outflows	<u>\$ 553,926</u>	<u>\$ 10,936</u>	<u>\$ 292,662</u>
Deferred Inflows:			
Unearned Grant Revenue	\$ -	\$ -	\$ 588,955
Deferred Inflows Related to Pensions	320,256	1,005	6,004
Total Deferred Inflows	<u>\$ 320,256</u>	<u>\$ 1,005</u>	<u>\$ 594,959</u>

Internal service funds predominantly serve the governmental funds. Accordingly, deferred outflows (\$6,349 thousand) and deferred inflows (\$583 thousand) for internal service funds are included as part of the above totals for governmental activities. These amounts are all related to pensions. Note 6 provides additional information on pension related deferred outflows and deferred inflows.

The component unit total of \$207,474 thousand in deferred outflows: change in fair value-interest rate swaps is reported in the Alaska Housing Finance Corporation. Note 6 provides additional information on these interest rate swaps.

Of the component unit total of \$23,102 thousand in deferred outflows: deferred charge on bond refundings; \$21,706 thousand is reported in the Alaska Housing Finance Corporation, \$53 thousand in the Alaska Energy Authority, \$196 thousand in the Alaska Industrial Development and Export Authority, and \$1,147 thousand in the University of Alaska.

Of the component unit total of \$4,179 thousand in deferred outflows: deferred lease obligation is reported in the Alaska Industrial Development and Export Authority as a result of refunding bonds associated with the Snettisham Hydroelectric project. The restricted direct financing lease will be amortized over the remaining life of the lease.

The component unit total of \$2,397 thousand in deferred outflows: intangible gas plant acquisition adjustment is reported in the Alaska Industrial Development and Export Authority as a result of their purchase of Pentex Alaska Natural Gas Company.

The component unit total of \$2,776 thousand in deferred outflows related to postretirement benefits is reported in the Alaska Railroad Corporation. The Alaska Railroad Corporation early implemented GASB 75 resulting in a deferred outflow amount. The primary government has not implemented GASB 75 and as a result has not included the disclosure and reporting requirements. Additional information on the Railroads' implementation of GASB 75 can be found in their audited financial statements.

Of the component unit total of \$52,734 thousand in deferred outflows related to pension; \$8,853 thousand is reported in the Alaska Railroad Corporation, \$5,741 thousand in the Alaska Housing Finance Corporation, \$601 thousand in the Alaska Aerospace Corporation, \$2,116 thousand in the Alaska Gasline Development Corporation, \$2,375 thousand in the Alaska

Industrial Development and Export Authority, \$416 thousand in the Alaska Seafood Marketing Institute, \$31,389 thousand in the University of Alaska, and \$1,243 thousand in the Alaska Mental Health Trust Authority. Note 6 provides additional information on these deferred outflows.

The component unit total of \$588,955 thousand in deferred inflows: unearned grant revenue is reported in the Alaska Railroad Corporation and is made up of grant revenues.

Of the component unit total of \$6,004 thousand in deferred inflows related to pensions; \$670 thousand is reported in the Alaska Housing Finance Corporation, \$221 thousand in the Alaska Aerospace Corporation, \$70 thousand in the Alaska Gasline Development Corporation, \$254 thousand in the Alaska Industrial Development and Export Authority, \$38 thousand in the Alaska Seafood Marketing Institute, \$4,646 thousand in the University of Alaska, and \$105 thousand in the Alaska Mental Health Trust Authority. Note 6 provides additional information on these deferred inflows.

NOTE 4 – DEPOSIT AND INVESTMENT RISK

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

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

By law, all deposits and investments are under the fiduciary responsibility of the Commissioner of the Department of Revenue (Commissioner) except where the legislature has delegated that responsibility to other entities or boards responsible for separate subdivisions of 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 Retirement Management Board, Alaska Student Loan Corporation, University of Alaska, Alaska Mental Health Trust Authority, and the Exxon Valdez Oil Spill Trustee Council.

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

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

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

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

Deposits and investments at June 30, 2016, are as follows:

Investment Type	Fair Value (in thousands)						
	Short-term				Tobacco		
	Short-term	Liquidity	Intermediate-	Broad Market	Revenue		
	Fixed	Fixed	term Fixed	Fixed	Fixed		
	Income Pool	Income Pool	Income Pool	Income Pool	Income	Other	Total
Deposits	\$ 11,641	\$ -	\$ (16)	\$ -	\$ -	\$ 30,431	\$ 42,056
Corporate Bonds	561,477	-	50,387	651,952	-	-	1,263,816
Commercial Paper	-	-	-	-	8,098	-	8,098
Money Market	-	-	-	-	8,128	-	8,128
Mortgage-backed	635,070	-	28,380	805,953	-	-	1,469,403
Municipal Bonds	3,773	-	-	16,486	-	-	20,259
Mutual Funds	-	-	-	-	-	10,670	10,670
Other Asset-backed	1,922,179	-	32,017	85,496	-	-	2,039,692
Repurchase Agreement	2,052,407	-	-	-	-	-	2,052,407
U.S. Government Agency	1,120,543	-	-	51,794	-	-	1,172,337
U.S. Treasury Bills, Notes, Bonds and TIPS	1,160,733	439,863	930,577	910,240	-	-	3,441,413
Yankee Corporate	323,794	-	15,618	103,299	-	-	442,711
Yankee Government	143,388	-	5,017	33,465	-	-	181,870
Domestic Equity Pool	-	-	-	-	-	1,443,549	1,443,549
International Equity Pools	-	-	-	-	-	683,073	683,073
Total Invested Assets	7,935,005	439,863	1,061,980	2,658,685	16,226	2,167,723	14,279,482
Pool related net assets (liabilities)	10,915	626	2,391	(7,793)	4	326	6,469
Net Invested Assets before earnings distribution to participants	7,945,920	440,489	1,064,371	2,650,892	16,230	2,168,049	14,285,951
Earnings payable to participants	(5,974)	-	-	-	-	-	(5,974)
Other pool ownership	(74,888)	20	11,782	63,086	-	-	-
Ownership under other fiduciary responsibility:							
Alaska Retirement Management Board	(346,072)	-	-	-	-	-	(346,072)
Exxon Valdez Oil Spill Trustee Council	(3)	-	-	(60,077)	-	(136,986)	(197,066)
Alaska Mental Health Trust Authority	(3,936)	-	-	(11,981)	-	(23,235)	(39,152)
Total Invested Assets	\$ 7,515,047	\$ 440,509	\$ 1,076,153	\$ 2,641,920	\$ 16,230	\$ 2,007,828	\$ 13,697,687

Interest Rate Risk

Short-term Fixed Income Pool

As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to 14 months to maturity or 14 months expected average life upon purchase. Floating rate securities are limited to three years to maturity or three years expected average life upon purchase. These constraints apply to trade date, except for securities bought at new issue, for which settlement date applies. At June 30, 2016, the expected average life of individual fixed rate securities ranged from 1 day to 1 year and the expected average life of floating rate securities ranged from 12 days to 13.2 years.

Short-term Liquidity Fixed Income Pool

Treasury's investment policy limits individual fixed rate securities to six months to maturity. These constraints apply to trade date, except for securities bought at new issue, for which settlement date applies. At June 30, 2016, the days to maturity of fixed rate securities ranged from 84 to 92 days.

Short-term Treasury Pool

Treasury's investment policy limits individual fixed rate securities to six months to maturity. These constraints apply to the trade date, except for securities bought at new issues, for which settlement date applies. At June 30, 2016, this pool held no securities or cash.

Intermediate and Broad Market Fixed Income Pools

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

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

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

Intermediate-term Fixed Income Pool - $\pm 20\%$ of the Barclays 1-3 Year Government Bond Index. The effective duration for the Barclays 1-3 Year Government Bond Index at June 30, 2016 was 1.82 years.

Broad Market Fixed Income Pool - $\pm 20\%$ of the Barclays Capital U.S. Aggregate Bond Index. The effective duration for the Barclays Capital U.S. Aggregate Bond Index at June 30, 2016 was 5.39 years.

At June 30, 2016, the effective duration by investment type was as follows:

	Effective Duration (in years)	
	Intermediate-term Fixed Income Pool	Broad Market Fixed Income Pool
Corporate Bonds	2.66	8.64
Mortgage-backed	0.80	2.45
Municipal Bonds	-	15.14
Other Asset-backed	0.23	0.69
U.S. Government Agency	-	8.75
U.S. Treasury Bills, Notes, Bonds and TIPS	1.90	5.86
Yankee Corporate	2.31	7.00
Yankee Government	1.31	6.88
Portfolio Effective Duration	1.86	5.51

Other Fixed Income

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

Credit Risk

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

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

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

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

The bond indentures governing the investment of tobacco revenue related bond proceeds limit the investment in commercial paper to only those securities rated A-1 or equivalent. At June 30, 2016, the Tobacco Revenue Fixed Income Securities consisted of commercial paper rated A-1.

At June 30, 2016, the State's internally managed Pools consisted of investments with credit quality ratings issued by nationally recognized statistical rating organizations as follows (using Standard and Poor's Corporation rating scale):

Investment Type	Rating	Short-term Fixed Income Pool	Short-term Liquidity Fixed Income Pool	Intermediate- term Fixed Income Pool	Broad Market Fixed Income Pool
Corporate Bonds	AAA	0.50%	-	-	0.40%
Corporate Bonds	AA	2.00%	-	0.96%	3.21%
Corporate Bonds	A	4.56%	-	2.44%	9.66%
Corporate Bonds	BBB	-	-	1.28%	8.95%
Corporate Bonds	Not Rated	-	-	-	1.80%
Deposits	Not Rated	0.15%	-	-	-
Mortgage-backed	AAA	3.14%	-	0.40%	0.93%
Mortgage-backed	AA	1.57%	-	0.83%	1.53%
Mortgage-backed	A	0.72%	-	-	0.38%
Mortgage-backed	BBB	-	-	-	0.02%
Mortgage-backed	Not Rated	2.55%	-	1.40%	26.84%
Municipal Bonds	AAA	0.05%	-	-	-
Municipal Bonds	AA	-	-	-	0.61%
Other Asset-backed	AAA	16.02%	-	1.23%	1.41%
Other Asset-backed	AA	0.64%	-	-	0.11%
Other Asset-backed	A-1	1.26%	-	-	-
Other Asset-backed	Not Rated	6.27%	-	1.74%	1.63%
Other Pool Ownership	Not Rated	-	-	1.09%	2.32%
Repurchase Agreement	AAA	25.58%	-	-	-
Repurchase Agreement	Not Rated	0.25%	-	-	-
U.S. Government Agency	AA	14.10%	-	-	1.91%
U.S. Treasury Bills, Notes, Bonds and TIPS	Not Rated	14.62%	99.86%	86.49%	33.54%
Yankee Corporate	AAA	1.88%	-	-	0.30%
Yankee Corporate	AA	0.65%	-	0.56%	0.29%
Yankee Corporate	A	1.55%	-	0.89%	2.18%
Yankee Corporate	BBB	-	-	-	1.00%
Yankee Corporate	Not Rated	-	-	-	0.04%
Yankee Government	AAA	-	-	-	0.19%
Yankee Government	AA	0.29%	-	-	0.13%
Yankee Government	A	1.51%	-	0.47%	-
Yankee Government	BBB	-	-	-	0.70%
Yankee Government	Not Rated	-	-	-	0.21%
No Credit Risk		0.14%	0.14%	0.22%	(0.29%)
		<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Custodial Credit Risk – Deposits

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

The bond indentures governing the investment of tobacco revenue related bond proceeds do not establish a policy with regard to custodial credit risk. At June 30, 2016 the State had the following uncollateralized and uninsured deposits:

	Amount (in thousands)
International Equity Pool	<u>\$ 232</u>

Concentration of Credit Risk

Treasury's policy with regard to concentration of credit risk is to prohibit the purchase of more than five percent of a pool's holdings in corporate bonds backed by any one company or affiliated group. At June 30, 2016, no pool had exposure to any one issuer greater than 5 percent of total invested assets.

Foreign Currency Risk

The Commissioner of Revenue formally adopts asset allocation policies for the Fund at the beginning of the each fiscal year which places policy limitations on the amount of international securities the Fund is allowed to hold. The following policy was in place during FY 16 and invested assets included the following holdings at June 30, 2016 for the fund's investment in the International Equity Pool:

	Policy	Actual
AIA Revenue Fund	2% - 2% + 5%	1.78%
Alaska Mental Health Trust	21% ± 5%	19.01%
Constitutional Budget Reserve Fund	2% - 2% + 5%	2.15%
EVOS Habitat Investment	23% ± 7%	22.14%
EVOS Research Investment	23% ± 7%	22.12%
Higher Education Fund	24% ± 7%	23.44%
Illinois Creek Mine Reclamation Fund	24% ± 5%	23.39%
Power Cost Equalization Endowment Fund	24% ± 5%	23.42%
Public School Trust Fund, Principal	19% ± 5%	18.56%
Retiree Health Insurance Fund, Long Term Care	13% ± 4%	12.65%

At June 30, 2016, the funds invested in the International Equity Pool had exposure to foreign currency risk as follows (in thousands):

Currency	Deposits	Equity
Australian Dollar	\$ -	\$ 4,031
Canadian Dollar	194	5,924
Danish Krone	-	1,840
Euro Currency	(50)	31,073
Japanese Yen	88	32,410
Norwegian Krone	-	2,231
Pound Sterling	-	34,706
Swedish Krona	-	5,345
Swiss Franc	-	6,285
Total	<u>\$ 232</u>	<u>\$ 123,845</u>

Fair Value Measurements

Various inputs are used in valuing the investments held by the Commissioner. Generally Accepted Accounting Principles establishes a hierarchy of inputs used to value investment emphasizing observable inputs and minimizing unobservable inputs. These inputs are summarized as follows:

Level 1 – Quoted prices for identical assets in an active market

Level 2 – Inputs, other than quoted prices, that are observable for the asset, either directly or indirectly

Level 3 – Unobservable inputs. Unobservable inputs should only be used to the extent that observable inputs are not available for a particular asset.

The Commissioner categorizes fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Commissioner has the following recurring fair value measurements as of June 30, 2016 (in thousands):

Investment by Fair Value Level	Total	Level 1	Level 2	Level 3
Cash Equivalents				
Commercial Paper	\$ 8,098	\$ -	\$ 8,098	\$ -
Deposits	42,056	42,056	-	-
Money Market	8,128	-	8,128	-
Repurchase Agreement	2,052,407	-	2,052,407	-
Short-term Investment Fund	6,400	-	6,400	-
Total Cash Equivalents	2,117,089	42,056	2,075,033	-
Debt Securities				
Corporate Bonds	1,263,816	-	1,263,816	-
Mortgage Backed	1,469,403	-	1,469,403	-
Municipal Bonds	20,259	-	20,259	-
Other Asset Backed	2,039,692	-	2,039,692	-
U.S. Government Agency	1,172,337	-	1,172,337	-
U.S. Treasury Bills, Notes, Bonds and TIPS	3,441,413	-	3,441,413	-
Yankee Corporate	442,711	-	442,711	-
Yankee Government	181,870	-	181,870	-
Total Debt Securities	10,031,501	-	10,031,501	-
Equity				
Common Stock	127,033	127,033	-	-
Depository Receipts	6,612	6,612	-	-
Mutual Funds	1,997,247	1,997,247	-	-
Total Equities	2,130,892	2,130,892	-	-
Total Investments by Fair Value Level		2,172,948	12,106,534	-
Total Investments Measured at Fair Value	\$ 14,279,482			

Debt and equity securities classified as level 1 are valued using prices quoted in active markets for those securities. Debt securities classified as level 2 are valued using matrix pricing. Pricing is sourced from various sources.

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

The Commissioner is exposed to credit risk on investment derivative instruments that are in asset positions. The Commissioner has no policy of requiring collateral or other security to support derivative instruments subject to credit risk. Additionally, the Commissioner has no policy regarding entering into netting arrangements when it enters into derivative instrument transactions with a counterparty, nor does the Commission have a policy for contingencies. The International Equity Pool's investments include the following income from derivative investments at June 30, 2016 (in thousands):

	Changes in Fair Value		Fair Value at June 30, 2016		
	Classification	Amount	Classification	Amount	Notional
FX Forwards	Investment Revenue	\$ 13,635	Long-term Instruments	\$ -	\$ -

The International Equity Pool includes foreign currency forward contracts to buy and sell specified amounts of foreign currencies at specified rates on specified future. The counterparties to the foreign currency forward contracts consist of a diversified group of financial institutions. Credit risk exposure exists to the extent of nonperformance by these counterparties;

however, the risk of default is considered to be remote. The market risk is limited to the difference between contractual rates and forward rates at the balance sheet date. At June 30, 2016, the International Equity Pool had no outstanding contracts.

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

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

PENSION FUNDS

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

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

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

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

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

Fair Value Measurements

Various inputs are used in valuing the investments held by the ARMB. U.S. generally accepted accounting principles (GAAP) establishes a hierarchy of inputs used to value investment emphasizing observable inputs and minimizing unobservable inputs. These inputs are summarized as follows:

Level 1 – Quoted prices for identical assets in an active market

Level 2 – Inputs, other than quoted prices, that are observable for the asset, either directly or indirectly

Level 3 – Unobservable inputs. Unobservable inputs should only be used to the extent that observable inputs are not available for a particular asset.

The ARMB categorizes fair value measurements with the fair value hierarchy established by GAAP. The ARMB has the following recurring fair value measurements at June 30, 2016 (in thousands):

Investment by Fair Value Level	Totals	Level 1	Level 2	Level 3
Cash Equivalents				
Deposits	\$ 95,152	\$ 95,152	\$ -	\$ -
Money Market	14,576	-	14,576	-
Repurchase Agreement	90,321	-	90,321	-
Short-term Investment Fund	96,155	-	96,155	-
Total Cash Equivalents	296,204	95,152	201,052	-
Debt Securities				
Bank Loans	9,074	-	9,074	-
Convertible Bonds	177,524	-	175,655	1,869
Corporate Bonds	636,102	-	634,807	1,295
Foreign Government Bonds	355,517	-	355,517	-
Mortgage Backed	70,811	-	70,811	-
Municipal Bonds	243,872	-	243,872	-
Commingled Debt Funds	1,332,451	1,023,436	309,015	-
Other Asset Backed	112,562	-	112,562	-
U.S. Government Agency	53,525	-	53,525	-
U.S. Treasury Bills, Notes, Bonds, and TIPS	1,153,990	-	1,153,990	-
Yankee Corporate	98,099	-	98,099	-
Yankee Government	8,758	-	8,758	-
Total Debt Securities	4,252,285	1,023,436	3,225,685	3,164
Equity				
Commingled Equity Fund	1,285,042	1,116,431	168,611	-
Common Stock	9,781,295	9,769,685	10,480	1,130
Depository Receipts	327,840	327,840	-	-
Futures	811	811	-	-
Master Limited Partnership	456,569	456,569	-	-
Options	18,996	(5,480)	24,476	-
Preferred Stock	46,405	43,917	2,488	-
Real Estate Investment Trust	587,387	587,319	-	68
Rights	77	77	-	-
Warrants	13	13	-	-
Total Equity	12,504,435	12,297,182	206,055	1,198
Other				
Balanced Funds	49,757	-	49,757	-
Target Date Funds	486,442	-	486,442	-
Total Other	536,199	-	536,199	-
Total Investments by Fair Value Level	\$ 17,589,123	\$ 13,415,770	\$ 4,168,991	\$ 4,362
Investments Measured at NAV				
Absolute Return	\$ 1,515,517			
Energy	71,537			
Farmland	807,377			
Infrastructure	317,833			
Private Equity	1,834,259			
Real Estate	1,462,661			
Timber	376,555			
Total Investments Measured by NAV	6,385,739			
Total Investments Measured by Fair Value	\$ 23,974,862			
Net Receivables/(Payables)	47,058			
Total Invested Assets	\$ 24,021,920			

Equity securities classified as level 1 are valued using prices quoted in active markets for those securities. Debt securities classified as level 2 are valued using matrix pricing. Pricing is sourced from various sources. Debt securities classified as level 3 are valued using consensus pricing, equity securities classified as level 3 are valued using the last traded price or a price determined by the investment manager's valuation committee.

Investments in absolute return, energy, farmland, infrastructure, private equity, real estate, and timber are measured at net asset value (NAV) with additional information listed in the following table (in thousands):

	Fair Value	Redemption Frequency (if currently available)	Redemption Notice Period
Absolute Return	\$ 1,515,517	Quarterly	2-90 Days
Energy	71,537	No Redemptions	No Redemptions
Farmland	807,377	Not Applicable	Not Applicable
Infrastructure	317,833	Quarterly	30-90 Days
Private Equity	1,834,259	No Redemptions	No Redemptions
Real Estate	1,462,661	Varied	Varied
Timber	376,555	Not Applicable	Not Applicable
Total Investments Measured at the NAV	<u>6,385,739</u>		

Absolute Return: This type includes investments in eight hedge fund of funds. Investment strategies include pooled investment vehicles and securities in a variety of markets including structured notes and swaps. The fair values of the investments in this type have been determined using the NAV per share of the investments (or its equivalent) of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Absolute return investments undergo annual independent financial statement audits.

Energy: This type includes investments in four energy funds using debt and equity investments. The fair values of the investments in this type have been determined using the NAV per share of the investments (or its equivalent) of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Energy fund investments undergo annual independent financial statement audits. These investments can never be redeemed with the funds. The nature of the investments in this type is that distributions are received through the liquidation of underlying assets of the funds. These investments are expected to be held through the fiscal year 2023.

Farmland: This type includes investments in two wholly owned agriculture funds. These two funds are for the purpose of owning and managing real estate property devoted to agricultural use. Investment properties include row crops, permanent crops and vegetable crops. The fair values of the investments in this type have been determined using the NAV per share of the investments (or its equivalent) of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. These investments are funds of one, therefore they can be liquidated at any time. Farmland investments undergo annual independent financial statement audits.

Infrastructure (Private): This type includes investments in two infrastructure funds. Investments include electricity generation, transmission, and distribution including renewable energy, gas transmission, distribution, processing and storage, toll roads, pipelines, bridges, water and waste water, telecommunications infrastructure, and other infrastructure-related assets. The fair values of the investments in this type have been determined using the NAV per share of the investments (or its equivalent) of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Infrastructure investments undergo annual independent financial statement audits. Funds can be redeemed on a quarterly basis with proper notice.

Private Equity: This type includes investments in 14 private equity funds including two gatekeeper managers who invest on behalf of the Alaska Retirement Management Board. These funds are diversified in various sectors including venture capital, acquisitions, mezzanine, distressed, restructuring, secondaries, and special situations. The fair values of the investments in this type have been determined using the NAV per share of the investments (or its equivalent) of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Private equity funds undergo annual

independent financial statement audits. These investments can never be redeemed with the funds. The nature of the investments in this type is that distributions are received through the liquidation of underlying assets of the funds. These investments are expected to be held through the fiscal year 2026

Real Estate: This type includes investments in 22 real estate funds that invest in primarily in U.S. commercial real estate including value-added, opportunistic and core investments. The fair values of the investments in this type have been determined using the NAV per share of the investments (or its equivalent) of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Real estate investments undergo annual independent financial statement audits. Three of these funds are wholly owned by the ARMB, therefore can be liquidated at any time. For the remaining 19 funds, distributions from each fund will be received as the underlying investments of the funds are liquidated. These investments are expected to be funded until the year 2025.

Timber: This type includes investments in two wholly owned timber funds that invest, acquire, manage, and dispose of timberland property and associated timber. The fair values of the investments in this type have been determined using the NAV per share of the investments (or its equivalent) of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Timber investments undergo annual independent financial statement audits. These investments can be liquidated at any time.

Interest Rate Risk

The ARMB invests its cash in the State of Alaska, Treasury Division's (Treasury) Short-Term Fixed Income Pool. As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to 14 months to maturity or 14 months expected average life upon purchase. Floating rate securities are limited to three years to maturity or three years expected average life upon purchase. At June 30, 2016, the expected average life of individual fixed rate securities ranged from 1 day to 1 year and the expected average life of floating rate securities ranged from 12 days to 13.2 years.

Other Defined Benefit Fixed Income Pools

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

At June 30, 2016, the effective duration of the ARMB's fixed income by investment type, was as follows:

	Effective Duration (in years)
Convertible Bonds	0.36
Corporate Bonds	4.32
Foreign Government Bonds	6.75
Mortgage-backed	1.84
Municipal Bonds	11.47
Other Asset-backed	0.18
U.S. Government Agency	8.05
U.S. Treasury Bills, Notes, Bonds, and TIPS	4.48
Yankee Corporate	3.93
Yankee Government	3.60
Portfolio Effective Duration	5.37

Defined Contribution Pooled Investment and Collective Investment Funds

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

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

At June 30, 2016, the duration of the government corporate debt, and mortgage-backed securities was 3.73 years and the duration of the blended Barclays Bond Index was 3.71 years.

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

Credit Risk

At June 30, 2016, ARMB's invested assets consisted of fixed income securities with credit quality ratings issued by nationally recognized statistical rating organizations as follows (using Standard & Poor's Corporation rating scale):

Rating	(in thousands)	
	U.S. Dollar	Foreign
AAA	\$ 224,755	\$ 4,672
AA	209,585	2,509
A	114,845	64,853
A-1	4,370	-
BBB	96,624	41,931
BB	299,802	22,849
B	258,398	-
CCC	51,460	-
D	1,823	-
U.S. Government Agency	53,525	-
U.S. Treasury Bills, Notes, Bonds and TIPS	1,153,990	-
Not Rated	182,954	221,211

Custodial Credit Risk – Deposits

The ARMB does not have a policy in relation to custodial credit risk for deposits. At June 30, 2016, the ARMB's invested assets had the following uncollateralized and uninsured foreign currency deposits of \$13,209 thousand.

Concentration of Credit Risk

At June 30, 2016, the ARMB's invested assets did not have exposure to any one issuer greater than five percent of total invested assets.

Foreign Currency Risk

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

Pension System	Fixed - Income	Global Equity Ex- U.S.	Private Equity Pool
Public Employees' Retirement System	17%	29%	14%
Teachers' Retirement System	17%	29%	14%
Judicial Retirement System	17%	29%	14%
Alaska National Guard and Naval Militia System	58%	24%	-

At June 30, 2016, the ARMB had exposure to foreign currency risk with the following deposits and investments (in thousands):

Currency	Deposits	Foreign Government Bonds	Equity	Rights and Warrants	Limited Partnerships
Australian Dollar	\$ 65	\$ -	\$ 153,349	\$ -	\$ 1,418
Brazilian Real	439	22,849	19,132	-	-
Canadian Dollar	637	4,672	139,206	-	-
Colombian Peso	413	12,703	-	-	-
Danish Krone	85	-	102,200	-	-
Euro Currency	1,152	75,527	957,323	76	105,453
Hong Kong Dollar	1,125	-	134,879	-	-
Hungarian Forint	-	-	4,643	-	-
Indian Rupee	-	-	493	-	-
Indonesian Rupiah	862	10,101	13,548	-	-
Japanese Yen	4,576	82,286	714,976	-	-
Malaysian Ringgit	(1,214)	17,010	3,893	-	-
Mexican Peso	1,171	34,942	8,585	-	-
New Israeli Sheqel	45	-	7,123	-	-
New Russian Ruble	-	-	1,838	-	-
New Taiwan Dollar	-	-	31,881	-	-
New Zealand Dollar	112	-	16,693	-	-
Norwegian Krone	245	-	26,086	-	-
Peruvian Nouveau Sol	315	6,251	-	-	-
Philippine Peso	-	-	2,486	-	-
Polish Zloty	1	23,329	692	-	-
Pound Sterling	2,028	27,701	677,899	-	27,823
Qatari Rial	6	-	-	-	-
Singapore Dollar	95	-	43,233	14	-
South African Rand	198	15,864	22,612	-	-
South Korean Won	5	-	75,149	-	-
Swedish Krona	548	11,070	127,595	-	-
Swiss Franc	51	-	223,614	-	-
Thailand Baht	88	3,675	17,809	-	-
Turkish Lira	-	7,537	3,658	-	-
Uae Dirham	13	-	627	-	-
Yuan Renminbi	148	-	147	-	-
	<u>\$ 13,209</u>	<u>\$ 355,517</u>	<u>\$ 3,531,369</u>	<u>\$ 90</u>	<u>\$ 134,694</u>

Foreign Exchange, Derivative, and Counterparty Credit Risk

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

On June 30, 2016, the ARMB had the following derivative instruments outstanding (in thousands):

Type	Change in Fair Value		Fair Value		
	Classification	Amount	Classification	Amount	Notional
Equity Options Written	Investment Revenue	\$ 7,492	Options	\$ -	\$ -
FX Forwards	Investment Revenue	(478)	Long Term Instruments	(212)	5,501
Index Futures Long	Investment Revenue	985	Futures	-	35
Index Options Bought	Investment Revenue	(6,413)	Options	24,476	108
Index Options Written	Investment Revenue	3,881	Options	(5,480)	(147)
Rights	Investment Revenue	(1,189)	Common Stock	77	353
Warrants	Investment Revenue	(21)	Common Stock	13	18

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, 2016, the ARMB had the following foreign currency risk related to forward contracts (in thousands):

Currency Name	Options	Net Receivables	Net Payables	Total Exposure
Canadian Dollar	\$ -	\$ -	\$ (1)	\$ (1)
Euro Currency	76	-	-	76
New Zealand Dollar	-	-	(211)	(211)
Singapore Dollar	14	-	-	14
	<u>\$ 90</u>	<u>\$ -</u>	<u>\$ (212)</u>	<u>\$ (122)</u>

At June 30, 2016 the ARMB had no counterparty credit and counterparty concentration risk associated with its investment derivative positions.

DEFERRED COMPENSATION PLAN

The State's Internal Revenue Code Section 457 Deferred Compensation Plan holds investments in several collective investment funds, an Interest Income Fund and wholly-owned Pooled Investment Funds. At June 30, 2016, Deferred Compensation Plan investments totaled \$811.1 million.

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

Interest Rate Risk

Collective Investment and Money Market Funds

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

The ARMB does not have a policy to limit interest rate risk for the collective investment funds or the institutional treasury money market fund portfolio. These investments with their related weighted average maturities at June 30, 2016, are as follows:

	Fair Value (in thousands)	Weighted Average Maturity
Government/Credit Bond Index Fund	\$ 27,305	8.79 years
Intermediate Bond Fund	20,081	4.09 years
Institutional Treasury Money Market Fund	11,576	30 days
U.S. TIPS Index Fund	9,605	8.72 years
Long U.S. Treasury Bond Index Fund	9,031	25.38 years
World Government Bond Ex-U.S. Index Fund	3,960	9.70 years
Mass Mutual Bond Fund	63	9.75 years

Interest Income Fund

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

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

For constant duration synthetic investment contracts, duration cannot exceed the longer of six years or the duration of the Barclays Capital Intermediate Aggregate Index plus one-half year. The aggregate duration of the constant duration synthetic investment contracts was 3.47 years at June 30, 2016. The duration of the Barclays Capital Intermediate Aggregate Index was 3.48 years at June 30, 2016.

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

Pooled Investment Funds

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

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

For government and corporate debt securities, duration is limited to ± 0.2 years of the blended benchmark of 70 percent Barclays U.S. Intermediate Aggregate Bond Index, 15 percent Barclays U.S. Floating Rate Note Index, 10 percent Barclay's TIPS Index, and five percent Barclays Long U.S. Treasury Bond Index. At June 30, 2016, the blended Barclays Bond Index duration was 3.71 years, and the duration of the Aggregate Bond Trust was 3.73 years.

The weighted average maturity of the money market portfolio was 58.10 days at June 30, 2016.

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

Credit Risk

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

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

Synthetic Investment contract issuers must have an investment grade rating;

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

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

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

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

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

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

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

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

At June 30, 2016, Deferred Compensation Plan's investments consisted of securities with credit quality ratings issued by a nationally recognized statistical rating organization as follows (using the Standard & Poor's rating scale):

Investment type	Rating	Fair Value (in thousands) Total
Investments with credit exposure:		
Money Market Fund	Not Rated	\$ 151
Deposits and investments with no credit exposure:		
Collective Investment Funds	Not Rated	351,910
Wholly Owned Pooled	Not Rated	134,558
Wholly Owned Domestic Equity	Not Rated	104,879
International Equity	Not Rated	34,822
MassMutual Stock Fund	Not Rated	2,281
MassMutual Bond Fund	Not Rated	63
Total Invested Assets		<u>\$ 628,664</u>

Custodial Credit Risk

The ARMB does not have a policy for custodial credit risk. At June 30, 2016, the Deferred Compensation Plan's deposits were uncollateralized and uninsured.

Concentration of Credit Risk

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

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

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

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

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

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

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

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

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

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

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

At June 30, 2016, the Deferred Compensation Plan had no exposure to a single issuer in excess of five percent of total invested assets.

Foreign Currency Risk

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

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

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

SUPPLEMENTAL BENEFITS SYSTEM

The State's Supplemental Benefits System (SBS) holds investments in several collective investment funds, a Stable Value Fund and wholly-owned Pooled Investment Funds. At June 30, 2016, SBS investments totaled \$3.419 billion.

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

Interest Rate Risk

Collective Investment and Money Market Funds

The ARMB contracts with external investment managers who maintain collective investment funds. Managers selected to manage investments for SBS are subject to the provisions of the collective investment funds the ARMB has selected. In addition, SBS maintains a balance in a commingled money market portfolio. The ARMB does not have a policy to limit interest rate risk for the Collective Investment Funds or the Institutional Treasury Money Market Fund portfolio. These investments with their related weighted average maturities at June 30, 2016 are as follows:

	Fair Value (in thousands)	Weighted Average Maturity
Government/Credit Bond Index Fund	\$ 42,869	8.79 years
State Street Institutional Treasury Money Market Fund	39,188	30 days
Intermediate Bond Fund	30,057	4.09 years
Long U.S. Treasury Bond Index Fund	26,644	25.38 years
U.S. TIPS Index Fund	21,999	8.72 years
World Government Bond Ex-U.S. Index Fund	9,469	9.70 years

Short-term Fixed Income Pool

The Investment Loss Trust Fund and the SBS's cash and cash equivalents are invested in the State's internally managed Short-term Fixed Income Pool. As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to 14 months in maturity or 14 months expected average life upon purchase. Floating rate securities are limited to three years to maturity or three years expected average life upon purchase. Treasury utilizes the actual maturity date for commercial paper and 12 month prepay speeds for other securities. At June 30, 2016, the expected average life of individual fixed rate securities ranged from one day to 1.03 years and the expected average life of floating rate securities ranged from 12 days to 12.96 years.

Stable Value Fund

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

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

For constant duration synthetic investment contracts, duration cannot exceed the longer of six years or the duration of the Barclays Capital Intermediate Aggregate Index plus one-half year. The aggregate duration of the constant duration synthetic investment contracts was 3.46 years at June 30, 2016. The duration of the Barclays Capital Intermediate Aggregate Index was 3.48 years at June 30, 2016;

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

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

Pooled Investment Funds

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

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

For government and corporate debt securities, duration is limited to ± 0.2 years of the blended benchmark of 70 percent Barclays U.S. Intermediate Aggregate Bond Index, 15 percent Barclays U.S. Floating Rate Note Index, 10 percent Barclays TIPS Index, and 5 percent Barclays Long U.S. Treasury Bond Index. At June 30, 2016, the blended Barclays Bond Index duration was 3.71 years, and the duration of the Aggregate Bond Trust was 3.73 years.

The weighted average maturity of the money market portfolio was 58.10 days at June, 30, 2016.

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

Credit Risk

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

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

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

Synthetic investment contract issuers must have an investment grade rating;

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

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

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

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

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

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

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

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

At June 30, 2016, SBS investments consisted of securities with credit quality ratings issued by a nationally recognized statistical rating organization as follows (using the Standard & Poor's rating scale):

Investment type	Rating	Fair Market Value (in thousands)		
		Investment Loss Trust	Other	Total
Investments with Credit Exposure:				
Money Market Fund	Not Rated	\$ -	\$ 273	\$ 273
Commercial Paper	AAA	725	-	725
Commercial Paper	Not Rated	11	-	11
Mortgage-backed	AAA	89	-	89
Mortgage-backed	AA	54	-	54
Mortgage-backed	A	21	-	21
Mortgage-backed	Not Rated	480	-	480
Other Asset-backed	AAA	456	-	456
Other Asset-backed	AA	18	-	18
Other Asset-backed	A	36	-	36
Other Asset-backed	Not Rated	160	-	160
Corporate Bonds	AAA	14	-	14
Corporate Bonds	AA	60	-	60
Corporate Bonds	A	129	-	129
Yankees Corporate	AAA	53	-	53
Yankees Corporate	AA	15	-	15
Yankees Corporate	A	44	-	44
Yankees Government	AA	8	-	8
Yankees Government	A	43	-	43
Deposits and Investments with No Credit Exposure:				
U.S. Treasury Bills	Not Rated	89	-	89
U.S. Treasury Notes	Not Rated	325	-	325
Participant-directed Funds:				
Collective Investment Funds	Not Rated	-	707,290	707,290
Pooled Investment Funds	Not Rated	-	2,123,521	2,123,521
Wholly Owned Domestic	Not Rated	-	159,858	159,858
Wholly Owned International	Not Rated	-	55,188	55,188
ILTF Assets Not Reported with SBS		(881)	-	(881)
Total Invested Assets		1,949	3,046,130	3,048,079
Pool Related Net Assets		2	-	2
Total		\$ 1,951	\$ 3,046,130	\$ 3,048,081

Custodial Credit Risk

The ARMB does not have a policy for custodial credit risk. At June 30, 2016, SBS's deposits were uncollateralized and uninsured.

Concentration of Credit Risk

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

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

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

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

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

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

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

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

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

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

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

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

At June 30, 2016, SBS had no exposure to a single issuer in excess of five percent of total invested assets.

Foreign Currency Risk

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

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

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

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

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

ALASKA PERMANENT FUND CORPORATION

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

Investments and Related Policies

Carrying value of investments

The Fund considers all of its ownership interests in securities and other assets to be investments because they are held for the purpose of income or profit and have a present service capacity based solely on their ability to generate cash or be sold to generate cash. Investments are reported at fair value in the financial statements. Investments without a readily determinable fair value are generally reported by using the net asset value (NAV) per share (or its equivalent) of the investment. Securities transactions are recorded on the trade date that securities are purchased or sold. Unrealized gains and losses are reported as components of net change in fund balance.

State investment regulations

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

Investment policy – Asset allocation

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

At June 30, 2016, the APFC's strategic asset allocation targets were as follows:

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

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

Interest Rate Risk

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

At June 30, 2016, the Fund held fixed income investments with floating, variable, and step interest rates, valued at \$112,896 thousand. These fixed income investments were both domestic and non-domestic, and had current annual interest rates ranging from zero to seven percent.

Credit Risk

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

Custodial Credit Risk

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

Concentration of Credit Risk

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

Foreign Currency Risk

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

Forward Exchange Contracts

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

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

Futures

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

Cash and Temporary Investments

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

Cash and temporary investments, which include the market values of foreign currency (FX) and FX forward exchange contracts, are summarized as follows at June 30, 2016 (in thousands):

Cash	\$ 152,611
Pooled Funds	2,060,058
U.S. Treasury Bills	436
Total Cash and Temporary Investments	<u>\$ 2,213,105</u>

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

Marketable Debt Securities

Marketable debt securities at June 30, 2016, are summarized as follows (in thousands), categorized by debt instrument type and by country of registration:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains/(Losses)</u>
Treasury and Government Notes/Bonds	\$ 2,792,996	\$ 2,840,540	\$ 47,544
Mortgage-backed Securities	865,811	882,237	16,426
Corporate Bonds	3,421,315	3,513,921	92,606
Commercial Mortgage/Asset-backed Securities	395,604	408,444	12,840
Non-U.S. Treasury and Government Bonds	1,362,546	1,356,235	(6,311)
Non-U.S. Corporate Bonds	777,497	798,739	21,242
Total Marketable Debt Securities	<u>\$ 9,615,769</u>	<u>\$ 9,800,116</u>	<u>\$ 184,347</u>

Marketable Debt Credit Ratings

To manage credit risk for marketable debt securities, the APFC monitors fair values of all securities daily and routinely reviews its investment holdings' credit ratings. For accounts with an investment grade mandate (approximately 89 percent of bond mandates at June 30, 2016), issues falling below the minimum standards are required to be sold within seven months of the downgrade date. Minimum standards are a Standard & Poor's Corporation rating BBB or better, or Moody's Investors Service, Inc. rating of Baa or better, or a comparable rating by another Nationally Recognized Statistical Rating Organizations (NRSRO) or by a recognized rating service in the jurisdiction of the issuer. Managers with high yield mandates (approximately 11 percent of bond mandates at June 30, 2016) are allowed to hold positions in assets with below investment grade ratings (high yield bonds) based on the terms of their contracts. For purposes of this note, if credit ratings differ among the NRSROs used, the rating with the highest degree of risk (the lowest rating) is reported.

At June 30, 2016, 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	\$ 449,171	\$ 197,138	\$ 646,309	6.60%
AA	214,244	329,093	543,337	5.54%
A	764,322	692,327	1,456,649	14.86%
BBB	1,867,032	622,628	2,489,660	25.40%
BB	121,967	109,092	231,059	2.36%
B	46,926	119,397	166,323	1.70%
CCC	25,777	20,056	45,833	0.47%
CC	-	639	639	0.01%
C	-	-	-	0.00%
D	1,513	-	1,513	0.02%
Total Fair Value of Rated Debt				
Securities	3,490,952	2,090,370	5,581,322	56.96%
Commingled Bond Funds	475,717	-	475,717	4.85%
Not Rated	9,586	64,604	74,190	0.76%
U.S. Government Explicitly Backed by the U.S. Government (AA)	3,032,618	-	3,032,618	30.94%
U.S. Government Implicitly Backed by the U.S. Government (AA)	636,269	-	636,269	6.49%
Total Fair Value Debt Securities	\$ 7,645,142	\$ 2,154,974	\$ 9,800,116	100.00%

Marketable Debt Duration

To manage its interest rate risk on marketable debt securities, the APFC monitors fair values daily and routinely reviews portfolio effective duration in comparison to established benchmarks. At June 30, 2016, the effective duration by investment type, based on fair value, is as follows:

	Percent of bond holdings	Duration
Domestic Bonds		
Treasuries and Government Notes/Bonds	37.16%	6.14
Mortgage-backed Securities	11.54%	3.49
Corporate Bonds	45.96%	7.32
Commercial Mortgage and Asset-backed Securities	5.34%	4.70
Total Domestic Bonds	100.00%	6.30
Non-domestic Bonds		
Non-U.S. Treasury and Government Bonds	62.94%	6.92
Non-U.S. Corporate Bonds	37.06%	6.06
Total Non-domestic Bonds	100.00%	6.60

Preferred and Common Stock

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

Preferred and common stocks and commingled stock funds at June 30, 2016 are summarized as follows (in thousands based on currency of trade), and include the net fair value of equity index futures of -\$1.1 million:

	Cost	Fair Value	Unrealized Gains/(Losses)
Direct Investments			
Domestic Stock	\$ 6,236,388	\$ 7,417,314	\$ 1,180,926
Non-domestic Stock	13,308,813	13,209,332	(99,481)
Commingled Funds	341,276	311,531	(29,745)
Total Preferred and Common Stock	<u>\$ 19,886,477</u>	<u>\$ 20,938,177</u>	<u>\$ 1,051,700</u>

Foreign Currency Exposure

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

At June 30, 2016, the Fund's cash holdings, foreign currency forward contracts, non-domestic public and private equity, and debt securities had exposure to foreign currency risk as follows (shown in U.S. dollar equivalent at fair value and based on the currency in which the securities are held and traded) (in thousands):

Foreign Currency	Cash and Equivalents	Foreign Exchange Forward Contracts	Public and Private Equity, Real Estate, Infrastructure	Debt	Total Foreign Currency Exposure
Argentine Peso	\$ 1,141	\$ -	\$ -	\$ -	\$ 1,141
Australian Dollar	19,055	(39,984)	439,672	11,973	430,716
Brazilian Real	(1,028)	1,373	209,977	33,991	244,313
British Pound Sterling	(1,309)	(111,544)	1,667,822	48,242	1,603,211
Canadian Dollar	11,641	30,058	583,388	14,842	639,929
Chilean Peso	179	-	19,169	-	19,348
Chinese Yuan Renminbi	3	-	-	-	3
Colombian Peso	103	(1,767)	6,721	28,540	33,597
Czech Koruna	10	-	5,280	-	5,290
Danish Krone	2,367	(1,094)	128,649	1,899	131,821
Egyptian Pound	32	-	1,628	-	1,660
Euro Currency	(26,489)	(269,622)	2,568,402	216,760	2,489,051
Ghanaian Cedi	-	-	-	2,864	2,864
Hong Kong Dollar	12,241	(3,184)	953,687	-	962,744
Hungarian Forint	30	(76)	11,167	1,589	12,710
Indian Rupee	5,132	(21,629)	343,846	42,541	369,890
Indonesian Rupiah	(1,666)	928	109,729	17,043	126,034
Israeli Shekel	(108)	3,979	44,295	-	48,166
Japanese Yen	30,108	(79,683)	1,709,926	193,730	1,854,081
Malaysian Ringgit	466	(14,036)	105,191	31,226	122,847
Mexican Peso	(139)	(19,632)	126,656	70,886	177,771
New Zealand Dollar	1,537	69,191	21,760	6,435	98,923
Norwegian Krone	555	(13,161)	66,905	7,730	62,029
Peruvian Nuevo Sol	3	-	-	2,729	2,732
Philippine Peso	229	-	29,286	5,207	34,722
Polish Zloty	234	(5,345)	23,391	25,971	44,251
Qatari Riyal	1	-	25,879	-	25,880
Russian Ruble	25	-	38	29,330	29,393
Singapore Dollar	1,356	(1,782)	75,714	6,870	82,158
South African Rand	1,985	(9,510)	282,213	26,843	301,531
South Korean Won	1,045	(11,051)	508,834	11,033	509,861
Swedish Krona	4,387	495	214,508	5,728	225,118
Swiss Franc	6,394	(53,778)	500,386	-	453,002
Taiwan Dollar	5,895	(2,965)	409,682	-	412,612
Thai Baht	770	1,281	88,712	2,014	92,777
Turkish Lira	650	(4,922)	82,980	28,875	107,583
UAE Dirham	25	-	19,475	-	19,500
Uruguayan Peso	-	-	-	1,339	1,339
Total foreign currency exposure	\$ 76,860	\$ (557,460)	\$ 11,384,968	\$ 876,230	\$ 11,780,598

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

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

Real Estate

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

The APFC periodically reviews real estate investments for other than temporary impairment. There was no impairment recognized in FY 16.

Real estate investments at June 30, 2016 are summarized as follows (in thousands):

	Cost	Fair Value	Unrealized Holding Gains (Losses)
Real Estate Investment Trusts	\$ 972,648	\$ 1,401,446	\$ 428,798
American Homes 4 Rent II	136,064	156,224	20,160
Directly Owned Real Estate:			
Retail	612,195	1,579,285	967,090
Office	1,276,438	1,735,220	458,782
Hotel	59,860	61,957	2,097
Development	51,138	45,342	(5,796)
Industrial	201,776	259,504	57,728
Multifamily	1,207,077	1,809,166	602,089
Total Real Estate	<u>\$ 4,517,196</u>	<u>\$ 7,048,144</u>	<u>\$ 2,530,948</u>

Alternative Investments

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

The objective for the real return mandate is to produce a five percent real return (in excess of inflation) over the longer of one business cycle or five years. Each manager's contract specifies permitted investments and liquidity guidelines. Investments are generally in commingled proprietary funds structured as limited partnerships. During FY 16, the real return mandate was discontinued and the remaining managers in this category were moved to the absolute return portfolio.

Absolute return strategies are investments in specialized funds that seek to deliver returns that are largely uncorrelated with traditional market driven asset classes. The Fund is invested in three existing limited partnerships, in which the Fund is the only limited partner ("fund-of-one"). The Fund also holds direct hedge fund investments, in which the Fund is one of many limited partners. External investment management services are provided by institutional investment managers who have acknowledged their status as fiduciaries to the Fund. In FY 16, it was decided to redeem the fund-of-one accounts and move towards more direct hedge fund investments. The liquidation of these accounts is expected to take time, given the illiquid nature of some of the underlying funds. Because of the off-exchange and private nature of many absolute return strategies, investments may have no readily determinable fair value, and the estimated fair values could differ significantly from values that would be obtained in a market transaction for the assets. Each manager provides the Fund with fair value estimates of partnership interests and undergoes an annual independent audit.

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

investments utilizing the most current information available. In addition, the external advisors review the fair value estimates, and the underlying private equity funds undergo annual independent audits. Private equity investments by their nature generally have no readily determinable fair value, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets. During FY 16 it was determined that ten private equity funds were impaired and would not recover their carrying cost over the remaining estimated holding period of the assets. In order to reflect the impairment in the statutory net income and fund balance classifications, \$32.4 million of unrealized losses were realized through a write-down of cost to fair value. These impairments have no impact on the carrying value of investments or on the net increase (decrease) in the fair value of private equity investments.

Infrastructure investments involve ownership or operating agreements in essential long-term service assets with high barriers to entry. Examples of infrastructure assets include: toll roads; airports; deep water ports; communication towers; and energy generation, storage and transmission facilities. Investments in this asset class are expected to have inflation protection attributes and exhibit low correlations with other major asset classes in the Fund's investment strategy. The Fund holds infrastructure investments through commingled funds organized as limited partnerships whose investment managers provide periodic fair value estimates, as well as through securities listed on public exchanges. The limited partnerships undergo annual independent audits. Infrastructure investments by their nature generally have no readily determinable fair value, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets. During FY 16 it was determined that one infrastructure fund was impaired and would not recover its carrying cost over the remaining estimated holding period of the assets. In order to reflect the impairment in the statutory net income and fund balance classifications, \$87 million of unrealized losses were realized through a write-down of cost to fair value. These impairments have no impact on the carrying value of investments or on the net increase in the fair value of infrastructure investments.

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

Alternative investments at June 30, 2016 are summarized as follows (in thousands):

	Cost	Fair Value	Unrealized Holding Gains
Real Return	\$ -	\$ -	\$ -
Absolute Return	5,065,237	5,495,915	430,678
Private Equity	4,530,490	5,531,425	1,000,935
Infrastructure	1,418,894	1,760,701	341,807
Public-private Credit	971,356	1,080,408	109,052
Total Alternative Investments	\$ 11,985,977	\$ 13,868,449	\$ 1,882,472

As of June 30, 2016, the APFC, on behalf of the Fund, had outstanding future funding commitments of: \$5.0 billion for private equity; \$1.2 billion for infrastructure; and \$308 million for public-private credit investments. Many alternative investments have liquidity constraints and may not be available for cash withdrawal until a specified period of time has elapsed.

Emerging Markets Total Opportunities

APFC's emerging market multi-asset class mandates represent portfolios that invest across the spectrum of liquid securities: stocks, bonds and currency. This flexibility gives the managers the ability to select the most advantageous publicly traded investments from both a risk and return perspective without the limitation of security type. During FY 16, the emerging markets total opportunities portfolio was disbanded.

Securities Lending

State regulations at 15 AAC 137.510 and APFC investment policy authorize the APFC to enter into securities lending transactions on behalf of the Fund. Through a contract with the Bank of New York Mellon (the Bank), the Fund lends

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

Cash collateral received for loaned securities is reported on the Fund's balance sheets and invested by the Bank on behalf of the Fund. As of June 30, 2016, such investments were in overnight repurchase agreements that had a weighted-average-maturity of one day. The average term of the loans was also one day. At June 30, 2016 the value of securities on loan is as follows (in thousands):

Fair Value of Securities on Loan, Secured by Cash Collateral	\$ 987,986
Cash Collateral	1,022,398
Fair Value of Securities on Loan, Secured by Non-cash Collateral	4,830,246
Non-cash Collateral	5,277,990

The Fund receives 80 percent of earnings derived from securities lending transactions, and the Bank retains 20 percent. During the year ended June 30, 2016, the Fund incurred no losses from securities lending transactions. The Fund received income of \$18,520 thousand from securities lending for the year ended June 30, 2016, which is recorded in real estate and other income on the statements of revenues, expenditures and changes in fund balances.

Fair Value Measure

Various inputs are used in valuing the investments held by the Fund. GAAP establishes a hierarchy of inputs used to value investments emphasizing observable inputs and minimizing unobservable inputs. These input levels are summarized as follows:

Level 1 – Quoted prices for identical assets in an active market

Level 2 – Inputs, other than quoted prices, that are observable for the asset, either directly or indirectly

Level 3 – Unobservable inputs. Unobservable inputs should only be used to the extent that observable inputs are not available for a particular asset.

Investments measured using NAV per share as a practical expedient to fair value are not categorized into input levels. The input levels used to measure Fund's investments and derivative instruments at June 30, 2016 are summarized as follows (in thousands):

	Measured Using Input Levels		Measured Using NAV	Total
	Level 1	Level 2		
Marketable Debt Securities	\$ 2,808,102	\$ 6,992,014	\$ -	\$ 9,800,116
Preferred and Common Stock	20,938,177	-	-	20,938,177
Real Estate	1,401,631	-	5,646,513	7,048,144
Absolute Return	-	-	5,495,915	5,495,915
Private Equity	-	-	5,531,425	5,531,425
Infrastructure	369,057	-	1,391,644	1,760,701
Public-private Credit	-	-	1,080,408	1,080,408
Total Investments	<u>\$ 25,516,967</u>	<u>\$ 6,992,014</u>	<u>\$ 19,145,905</u>	<u>\$ 51,654,886</u>

No investments were measured using level 3 input levels at June 30, 2016.

Marketable debt securities and preferred and common stock classified as level 1 are valued using prices quoted in active markets for those securities. Debt securities classified as level 2 are valued using matrix pricing. Pricing is sourced from various sources.

Publicly traded real estate investment trusts are valued using prices quoted in active markets and are reported as level 1. Directly owned real estate through ownership of interests in corporations, limited liability companies and partnerships that hold title to real estate are reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Directly owned real estate investments are subject to annual appraisals and audits. American Homes 4 Rent II is reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions, and does not allow redemptions until the company is wound-up and dissolved.

Absolute return investments are reported at NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Absolute return investments undergo annual independent financial statement audits. The redemption notice period is from 1-91 days and the frequency of redemption is daily to quarterly.

Public-private credit investments are reported at NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Public-private credit investments undergo annual independent financial statement audits. Redemptions are not allowed and the usual life of these investments is five to seven years.

Private equity investments are reported at NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Private equity investments undergo annual independent financial statement audits. Redemptions are not allowed and the usual life of these investments is 10-12 years.

Publicly traded infrastructure investments are classified as level 1 and are valued using prices quoted in active markets for those securities. The majority of infrastructure investments are reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Infrastructure investments undergo annual independent finance statement audits. Redemptions are not allowed and the usual life of these investments is five to seven years.

Investment Income by Source

Investment income during the year ended June 30, 2016, is summarized as follows (in thousands):

Interest	
Marketable Debt Securities	\$ 300,259
Short-term Domestic and Other	6,542
Total Interest	<u>\$ 306,801</u>
Dividends	
	<u>\$ 526,482</u>
Real Estate and Other Income	
Directly Owned Real Estate Net Rental Income	\$ 229,927
Real Estate Investment Trust Dividends	26,125
Real Return Interest and Dividends	-
Absolute Return Management Expenses, Net of Dividend and Interest Income	(1,823)
Public-private Credit Interest Income, Net of Fees	36,827
Infrastructure Interest and Dividend Income, Net of Fees	31,616
Private Equity Dividend Income, Net of Management Expenses	6,307
Class Action Litigation Income	12,923
Loaned Securities, Commission Recapture and Other Income	19,079
Total Real Estate and Other Income	<u>\$ 360,981</u>

Foreign Exchange Contracts, Futures and Off-Balance Sheet Risk

Certain APFC external investment managers enter into foreign currency forward exchange contracts (FX forward contracts) to buy and sell specified amounts of foreign currencies for the Fund at specified rates and future dates for the purpose of managing or optimizing foreign currency exposure. The maturity periods for outstanding contracts at June 30, 2016 ranged between one and 120 days.

The counterparties to the FX forward contracts consisted of a diversified group of financial institutions. The Fund is exposed to credit risk to the extent of non-performance by these counterparties. The Fund's market risk as of June 30, 2016 is limited to the difference between contractual rates and forward market rates determined at the end of the fiscal year.

Activity and balances related to FX forward contracts for FY 16 are summarized as follows (in thousands):

Balances at June 30, 2016	
Face Value of FX Forward Contracts	\$ 1,835,468
Net Unrealized Holding Gains on FX Forward Contracts	20,961
Fair Value of FX Forward Contracts	<u>\$ 1,856,429</u>
Activity for Fiscal Year Ending June 30, 2016	
Change in Unrealized Holding Gains	\$ 23,242
Realized Gains	12,101
Net Increase in Fair Value of FX Forward Contracts	<u>\$ 35,343</u>

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

Activity and balances related to equity index futures for FY 16 are summarized as follows (in thousands):

Balances at June 30, 2016	
Face Value of Equity Index Futures	\$ 154,409
Net Unrealized Holding Losses on Futures	(1,090)
Fair Value of Equity Index Futures	<u>\$ 153,319</u>
Activity for Fiscal Year Ending June 30, 2016	
Change in Unrealized Holding Losses	\$ (496)
Realized Gains	25,629
Net Increase in Fair Value of Equity Index Futures	<u>\$ 25,133</u>

Activity and balances related to U.S. Treasury index futures for FY 16 are summarized as follows (in thousands):

Balances at June 30, 2016	
Face Value of U.S. Treasury Index Futures	\$ (134,309)
Net Unrealized Holding Losses on Futures	(10,360)
Fair Value of U.S. Treasury Index Futures	<u>\$ (144,669)</u>
Activity for Fiscal Year Ending June 30, 2016	
Change in Unrealized Holding Gains	\$ 10,494
Realized Gains	18,853
Net Increase in Fair Value of U.S. Treasury Futures	<u>\$ 29,347</u>

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

NOTE 5 – CAPITAL ASSETS

PRIMARY GOVERNMENT

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

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

Capital Asset	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	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
Intangible Assets and				
Computer Software	500,000	3-7		
Building Improvements	100,000	1-50	All	5-40
Machinery/equipment	100,000	3-60	5,000	5-10
Construction in Progress				

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

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

Capital asset activities for the fiscal year ended June 30, 2016, are as follows (in millions):

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Intangible - Easements and Right-of-Way	\$ 620	\$ 17	\$ -	\$ 637
Land	348	16	-	364
Construction in progress	1,812	654	(552)	1,914
Total capital assets not being depreciated	2,780	687	(552)	2,915
Capital assets being depreciated:				
Buildings	2,046	233	(58)	2,221
Intangible - Software	86	40	(2)	124
Equipment	980	38	(47)	971
Infrastructure	7,875	277	-	8,152
Total capital assets being depreciated	10,987	588	(107)	11,468
Less accumulated depreciation for:				
Buildings	(703)	(65)	37	(731)
Intangible - Software	(79)	(13)	-	(92)
Equipment	(545)	(43)	38	(550)
Infrastructure	(5,044)	(331)	-	(5,375)
Total accumulated depreciation	(6,371)	(452)	75	(6,748)
Total capital assets being depreciated, net	4,616	136	(32)	4,720
Capital assets, net	\$ 7,396	\$ 823	\$ (584)	\$ 7,635

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

Business-type Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 31	\$ -	\$ -	\$ 31
Construction in progress	60	52	(102)	10
Total capital assets not being depreciated	91	52	(102)	41
Capital assets being depreciated:				
Buildings	1,115	12	-	1,127
Equipment	105	9	(4)	110
Infrastructure	836	81	-	917
Total capital assets being depreciated	2,056	102	(4)	2,154
Less accumulated depreciation for:				
Buildings	(380)	(32)	-	(412)
Equipment	(75)	(7)	4	(78)
Infrastructure	(439)	(29)	-	(468)
Total accumulated depreciation	(894)	(68)	4	(958)
Total capital assets being depreciated, net	1,162	34	-	1,196
Capital assets, net	\$ 1,253	\$ 86	\$ (102)	\$ 1,237

The following relates to the land owned by the State:

The total state entitlement amounts to approximately 105.7 million acres, 102.5 million of which was received through the Statehood Act. In accordance with the Alaska Statehood Act section 6(g), Alaska Native Claims Settlement Act, and the Alaska National Interest Lands Conservation Act, section 906(c), 100.5 million acres have been patented or “tentatively approved.”

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

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

Governmental Activities	Amount
General Government	\$ 31
Education	12
Health and Human Services	9
Law and Justice	3
Natural Resources	(2)
Development	1
Public Protection	14
Transportation	352
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.	33
Total Depreciation Expense – Governmental Activities	<u>\$ 453</u>
Business-type Activities	
Enterprise	<u>\$ 68</u>

DISCRETELY PRESENTED COMPONENT UNITS

The estimated useful lives of capital assets range from 4 to 50 years. Intangibles, except for easements and right-of-way, are reported separately in the notes to the financial statements; however, on the face of the financial statements, all intangibles

are grouped with the asset class they most resemble. Software and Right of Use are grouped with equipment. The following table summarizes net capital assets reported by the discretely presented component units at June 30, 2016 (in millions):

	Beginning Balance (Restated)	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 111	\$ 2	\$ -	\$ 113
Museum collections	7	-	-	7
Construction in progress	463	257	(214)	506
Total capital assets not being depreciated	581	259	(214)	626
Capital assets being depreciated/depleted:				
Intangible - Software	2	-	-	2
Intangible - Right of Use	21	-	-	21
Land	4	-	-	4
Library Books	56	1	(1)	56
Buildings	2,073	146	(1)	2,218
Equipment	826	58	(17)	867
Infrastructure	1,713	65	-	1,778
Total capital assets being depreciated/depleted	4,695	270	(19)	4,946
Less accumulated depreciation/depletion for:				
Intangible - Software	(1)	(1)	-	(2)
Intangible - Right of Use	(7)	-	-	(7)
Library Books	(46)	(1)	1	(46)
Buildings	(981)	(66)	-	(1,047)
Equipment	(417)	(46)	17	(446)
Infrastructure	(691)	(59)	-	(750)
Total accumulated depreciation/depletion	(2,143)	(173)	18	(2,298)
Total capital assets being depreciated/depleted, net	2,552	97	(1)	2,648
Capital assets, net	\$ 3,133	\$ 356	\$ (215)	\$ 3,274

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

Beginning balances for the discretely presented component units have been restated. In FY 2015, the University of Alaska combined asset categories buildings and vessels. In FY 2016, the category of vessels is combined with equipment. The Capital Assets, net ending balance for FY 2015 was correct.

Alaska Mental Health Trust Authority beginning balances for buildings and the accumulated depreciation for buildings were corrected. The Capital Assets, net ending balance for FY 2015 was correct.

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

A. SUMMARY OF CHANGES

SHORT-TERM DEBT

Two enterprise funds, the Alaska Clean Water Fund and the Alaska Drinking Water Fund issued bond anticipation notes during FY 16 totaling \$1,748 thousand and \$1,843 thousand respectively. The proceeds were used to fund the State share of loan distributions and administration costs. In accordance with the Environmental Protection Agency regulations, interest and investment earnings were used to retire the bond anticipation notes. No balance was outstanding at year end.

Short-term debt activity for the primary government for the fiscal year ended June 30, 2016 is as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Bond Anticipation Notes	\$ 155,215	\$ -	\$ 155,215	\$ -

The 2015 bond anticipation notes (BAN) were issued for the purpose of refunding the 2014 BAN and additional costs of State transportation projects. The 2015A BAN was refunded with the issuance of the 2016A General Obligation Bond.

LONG-TERM LIABILITIES

The following table summarizes changes in long-term liabilities for Governmental Activities for the fiscal year ended June 30, 2016 (in thousands):

Governmental Activities	Beginning Balance (Restated)	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue bonds payable	\$ 381,830	\$ 1,309	\$ 11,369	\$ 371,770	\$ 13,642
General obligation debt	656,599	315,137	50,592	921,144	47,674
Notes payable	-	16,091	80	16,011	1,819
Capital leases payable	318,403	12,171	28,749	301,825	26,431
Unearned revenue	44,994	32,943	12,603	65,334	51,026
Certificates of participation	35,277	-	3,358	31,919	1,769
Compensated absences	176,212	172,739	173,376	175,575	167,526
Claims and judgments	155,766	37,433	30,062	163,137	48,211
Pollution Remediation	91,713	32,545	6,417	117,841	11,783
Other noncurrent liabilities	861	2,449	-	3,310	2,787
Net pension liability	5,990,183	60,152	1,930,856	4,119,479	-
Total	<u>\$7,851,838</u>	<u>\$ 682,969</u>	<u>\$2,247,462</u>	<u>\$6,287,345</u>	<u>\$ 372,668</u>

Beginning balances for pollution remediation is being restated due to hazards that were reported in several departments thus double reporting the liability for those hazards. Additional information on this restatement can be found in Note 14.

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

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

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

The following table summarizes changes in long-term liabilities for Business-type Activities for the fiscal year ended June 30, 2016 (in thousands):

Business-type Activities	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue bonds payable	\$ 497,155	\$ -	\$ 22,678	\$ 474,477	\$ 18,720
Unearned revenue	865	-	311	554	-
Compensated absences	\$ 4,583	\$ 4,447	\$ 4,463	\$ 4,567	\$ 4,066
Pollution Remediation	1,193	3,480	-	4,673	467
Net pension liability	66,449	3,337	12,976	56,810	-
Total	<u>\$ 570,245</u>	<u>\$ 11,264</u>	<u>\$ 40,428</u>	<u>\$ 541,081</u>	<u>\$ 23,253</u>

B. NET PENSION LIABILITY

Net Pension Liability is recorded in the schedule of long-term liabilities above. The total pension liability for the June 30, 2015 measurement date was determined by actuarial valuations as of June 30, 2014, which was rolled forward to June 30, 2015. The actuarial valuations used the following actuarial assumptions, applied to all periods included in the measurement:

System	Investment Rate of Return	Inflation Rate	Salary Scale Increase
PERS	8%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%	3.12%	Graded by service, from 9.66% to 4.92% for Peace Officer/Firefighter Graded by age and service, from 8.55% to 4.34% for all others
TRS	8%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%	3.12%	Graded by service, from 8.11% to 3.87%
JRS	8%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%	3.12%	3.62% per year, compounded annually
NGNMRS	7%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 3.88%	3.12%	None

PERS pre termination mortality rates were based upon the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for Peace Officer/Firefighters, 50% of the time for others. Post-termination mortality rates were based on 95% of all rates of the RP-2000 table, 2000 Base Year projected to 2018 with Projection Scale BB. The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

TRS post-termination mortality rates were based on 94% of the male rates and 97% of the female rates of the RP-2000 Mortality Table, 2000 Base Year projected to 2018 with Projection Scale BB, with a 3-year setback for males and 4-year setback for females. The rates for pre-termination mortality were 68% of the male rates and 60% of the female rates of the post-termination mortality rates. Deaths are assumed to result from non-occupational causes 85% of the time. The actuarial assumption used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

JRS post-termination mortality rates were based on 94% of the male rates and 97% of the female rates of the RP-2000 Combined Mortality Table, 2000 Base Year projected to 2018 with Projection Scale BB, with a 3-year setback for males and 4-year setback for females. The rates for pre-termination mortality were 68% of the male rates and 60% of the female rates of

the post-termination mortality rates. The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect future experience.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plans' target asset allocation as of June 30, 2015 are summarized in the following table:

System	Asset Class	Long-term Expected Real Rate of Return
PERS/TRS/ JRS	Domestic Equity	5.35%
	Global Equity (non-U.S.)	5.55%
	Private Equity	6.25%
	Fixed Income Composite	0.80%
	Real Estate	3.65%
	Alternative Equity	4.70%
NGNMRS	Domestic Equity	5.35%
	Global Equity (non-U.S.)	5.55%
	Fixed Income Composite	0.80%

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

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

	1% Decrease 7%	Discount Rate 8%	1% Increase 9%
Primary Government's proportionate share of the PERS net pension liability	\$ 3,271,990	\$ 2,461,225	\$ 1,778,644
Component Units' proportionate share of the PERS net pension liability	355,794	267,632	193,409
Primary Government's proportionate share of the TRS net pension liability	20,930	14,501	9,115
Component Units' proportionate share of the TRS net pension liability	54,383	37,680	23,683
Primary Government's JRS net pension liability	84,085	60,965	41,455

	1% Decrease 6%	Discount Rate 7%	1% Increase 8%
Primary Government's NGNMRS net pension liability/(asset)	\$ 3,400	\$ 1,429	\$ (351)

The State's proportion of the net pension liability was based on projections of the present value of the State's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers from 2017 to a projected fully funded year of 2039. At June 30, 2015 the proportionate share of the net pension liability attributed to the State was 56.27 percent (50.75 percent for the primary government and 5.52 percent for the component units) for the Public Employee's Retirement System (PERS) and 2.81 percent (0.78 for the primary government and 2.03 for the component units) for the Teacher's Retirement System (TRS). This was a decrease of 0.40 percent (1.48 percent decrease for the primary government and 1.08 percent increase for the component units) for PERS and an increase of 1.05 percent (0.01 percent decrease for the primary government and 1.06 percent increase for the component units) for TRS from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the State recognized pension expense of \$378,520 thousand (\$331,873 for the primary government and \$46,647 for component units) broken out by plan as follows (in thousands):

<u>Systems</u>	<u>Pension Expense</u>
Public Employees' Retirement System – Primary Government	\$ 323,310
Public Employees' Retirement System – Component Units	41,355
Teachers' Retirement System – Primary Government	1,454
Teachers' Retirement System – Component Units	5,292
Judicial Retirement System – Primary Government	6,065
Alaska National Guard and Alaska Naval Militia Retirement System – Primary Government	1,044

At June 30, 2016, the State reported deferred outflows of resources and deferred inflows of resources related to pension plans from the following sources by plan (in thousands):

		Deferred Outflows of Resources	Deferred Inflows of Resources
PERS			
Primary Government	Difference Between Expected and Actual Experience	\$ 2,869	\$ -
	Difference Between Projected Investment Earnings	-	(43,574)
	Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	6,396	(36,472)
	Changes in Assumptions	143,910	-
	Contributions Subsequent to the Measurement Date	164,535	-
Component Units	Difference Between Expected and Actual Experience	312	-
	Difference Between Projected Investment Earnings	-	(4,738)
	Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	4,973	(232)
	Changes in Assumptions	15,649	-
	Contributions Subsequent to the Measurement Date	17,969	-
TRS			
Primary Government	Difference Between Expected and Actual Experience	-	(23)
	Difference Between Projected Investment Earnings	-	(213)
	Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	36	(597)
	Changes in Assumptions	640	-
	Contributions Subsequent to the Measurement Date	925	-
Component Units	Difference Between Expected and Actual Experience	-	(60)
	Difference Between Projected Investment Earnings	-	(554)
	Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	1,283	(226)
	Changes in Assumptions	1,664	-
	Contributions Subsequent to the Measurement Date	1,973	-
JRS			
Primary Government	Difference Between Projected Investment Earnings	-	(1,866)
	Difference Between Expected and Actual Experience	-	(3,741)
	Changes in Assumptions	1,407	-
	Contributions Subsequent to the Measurement Date	11,710	-
NGNMRS			
Primary Government	Difference Between Projected Investment Earnings	304	-
	Difference Between Expected and Actual Experience	796	-
	Changes in Assumptions	90	-
	Contributions Subsequent to the Measurement Date	735	-
		<u>\$ 378,176</u>	<u>\$ (92,296)</u>

\$197,847 thousand reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in fiscal year 2017 (\$177,905 thousand for the primary government and \$19,942 thousand for component units). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for each plan as follows (in thousands):

Year Ending June 30	PERS - Primary Government	PERS - Component Units	TRS - Primary Government	TRS - Component Units	JRS - Primary Government	NGNMRS - Primary Government
2017	\$ 78,512	\$ 15,780	\$ (129)	\$ 1,921	\$ (3,412)	\$ 237
2018	(17,779)	(1,164)	(182)	(215)	(1,077)	236
2019	(27,984)	(3,043)	(184)	(477)	(1,077)	236
2020	40,380	4,391	338	878	1,366	481

SPECIAL FUNDING SITUATION

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

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

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

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

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

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

	1% Decrease 7%	Discount Rate 8%	1% Increase 9%
PERS net pension liability	\$ 670,424	\$ 504,300	\$ 364,441
TRS net pension liability	1,638,875	1,135,514	713,704

At June 30, 2015 the proportionate share of the net pension liability attributed to the State for the special funding situation was 10.40 percent for the Public Employee's Retirement System (PERS) and 61.03 percent for the Teacher's Retirement System (TRS), which was a decrease of 11.46 percent and 23.07 percent from its proportion measured as of June 30, 2014 for PERS and TRS respectively.

For the year ended June 30, 2016, the State recognized expenses of \$21,075 thousand in relation to the special funding situation broken out by plan as follows (in thousands):

<u>Systems</u>	<u>Expenses</u>
Public Employees' Retirement System	\$ (69,246)
Teachers' Retirement System	90,321

At June 30, 2016, the State reported deferred outflows of resources and deferred inflows of resources related to pension plans for the special funding situation amounts from the following sources by plan (in thousands):

System		Deferred Outflows of Resources	Deferred Inflows of Resources
PERS	Difference Between Expected and Actual Experience	\$ 588	\$ -
	Difference Between Projected Investment Earnings	-	(8,928)
	Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	-	(134,230)
	Changes in Assumptions	29,487	-
	Contributions Subsequent to the Measurement Date	43,533	-
TRS	Difference Between Expected and Actual Experience	-	(1,820)
	Difference Between Projected Investment Earnings	-	(16,684)
	Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	2,987	(73,318)
	Changes in Assumptions	50,147	-
	Contributions Subsequent to the Measurement Date	89,957	-
		<u>\$ 216,699</u>	<u>\$ (234,980)</u>

\$133,490 thousand reported as deferred outflows of resources related to the special funding situation resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in fiscal year 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the special funding situation will be recognized as expenses for each plan as follows (in thousands):

Year Ending June 30	PERS	TRS
2017	\$ (101,053)	\$ (34,117)
2018	(14,570)	(16,656)
2019	(5,734)	(14,384)
2020	8,274	26,469

STATE ADMINISTERED SINGLE EMPLOYER PLANS

The schedules of changes in plan net pension liability and related ratios for the JRS and NGNMRS defined benefit pension plan as of the measurement date, June 30, 2015 are below (in thousands):

	JRS	NGNMRS
Total pension liability:		\$
Service cost	\$ 5,814	604
Interest	15,564	2,554
Benefit payments, including refunds of member contributions	(10,684)	(1,564)
Net Change in total pension liability	10,694	1,594
Total pension liability - beginning	194,431	36,715
Total pension liability - ending (a)	205,125	38,309
Plan fiduciary net position:		
Contributions - employer	10,222	628
Contributions - employee	811	
Total net investment income	4,349	590
Benefit payments, including refunds or member contributions	(10,684)	(1,564)
Administrative expenses	(86)	(241)
Net change in plan fiduciary net position	4,612	(587)
Plan fiduciary net position - beginning	139,548	37,467
Plan fiduciary net position - ending (b)	144,160	36,880
Plan's net pension liability/(asset) (a) - (b)	\$ 60,965	\$ 1,429

NON-STATE ADMINISTERED SINGLE EMPLOYER PLANS

The Alaska Railroad Corporation (ARRC) is a component unit of the State of Alaska. The ARRC has a single-employer defined benefit pension plan administered by the Tax Deferred Savings and Pension Committee covering all regular represented and nonrepresented employees who are not covered by the Civil Service Retirement System. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension was determined by an actuarial valuation as of January 1, 2015. The actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

<u>Actuarial Assumption</u>	<u>December 31, 2015</u>
Inflation	2.8%
Salary Increases	2.8% CPI plus merit based rates
Cost of living allowance	1.4%
Retirement, disablement, and termination	Based on 2010-2014 experience study
Administrative expenses	1.27% of payroll, based on current year Actuarially Determined Contribution

Mortality rates were based on the Society of Actuaries RP-2000 combined mortality table (65%/35% blended blue/white collar) and the Scale AA generational mortality improvement in longevity that we expect to occur in the future.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target allocation	Long-term expected real rate of return
Cash	0.00%	0.50%
Total Return Bond	17.00	2.60
Global Bond	7.00	2.60
High Yield Bond	6.00	4.10
Domestic Large Cap	16.00	7.10
Domestic Mid Cap	12.00	8.10
Domestic Small Cap	8.00	9.10
International Equity	12.00	6.10
Commodities	8.00	1.60
Real Estate	14.00	5.60
Total	100.00%	

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the ARRC contributions will be made based on the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the net pension liability calculated using the discount rate of 7.5% as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or higher than the current rate (in thousands):

	1% Decrease (6.5%)	Current discount rate (7.5%)	1% Increase (8.5%)
Net pension liability	\$ 43,505	19,728	260

For the year ended December 31, 2015, the ARRC recognized pension expense of \$5,272 thousand. Deferred outflows of resources related to pension for the net difference between actual and projected earnings on investment totaled \$8,853 thousand and will be recognized in pension expense as follows (in thousands):

	Amount
Year ending December	
2016	\$ 2,213
2017	2,213
2018	2,214
2019	2,214
	\$ 8,853

Changes in the net pension liability are as follows (in thousands):

Total pension liability:	
Service cost	\$ 5,834
Interest	11,832
Benefit payments, including refunds of employee contributions	(4,920)
Net Change in total pension liability	12,746
Total pension liability - beginning	154,384
Total pension liability – ending (a)	167,130
Plan fiduciary net position:	
Contributions - employer	3,571
Contribution - employee	4,290
Total net investment income/(loss)	(199)
Benefit payments, including refunds or member contributions	(4,920)
Administrative expenses	(550)
Net change in plan fiduciary net position	2,192
Plan fiduciary net position - beginning	145,210
Plan fiduciary net position – ending (b)	147,402
Plan's net pension liability/(asset) (a)-(b)	\$ 19,728

C. GENERAL OBLIGATION BONDS AND REVENUE BONDS

GENERAL OBLIGATION BONDS

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

The full faith, credit, and resources of the State are pledged to secure payment of General Obligation Bonds. As of June 30, 2016, the following were the General Obligation Bond debt outstanding (in millions):

Year Ending June 30	Principal	Interest	Total
2017	\$ 46.5	\$ 36.1	\$ 82.6
2018	52.3	37.3	89.6
2019	54.4	34.9	89.3
2020	45.2	32.7	77.9
2021	46.5	30.5	77.0
2022-2026	251.1	123.4	374.5
2027-2031	225.0	71.3	296.3
2032-2036	90.3	19.9	110.2
2037-2041	11.9	0.7	12.6
Total debt service requirements	823.2	\$ 386.8	\$ 1,210.0
Unamortized bond premium	97.9		
Total principal outstanding	\$ 921.1		

The General Obligation Bond Series 2009A Bonds were issued for the purpose of paying \$165 million of the costs of State transportation projects. The Series 2010 A and B Bonds were issued for the purpose of paying \$164.57 million of the costs of State education projects. The Series 2012A Bonds were issued for the purpose of refunding \$191.41 million on the 2003A Series Bonds resulting in an economic gain of \$27.1 million and an aggregate difference in debt service of \$33.0 million. The

Series 2013 A and B Bonds were issued for the purpose of paying \$162.48 million of the costs of State education projects. The Series 2015B Bonds were issued for the purpose of refunding \$100.62 million on the 2009A Series Bonds resulting in an economic gain of \$7.5 million and an aggregate difference in debt service of \$8.8 million. The Series 2016A bonds were issued for the purpose of long-term financing, over short-term financing, of \$155.2 million of the costs of State transportation projects. The Series 2016B bonds were issued for the purpose of paying \$128.3 million of the costs of State transportation projects.

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

At June 30, 2016, the amount of General Obligation Bonds authorized was \$1,012.1 million with \$811.0 million issued. General Obligation Bonds authorized but not issued at June 30, 2016 was \$201.1 million.

REVENUE BONDS

As of June 30, 2016, the following were the revenue bonds outstanding (in millions):

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 13.7	\$ 17.6	\$ 18.7	\$ 21.7
2018	7.2	16.9	25.1	20.6
2019	7.9	16.6	26.4	19.4
2020	7.8	16.2	27.5	18.0
2021	8.5	15.8	31.1	16.5
2022-2026	45.9	72.4	142.9	60.3
2027-2031	41.2	62.0	132.1	27.0
2032-2036	54.3	50.4	48.1	5.5
2037-2041	71.2	35.3	-	-
2042-2046	108.8	78.5	-	-
Total debt service requirements	366.5	<u>\$ 381.7</u>	451.9	<u>\$ 189.0</u>
Unamortized bond (discounts)/premiums	(4.7)		22.6	
Plus accreted value	10.0		-	
Total principal outstanding	<u>\$ 371.8</u>		<u>\$ 474.5</u>	

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

Northern Tobacco Securitization Corporation Revenue Bonds

The Northern Tobacco Securitization Corporation (NTSC) bonds were issued to purchase the right to a share of Tobacco Settlement Revenues (TSRs) received by the State of Alaska. These revenue bonds are secured by and payable solely from the TSRs and investment earnings pledged under the respective bond indentures and amounts established and held in accordance with those bonds indentures. Neither Alaska Housing Finance Corporation nor the State of Alaska is liable for any debt issued by NTSC. NTSC revenue bond total at June 30, 2016 includes \$338.6 million in principal, \$373.7 million in interest, \$6.1 million in unamortized discount, and \$10.0 million in accreted value on the Series 2006B and Series 2006C Bonds.

Alaska Sport Fishing Revenue Bonds

The State of Alaska Sport Fishing Revenue Bonds Series 2006 were issued under Article 5A of Chapter 15 of Title 37 of the Alaska Statutes. The bonds were issued to provide a portion of the funds necessary to finance the construction and renovation of fisheries rehabilitation, enhancement and development projects that benefit sport fishing. These revenue bonds are special, limited obligations of the State secured by and payable from the sport fishing facilities surcharge imposed under

AS 16.05.340 and from funds received from the federal government which by their terms are not restricted in use and legally available for the payment for debt service on Parity Bonds. The bonds are not general obligations of the State, and the State does not pledge its full faith and credit to the payment of the bonds. Sport Fishing Revenue Bond total at year end includes \$27.9 million in principal, \$8.0 million in interest, and \$1.4 million in unamortized premium.

International Airports Revenue Bonds

The business activities revenue bonds include bond issuances by the International Airports Fund. Gross revenues derived from the operation of the international airports at Anchorage and Fairbanks are pledged to secure the payment of principal and interest on International Airports Revenue Bonds. There are \$23.2 million of bonds authorized by the Alaska Legislature that have not been issued. This debt is reported in the Business-type Activities column of the Government-wide Statement of Net Position. During FY 16 international airports redeemed \$4.1 million and refunded \$99.5 million of Revenue Bonds. At June 30, 2016 there was no bond interest arbitrage rebate liability. Federal subsidies related to the interest payments made during the year on Build American Bonds were \$430 thousand. International Airports Revenue Bond total at year end includes \$451.9 million in principal, \$189.0 million in interest and \$22.6 million in unamortized premiums/discounts and deferred gains/losses.

D. CAPITAL AND OPERATING LEASES

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

Governmental Activities Year Ending June 30	Operating Leases	Capital Leases		
		Principal	Interest	Total
2017	\$ 33.6	\$ 26.4	\$ 14.5	\$ 40.9
2018	23.8	22.2	13.2	35.4
2019	17.9	22.9	12.2	35.1
2020	7.1	22.3	11.1	33.4
2021	4.1	18.6	10.2	28.8
2022-2026	11.1	79.0	37.9	116.9
2027-2031	4.0	77.0	17.6	94.6
2032-2036	1.3	33.5	1.7	35.2
2037-2041	0.2	-	-	-
2042-2046	0.2	-	-	-
2047-2051	0.2	-	-	-
2052-2056	0.2	-	-	-
2057-2061	0.2	-	-	-
2062-2066	1.7	-	-	-
Total	<u>\$ 105.6</u>	<u>\$ 301.9</u>	<u>\$ 118.4</u>	<u>\$ 420.3</u>

Leases at June 30, 2016 are reported by the State of Alaska within Governmental Activities and Business-Type Activities, as applicable.

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

Buildings and equipment under capital leases as of June 30, 2016 include the following (in thousands):

	Governmental Activities	Business-Type Activities
Buildings	\$ 460,494	\$ -
Equipment	17,364	-
Less: Accumulated Depreciation	(106,955)	-
	<u>\$ 370,903</u>	<u>\$ -</u>

E. CERTIFICATES OF PARTICIPATION

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

The following schedule presents future minimum payments as of June 30, 2016 (in millions):

<u>Governmental Activities</u>	<u>Certificates of Participation</u>		
<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1.8	\$ 1.3	\$ 3.1
2018	1.9	1.2	3.1
2019	1.8	1.1	2.9
2020	2.0	1.1	3.1
2021	2.3	1.0	3.3
2022-2026	12.9	3.6	16.5
2027-2031	9.2	0.8	10.0
Total	<u>\$ 31.9</u>	<u>\$ 10.1</u>	<u>\$ 42.0</u>

F. DISCRETELY PRESENTED COMPONENT UNITS

Debt service requirements are (in millions):

Year Ending June 30	Principal	Interest	Total
2017	\$ 187.3	\$ 151.9	\$ 339.2
2018	193.5	145.3	338.8
2019	193.8	138.1	331.9
2020	204.0	130.4	334.4
2021	238.4	121.2	359.6
2022-2026	887.8	473.9	1,361.7
2027-2031	906.0	285.6	1,191.6
2032-2036	530.6	143.9	674.5
2037-2041	340.1	58.1	398.2
2042-2046	140.9	11.8	152.7
2047-2051	9.1	0.6	9.7
Total debt service requirements	3,831.5	\$ 1,660.8	\$ 5,492.3
Unamortized (discounts)/premiums	110.3		
Unamortized swap termination penalty	(9.6)		
Deferred amount on refunding	(1.1)		
Total principal outstanding	<u>\$ 3,931.1</u>		

The preceding table does not include \$660 thousand of Alaska Energy Authority arbitrage interest payable.

G. ALASKA HOUSING FINANCE CORPORATION DERIVATIVES

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

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

AHFC categorizes its fair value measurements within the fair value hierarchy established by Generally Accepted Accounting Principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

AHFC's interest rate swaps require that if the ratings on the associated bonds fall to BBB+/Baa1, AHFC would have to post collateral of up to 100 percent of the swaps' fair value. As of June 30, 2016, AHFC has not posted any collateral and is not required to post any collateral.

HEDGING DERIVATIVES

The significant terms and credit ratings of AHFC's hedging derivatives as of June 30, 2016, are shown below:

Related Bond Issue	Effective Dates	Fixed Rate Paid	Variable Rate Received	SWAP Termination Date	Counterparty Credit Rating ⁷
GP01A ¹	12/1/2008	2.4530%	67% of 1M LIBOR ⁴	12/1/2030	BBB+/A3
GP01B	8/2/2001	4.1427%	67% of 1M LIBOR	12/1/2030	AA-/Aa3
E021A1 ²	10/9/2008	2.9800%	70% of 3M LIBOR ⁵	6/1/2032	AA-/Aa2
E021A2	10/9/2008	3.4480%	70% of 1M LIBOR	12/1/2036	AA-/Aa3
SC02C ³	12/5/2002	4.3030%	SIFMA ⁶ +0.115%	7/1/2022	A+/Aa2
E071AB	5/31/2007	3.7345%	70% of 3M LIBOR	12/1/2041	AA-/Aa2
E071BD	5/31/2007	3.7200%	70% of 3M LIBOR	12/1/2041	A+/Aa2
E091A	5/28/2009	3.7610%	70% of 3M LIBOR	12/1/2040	AA-/Aa1
E091B	5/28/2009	3.7610%	70% of 3M LIBOR	12/1/2040	AA-/Aa2
E091ABD	5/28/2009	3.7450%	70% of 3M LIBOR	12/1/2040	A+/Aa2

¹ Governmental Purpose Bonds

² Home Mortgage Revenue Bonds

³ State Capital Project Bonds

⁴ London Interbank Offered Rate ("LIBOR") 1 month

⁵ London Interbank Offered Rate 3 month

⁶ Securities Industry and Financial Markets Municipal Swap Index

⁷ Standard & Poor's/Moody's

The change in fair value and ending balance of AHFC's hedging derivatives as of June 30, 2016, is shown below (in thousands). The fair value is reported as a deferred outflow/inflow of resources in the Statement of Net Position.

Related Bond Issue	Notional Amounts	Present Values	Fair Values June 30, 2016	Fair Values June 30, 2015	Change in Fair Values
GP01A	\$ 48,675	\$ 54,690	\$ (6,015)	\$ (3,732)	\$ (2,283)
GP01B	59,480	74,509	(15,029)	(12,810)	(2,219)
E021A1	39,060	45,849	(6,789)	(4,501)	(2,288)
E021A2	23,830	24,932	(1,102)	(2,508)	1,406
SC02C	40,420	44,843	(4,423)	(5,085)	662
E071AB	143,622	194,519	(50,897)	(35,022)	(15,875)
E071BD	95,748	129,447	(33,699)	(23,039)	(10,660)
E091A	72,789	100,293	(27,504)	(18,478)	(9,026)
E091B	72,789	99,510	(26,721)	(18,392)	(8,329)
E091ABD	97,052	132,347	(35,295)	(24,115)	(11,180)
Total	<u>\$ 693,465</u>	<u>\$ 900,939</u>	<u>\$ (207,474)</u>	<u>\$ (147,682)</u>	<u>\$ (59,792)</u>

As of June 30, 2016, debt service requirements of AHFC's outstanding variable-rate debt and net swap payments are displayed in the following schedule (in thousands). As interest rates vary, variable-rate bond interest payments and net swap payments will also vary.

Year Ending June 30	Outstanding Variable-Rate Debt	Outstanding Variable-Rate Debt	Swap	Total
	Principal	Interest	Net Payment	Payment
2017	\$ 15,645	\$ 2,888	\$ 22,525	\$ 41,058
2018	18,880	2,817	21,954	43,651
2019	19,735	2,737	21,315	43,787
2020	23,930	2,654	20,648	47,232
2021	28,420	2,546	19,785	50,751
2022-2026	138,505	10,961	84,968	234,434
2027-2031	156,395	7,927	61,748	226,070
2032-2036	135,535	4,853	38,111	178,499
2037-2041	148,180	1,833	14,460	164,473
2042-2045	8,240	17	135	8,392
	<u>\$ 693,465</u>	<u>\$ 39,233</u>	<u>\$ 305,649</u>	<u>\$ 1,038,347</u>

Interest Rate Risk

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

Credit Risk

As of June 30, 2016, AHFC is not exposed to credit risk on any of the swaps because the swaps all have negative fair values. If interest rates rise and the fair value of the swaps becomes positive, AHFC would be exposed to credit risk in the amount of the swaps' fair value. The swap agreements contain varying collateral agreements with the counterparties and require full collateralization of the fair value amount of the swap should the counterparty's rating fall to BBB+/Baa1. AHFC currently has swap agreements with five separate counterparties. Approximately 37 percent of the total notional amount of the swaps is held with one counterparty rated AA-/Aa2. Another 34 percent of the total notional amount of the swaps is held with another counterparty rated A+/Aa2. Of the remaining swaps, one counterparty is rated AA-/Aa3, another counterparty is rated AA-/Aa1, and the remaining counterparty is rated BBB+/A3, approximating 12 percent, 10 percent, and 7 percent respectively, of the total notional amount of the swaps.

Basis Risk

All of AHFC's variable-rate bond interest payments related to interest rate swaps are based on the tax exempt SIFMA index. Therefore, AHFC is exposed to basis risk on swaps where the variable payment received on the swaps is based on a taxable LIBOR index and does not fully offset the variable rate paid on the bonds, which is based on the SIFMA index. The SC02C swap is based on the SIFMA index and thus is not exposed to any basis risk. As of June 30, 2016, SIFMA was 0.41 percent and 1 month LIBOR was 0.46505 percent, resulting in a SIFMA/LIBOR ratio of 88.2 percent. The 3 month LIBOR was 0.6541 percent resulting in a SIFMA/LIBOR ratio of 62.7 percent. The SIFMA/LIBOR ratios have fluctuated since the agreements became effective but the anticipated cost savings from the swaps increases as the ratios decrease.

Termination Risk

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

counterparty may terminate any of the swaps if the other party fails to perform under the terms of the agreement, including downgrades and events of default.

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

Rollover Risk

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

INVESTMENT DERIVATIVES

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

The significant terms and credit ratings of AHFC's investment derivatives as of June 30, 2016, are shown below:

Related Bond Issue	Effective Dates	Fixed Rate Paid	Variable Rate Received	SWAP Termination Date	Counterparty Credit Rating
SC02B	12/5/2002	3.77%	70% of 1M LIBOR	7/1/2024	A+/Aa2

The change in fair value of the investment derivatives as of June 30, 2016, is shown below (in thousands) and is presented as a part of Interest and Investment Income in the Statement of Activities.

Related Bond Issue	Notional Amounts	Present Values	Fair Values June 30, 2016	Fair Values June 30, 2015	Change in Fair Values
SC02B	\$ 14,555	\$ 17,623	\$ (3,069)	\$ (2,517)	\$ (552)

Credit Risk

As of June 30, 2016, AHFC was not exposed to credit risk on this outstanding swap because the swap had a negative fair value. If interest rates rise and the fair value of the swap becomes positive, AHFC would be exposed to credit risk in the amount of the swaps' fair value. The swap agreement requires the counterparty to fully collateralize the fair value amount of the swap should the counterparty's rating fall to BBB+/Baa1. The counterparty on this swap is rated A+/Aa2.

NOTE 7 – DEFINED BENEFIT PENSION PLANS

A. STATE ADMINISTERED PLANS

DESCRIPTION OF PLANS

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

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

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

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

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

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

At June 30, 2016 the number of PERS participating employers was:

State of Alaska	4
Municipalities	74
School Districts	53
Other	24
Total Employers	<u>155</u>

Members hired prior to July 1, 1986 with five or more paid-up years of credited service are entitled to monthly pension benefits beginning at normal retirement age, 55, or early retirement age, 50. For members hired after June 30, 1986, the normal and early retirement ages are 60 and 55, respectively. Members with 30 or more years of credited service (20 years for peace officers and firefighters) may retire at any age and receive a normal benefit.

The normal benefit is based on years of service and average monthly compensation. For members hired prior to July 1, 1996, and all peace officers and firefighters, the average monthly compensation is based upon the members' three highest, consecutive years' salaries. For all other members hired after June 30, 1996, average monthly compensation is based upon the members' five highest consecutive years' salaries.

The benefit related to all years of service prior to July 1, 1986 and for years of service through a total of 10 years for general members is equal to 2 percent of the member's average monthly compensation for each year of service. The benefit for each year over 10 years of service subsequent to June 30, 1986 is equal to 2.25 percent of the member's average monthly compensation for the second 10 years and 2.5 percent for all remaining year of service. For peace officers and firefighters, the benefit for years of service through a total of 10 years is equal to 2 percent of the member's average monthly compensation and 2.5 percent for all remaining years of service.

PERS-DB has two types of postretirement pension adjustment (PRPA). The automatic PRPA is issued annually to all eligible benefit recipients, when the cost of living increases in the previous calendar year. The automatic PRPA increase is paid beginning July 1 of each year. The discretionary PRPA may be granted to eligible recipients by the PERS-DB Plan's Administrator if the funding ratio of the PERS-DB Plan meets or exceeds 105 percent. If both an automatic and discretionary PRPA are granted, and a retiree is eligible for both adjustments, the one that provides the retiree the greater increase will be paid.

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

The PERS-DB funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual-covered payroll, are sufficient to accumulate assets to pay both pension and postemployment healthcare benefits when due. Employer contributions are accumulated in both the pension and the healthcare funds based on the approved contribution rate for the fiscal year. The employer rate for the State of Alaska for the year ended June 30, 2016 was capped at 22 percent of compensation.

The state's contributions to PERS-DB for the fiscal years ended June 30, 2016, 2015, and 2014 were \$231.2, \$237.5, and \$248.2 million respectively for the year. For the FY 16 contributions, \$139.1 million was for pensions and \$92.1 million was for postemployment benefits. The contributions were equal to the required contributions in FY 16.

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

Chapter 1 SSSLA 2015 appropriated \$126.5 million from the General Fund to the PERS-DB as an additional state contribution for FY 16. The portion of this payment attributable to State of Alaska employers is \$72.8 million, of which \$51.0 million is for pensions and \$21.8 million if for postemployment benefits.

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

The components of the net pension liability of the participating employers at June 30, 2016, were as follows (in thousands):

Total Pension Liability	\$ 13,817,285
Plan Fiduciary Net Position	<u>(8,227,687)</u>
Employers' Net Pension Liability (Asset)	<u>\$ 5,589,598</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	59.55%

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

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

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

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

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

At June 30, 2016 the number of participating employers was:

State of Alaska	2
School Districts	53
Other	<u>2</u>
Total Employers	<u>57</u>

Vested members hired prior to July 1, 1990 are entitled to pension benefits beginning at normal retirement age, 55, or early retirement age, 50. For members hired after June 30, 1990, the normal and early retirement ages are 60 and 55, respectively. Members may also retire at any age and receive a normal benefit when they accumulate the required credited service.

The normal pension benefit is based on years of service and average base salary. The average base salary is based upon the members' three highest contract years' salaries.

The benefit related to all years of credited service prior to July 1, 1990 and for years of service through a total of 20 years equal to 2 percent of the employee's average base salary. The benefit for each year over 20 years of service subsequent to June 30, 1990 is equal to 2.5 percent of the employee's base salary.

TRS-DB has two types of postretirement pension adjustment (PRPA). The automatic PRPA is issued annually to all eligible benefit recipients, when the cost of living increases in the previous calendar year. The automatic PRPA increase is paid beginning July 1 of each year. The discretionary PRPA may be granted to eligible recipients by the TRS-DB Plan's Administrator if the funding ratio of the TRS-DB Plan meets or exceeds 105 percent. If both an automatic and discretionary PRPA are granted, and a retiree is eligible for both adjustments, the one that provides the retiree the greater increase will be paid.

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

The TRS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual-covered payroll, are sufficient to accumulate assets to pay both pension and postemployment healthcare benefits when due. The employer rate for the State of Alaska for the year ended June 30, 2016 was 12.56 percent of compensation. Employer contributions are accumulated in both the pension and healthcare funds based on the approved contribution rate for the fiscal year.

The state's contributions to TRS-DB for the fiscal years ended June 30, 2016, 2015, and 2014 were \$4.1, \$4.6, and \$5.1 million respectively, equal to the required contributions for each year. For the FY 16 contributions, \$2.3 million was for pensions and \$1.8 million was for postemployment benefits. The contributions were equal to the required contributions in FY 16.

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

Chapter 1 SSSLA 2015 appropriated \$130.1 million from the General Fund to the TRS-DB as an additional state contribution for FY 16. The portion of this payment attributable to State of Alaska employers is \$6.8 million, of which \$4.7 million is for pensions and \$2.1 million is for postemployment benefits.

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

The components of the net pension liability of the participating employers at June 30, 2016, were as follows (in thousands):

Total Pension Liability	\$ 7,225,545
Plan Fiduciary Net Position	(4,942,201)
Employers' Net Pension Liability (Asset)	<u>\$ 2,283,344</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.40%

The Judicial Retirement System (JRS)

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

Prior to July 1, 1997, postemployment healthcare benefits were provided by the payment of premiums to an insurance company. Beginning July 1, 1997, the RHF, an other postemployment benefit trust fund of the State, was established. The RHF is self-funded and originally provided major medical, dental, vision, audio, and long-term care coverage to retirees of the PERS-DB, TRS-DB, and JRS Plans. Due to the establishment of the ARHCT effective July 1, 2007, the RHF now

provides major medical coverage to those retirees not eligible to participate in the ARHCT, along with optional dental, vision, audio, and long-term care coverage to all retirees in these plans. The plan retains the risk of loss of allowable claims. The RHF issues a financial report that may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

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

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

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

Members with five or more paid-up years of credited service are entitled to annual pension benefits beginning at normal retirement at age 60 or early retirement at age 55. Members who are under age 60 and have 20 or more years of credited service may retire at any age and receive an actuarially reduced benefit.

The normal monthly pension benefit is based on the member's years of service and the current authorized salary for the position from which they retired. The pension benefit is equal to 5 percent for each year of service up to a maximum of 75 percent of the current base salary for an active judge in the month the benefit is paid. In the event of salary increases for active judges, the monthly pension benefit for retired judges also increases.

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

The JRS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual-covered payroll, are sufficient to accumulate assets to pay benefits when due. The employer rate for the State of Alaska for the year ended June 30, 2016, was 79.06 percent of compensation. Total employer contributions for FY 16 were \$11,710 thousand for pensions, and \$508 thousand for postemployment benefits. Included in the total employer contributions amounts is \$5.9 million appropriated in Chapter 1 SSSLA 2015 from the General Fund to JRS as an additional state contribution for the purpose of funding the retirement system.

Postemployment healthcare benefits are provided without cost to retired JRS members. The funding progress for postemployment healthcare benefits follows (in thousands):

Actuarial Valuation Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liabilities (AAL)	Funding Excess (FE)/(Unfunded Actuarial Accrued Liabilities) (UAAL)	Funded Ratio	Covered Payroll	FE/(UAAL) as a Percentage of Covered Payroll
2014	\$24,074	\$18,642	\$(5,432)	129.1%	\$13,373	(40.6%)

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

The actuarial roll forward of the valuation dated June 30, 2012 set the contribution rates for the year ended June 30, 2016. The State of Alaska's other postemployment benefit (OPEB) obligations for FY 16 follows (in thousands):

	<u>OPEB</u>
Annual Required Contribution	\$ 501
Interest on Net Pension Asset	(61)
Adjustment to Annual Required Contribution	<u>55</u>
Annual Pension Cost (APC)/OPEB Cost (AOC)	495
Contributions Made	<u>(508)</u>
Increase in Obligation	(13)
Net OPEB Obligation/(Asset) Beginning of Year	<u>(760)</u>
Net OPEB Obligation/(Asset) End of the Year	<u><u>\$ (773)</u></u>

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

OPEB	Year Ended June 30	AOC	Percentage of AOC Contributed	Net OPEB Obligation /(Asset)
	2014	1,090	97.3%	(392)
	2015	310	218.9%	(760)
	2016	495	102.7%	(773)

The components of the net pension liability at June 30, 2016, were as follows (in thousands):

Total Pension Liability	\$ 216,374
Plan Fiduciary Net Position	<u>(144,819)</u>
Employer's Net Pension Liability (Asset)	<u><u>\$ 71,555</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.93%

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

NGNMRS is a defined benefit, single-employer retirement plan 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.

Members who voluntarily retire from the Alaska National Guard or Alaska Naval Militia after at least five years of Alaska Guard service and a total of at least 20 years of U.S. military service or members who involuntarily leave the Alaska Guard service due to federal standards imposed on the Alaska Guard, regardless of length of service, are eligible for a retirement pension. The retirement pension is \$100 per month for each month of Alaska Guard service and may be paid to the member monthly or in a on-time lump sum.

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

The components of the net pension liability at June 30, 2016, were as follows (in thousands):

Total Pension Liability	\$	39,848
Plan Fiduciary Net Position		(35,826)
Employer's Net Pension Liability (Asset)	\$	4,022
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		89.91%

ASSET VALUATION

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

<u>Systems</u>	<u>Fair Value</u>
Public Employees' Retirement System	\$14,983,233
Teachers' Retirement System	7,477,306
Judicial Retirement System	170,641
Alaska National Guard and Alaska Naval Militia Retirement System	35,867

PLAN MEMBERSHIPS

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

	<u>PERS</u>	<u>TRS</u>	<u>JRS</u>	<u>NGNMRS</u>
	<u>6/30/16</u>	<u>6/30/16</u>	<u>6/30/16</u>	<u>6/30/14</u>
Inactive plan members or beneficiaries currently receiving benefits	33,263	12,444	131	639
Inactive plan members entitled to but not yet receiving benefits	5,948	2,913	4	1,756
Current active employees	16,237	5,181	75	4,139
Total	55,448	20,538	210	6,534

Actuarial Method and Assumptions

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

The following main assumptions were used in the actuarial valuation.

System	Investment Rate of Return	Actuarial Cost Method	Amortization Method	Equivalent Single Amortization Period	Salary Scale Increase	Valuation Date
PERS	8% For Pension (Net of Expenses), 4.55% For Healthcare. Inflation 3.12%	Entry age normal; level percentage of pay normal cost basis for pension; level dollar normal cost basis for healthcare	Level percentage of pay, closed for pension; level dollar, closed for healthcare	25 years as of 6/30/14	Peace Officer/Firefighter: Merit –2.75% per year for the first 4 years of employment, grading down to 0.5% at 7 years and thereafter. Productivity – 0.5% per year. Inflation 3.12% Others: Merit – 6.00% per year grading down to 2.00% after 5 years; for more than 6 years of services, 1.50% grading down to 0% Productivity – 0.5% per year. Inflation 3.12%	6/30/2015
TRS	8% For Pension (Net of Expenses), 4.31% For Healthcare; Includes Price Inflation at 3.12%	Entry age normal; level percentage of pay Normal Cost Basis for pension and healthcare	Level percentage of pay, closed for pension; level dollar, closed for healthcare	25 years as of 6/30/14	8.11% grading down to 3.87% after 22 years	6/30/2015
JRS	8% Includes Inflation at 3.12%	Entry age normal; level dollar for healthcare	Level dollar, closed	20 years	3.62%	6/30/2014
NGNMRS	7% (net of investment expense) Includes Inflation at 3.12%	Entry age normal	Level dollar, open	20 years less average military service of active members	None	6/30/2014

Health Care Inflation				
		<u>Medical Pre-65</u>	<u>Medical Post-65</u>	<u>Rx</u>
For all systems above	FY16	9.4%	5.9%	5.7%
(excluding NGNMRS):	FY17	8.8%	5.8%	5.4%

For PERS and TRS, assets are at fair value, with 20 percent of the investment gains or losses recognized each year, for a period of up to 5 years. For JRS and NGNMRS, assets are at market value, with 20 percent of the investment gains or losses recognized in each of the current and preceding four years. JRS and NGNMRS valuation assets cannot be outside a range of 80 to 120 percent of the market value of assets. PERS and TRS assets are valued at a five year fair value smoothing valuation method. JRS and NGNMRS assets are valued at a five year market value smoothing valuation method.

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

Projections of benefits for financial report purposes are based on the substantive plan and included in the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

B. NON-STATE ADMINISTERED PLANS

ALASKA RAILROAD CORPORATION PENSION AND HEALTH CARE TRUST

Alaska Railroad Corporation Pension Plan

The Alaska Railroad Corporation (ARRC) has a single-employer defined benefit pension plan (Plan) administered by the Tax Deferred Savings and Pension Committee (CSRS) covering all regular represented and nonrepresented employees who are not covered by the Civil Service Retirement System. Benefits provided by the Plan include retirement, disability, and death benefits. Benefit terms and contribution rates are established and amended under the authority of the Board of Directors. Benefits under this Plan are based upon the employee's years of service and final average compensation. The ARRC's funding policy is to contribute each year an actuarially determined contribution rate recommended by an independent actuary. The actuarially determined contribution rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees contribute an amount equal to 9 percent of eligible compensation.

Contributions recognized by the pension plan from ARRC during the year ended December 31, 2015 were \$3,571 thousand. As of December 31, 2015, the Plan assets consist of cash and cash equivalents of less than 1 percent, fixed income securities 28 percent, equities 53 percent, commodities 4 percent, and real estate investments 15 percent.

At December 31, 2015, the plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	219
Inactive plan members entitled to but not yet receiving benefits	359
Active plan members	680
	<u>1,258</u>

The components of the net pension liability at December 31, 2015 were as follows (in thousands):

Total Pension liability	\$	167,130
Plan Fiduciary Net Position		(147,402)
Employers Net Pension Liability (Asset)	\$	<u>19,728</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		88.20%

Alaska Railroad Corporation Health Care Trust

The ARRC sponsors a single-employer defined benefit retiree health care plan (Plan) administered by the Non-Represented Tax Deferred Saving, 457 and Health Care Trust Plan Committee covering all regular represented and nonrepresented employees who are not covered by the Civil Service Retirement System (CSRS). The Plan provides postretirement medical benefits to employee receiving retirement under the pension plan and retired CSRS employees who do not qualify for the federal medical insurance, and who move directly from active coverage to retiree coverage. The Plan is contributory with

retiree premiums adjusted annually, and contains other cost-sharing features such as deductibles and coinsurance. The ARRC's funding policy is to contribute each year an amount equal to the actuarially determined contribution. Benefit terms and contribution rates are established and amended under the authority of the Board of Directors.

There were no contributions recognized or due by the Plan from the ARRC during the year ended December 31, 2015. As of December 31, 2015, the Plan assets are held in Trust and consist of cash and cash equivalents of less than 1 percent, fixed income securities 28 percent, equities 52 percent, commodities 4 percent, and real estate investments 16 percent. The value of Trust assets used for GASB 75 excludes certain Trust assets segregated for use toward the ARRC Welfare Benefit Plan.

At December 31, 2015 the Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	38
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>722</u>
	<u>760</u>

The components of the net OPEB asset for the Plan at December 31, 2015, were as follows:

	December 31, 2015	January 1, 2015
	(In thousands)	
Total OPEB liability	\$ 14,539	\$ 13,078
Fiduciary net Position	<u>(40,642)</u>	<u>(41,267)</u>
Net OPEB asset	<u>\$ (26,103)</u>	<u>\$ (28,189)</u>
Plan fiduciary net position as a percentage of the total OPEB asset	(279.5)%	(315.5)%

Actuarial Method and Assumptions

The following main assumptions were used in the actuarial valuation dated January 1, 2015:

	<u>Investment Rate of Return</u>	<u>Amortization Method</u>	<u>Equivalent Single Amortization Period</u>	<u>Salary Scale Increase</u>
Pension	7.50%, Inflation 2.8%	Level Dollar	Rolling (open) 30-year period	2.8% CPI plus merit based rates; cost of living allowance 1.4%
Healthcare	7.50%, Inflation 2.8%	Level Dollar	Rolling (open) 6-year period	2.8% CPI plus merit based rates; cost of living allowance 1.4%

NOTE 8 – DEFINED CONTRIBUTION PENSION PLANS

STATE ADMINISTERED PLANS

DESCRIPTION OF PLANS

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

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

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

As of June 30, 2016, there were 157 employers participating in PERS-DCR. There were 18,585 members, of which 16,974 are general employees and 1,611 are peace officers and firefighters.

A participating member is immediately and fully vested in that member's contributions and related earnings (losses). A member shall be fully vested in the employer contributions made on that member's behalf, and related earnings (losses), after five years of service. A member is partially vested in the employer contributions made on that member's behalf, and the related earnings, in the ratio of (a) 25 percent with two years of service; (b) 50 percent with three years of service; (c) 75 percent with four years of service; and (d) 100 percent with five years of service.

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 other postemployment benefit trust 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 16 for each member's compensation was 1.68 percent for medical coverage and 0.22 percent for death and disability (1.05 percent for peace officers and firefighters). HRA is \$167.04 per month for full time employees and \$1.28 per hour for part time employees.

The PERS-DCR pension contributions for the year ended June 30, 2016 by the employees were \$42,129 thousand and the State of Alaska employers were \$26,331 thousand. The PERS other postemployment contributions for the year ended June 30, 2016 were \$26,960 thousand.

See note 4 for information on pension funds' deposit and investment risk categories. The fair value of the PERS-DCR, RMP, HRA, and OD&D cash and investments as of June 30, 2016 is \$1,003,182 thousand. PERS-DCR investments in collective investment funds, held in trust, are stated at fair value based on the unit value as reported by the Trustees multiplied by the

number of units held by PERS-DCR. The unit value is determined by the Trustees based on the fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

For the year ended June 30, 2016 the State of Alaska recognized \$26,331 thousand in pension expense for the PERS-DCR as an employer. No forfeitures are reflected in the pension expense amount.

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

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

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

As of June 30, 2016, there were 57 employers participating in TRS-DCR. There were 4,378 members.

A participating member is immediately and fully vested in that member's contributions and related earnings (losses). A member shall be fully vested in the employer contributions made on that member's behalf, and related earnings (losses), after five years of service. A member is partially vested in the employer contributions made on that member's behalf, and the related earnings, in the ratio of (a) 25 percent with two years of service; (b) 50 percent with three years of service; (c) 75 percent with four years of service; and (d) 100 percent with five years of service.

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 other postemployment benefit trust funds were created in TRS, the RMP and HRA. The TRS OD&D other postemployment benefit trust 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 16 for each member's compensation was 2.04 percent for medical coverage and zero percent for death and disability. HRA is \$167.04 per month for full-time employees while part-time employees are based on the contract percentage worked multiplied by the full-time employee rate.

The TRS-DCR pension contributions for the year ended June 30, 2016 by the employees were \$666 thousand and the State of Alaska employers were \$549 thousand. The TRS other postemployment contributions for the year ended June 30, 2016 were \$401 thousand.

See note 4 for information on pension funds' deposit and investment risk categories. The fair value of the TRS-DCR, RMP, HRA, and OD&D cash and investments as of June 30, 2016 is \$390,334 thousand. TRS-DCR investments in collective investment funds, held in trust, are stated at fair value based on the unit value as reported by the Trustees multiplied by the number of units held by TRS-DCR. The unit value is determined by the Trustees based on the fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

For the year ended June 30, 2016 the State of Alaska recognized \$583 thousand in pension expense for the TRS-DCR as an employer. No forfeitures are reflected in the pension expense amount.

Supplemental Benefits System

In addition to the pension plans (note 7) and deferred compensation plan (note 9), all state employees, as well as employees of political subdivisions which have elected to participate in the program, are covered under the Alaska Supplemental Benefits System (SBS). SBS is comprised of the Supplemental Annuity Plan and the Supplemental Benefits Cafeteria Plan. The Supplemental Annuity Plan is a defined contribution plan that was created under Alaska statutes effective January 1, 1980, to provide benefits in lieu of those provided by the federal Social Security System (Social Security). All State employees, who would have participated in Social Security if the State had not withdrawn, participate in SBS. Other employers whose employees participate in the State Public Employees' Retirement System and meet other requirements are eligible to have their employees participate in SBS as provided by Alaska Statute. As of June 30, 2016, there were 22 other employers participating in SBS. There were 43,956 participants in the Plan.

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

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

Mandatory contributions are made to the Supplemental Annuity Plan and voluntary contributions to the Supplemental Benefits Cafeteria Plan. Participating employees are vested at all times. Supplemental Annuity Plan contributions are made in lieu of contributions to Social Security. The State is required to contribute 12.26 percent of an employee's wages up to the taxable wage base in effect under Social Security regulations. Each employee is considered to have agreed to a wage reduction equal to one-half the contribution made on the employee's behalf. The State's mandatory contributions for the year ended June 30, 2016, were \$74,030 thousand. The State's covered payroll was \$1,207,664 thousand.

Supplemental Benefit Cafeteria Plan contributions are voluntary based upon the optional benefits elected by each employee enrolled in SBS. Each employee agrees to a wage reduction based upon the benefit options selected. The benefit amounts are deducted from each employee's wages and remitted by the employer to SBS on the employee's behalf. State employee voluntary contributions for the year ended June 30, 2016, were \$3,712 thousand.

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

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

Supplemental annuity contributions were deposited with investment managers under contract with SBS for the year ended June 30, 2016. Participant accounts under the Supplemental Annuity Plan are self-directed with respect to investment options. Each participant designates how contributions are allocated among the investment options. Each participant's account is credited with the contributions, the increase or decrease in unit value for the investment funds, and reduced for administrative fees.

NOTE 9 – DEFERRED COMPENSATION PLAN

The State of Alaska Deferred Compensation Plan was created by Alaska statutes. It is a deferred compensation plan under Section 457 of the Internal Revenue Code. It is available to all permanent and long-term non-permanent employees, and elected officials of the State (and with the March 1, 2006 amendment, members of State of Alaska boards and commissions) who have completed a pay period of employment. Participants authorize the State to reduce their current salary so that they can receive the amount deferred at a later date. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency, within the definition allowed by the applicable Internal Revenue Code. As of June 30, 2016 the Deferred Compensation Plan had 11,200 participants.

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

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

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

Deferred Compensation Plan net position as of June 30, 2016 was \$814,937 thousand. The Deferred Compensation Plan is reported in the accompanying financial statements as a pension (and other employee benefit) trust fund.

NOTE 10 – INTERFUND TRANSACTIONS

The following schedules summarize individual interfund receivable and payable balances at June 30, 2016, and interfund transfers for the year then ended (in thousands):

INTERFUND RECEIVABLE / PAYABLE BALANCES

Due to Other Funds	General Fund	Due from Other Funds						Other	Total
		Alaska Permanent Fund	Nonmajor Governmental Funds	International Airports	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds		
General Fund	\$ -	\$ 31,026	\$ 2,510	\$ 21,817	\$ 1,459	\$ 21,732	\$ 31,334	\$ -	\$ 109,878
Alaska Permanent Fund	713,765	-	-	-	-	-	-	-	713,765
Nonmajor Governmental Funds	33,032	-	-	-	-	-	-	1	33,033
International Airports	42,133	-	-	-	-	-	-	-	42,133
Nonmajor Enterprise Funds	3,316	-	-	-	-	-	-	-	3,316
Internal Service Funds	92	-	-	-	-	-	-	-	92
Fiduciary Funds	6,327	-	-	-	-	-	6	-	6,333
Total	<u>\$ 798,665</u>	<u>\$ 31,026</u>	<u>\$ 2,510</u>	<u>\$ 21,817</u>	<u>\$ 1,459</u>	<u>\$ 21,732</u>	<u>\$ 31,340</u>	<u>\$ 1</u>	<u>\$ 908,550</u>

The \$713.8 million balance due from the Alaska Permanent Fund to the General Fund includes \$649.3 million for payment of 2016 Permanent Fund dividends to qualified residents of the State and \$18.1 million to be transferred to the Alaska Capital Income Fund. The balance is for administrative and associated costs of the 2016 Permanent Fund Dividend Program.

INTERFUND TRANSFERS

Transfers From	Transfers to					Total
	General Fund	Nonmajor Governmental Funds	International Airports	Nonmajor Enterprise Funds	Internal Service Funds	
General Fund	\$ -	\$ 76,054	\$ 526	\$ 50	\$ 15,433	\$ 92,063
Alaska Permanent Fund	713,765	-	-	-	-	713,765
Nonmajor Governmental Funds	-	6,577	-	-	-	6,577
Nonmajor Enterprise Funds	1,742	-	-	15,000	-	16,742
Other	1	-	419	-	-	420
Total	<u>\$ 715,508</u>	<u>\$ 82,631</u>	<u>\$ 945</u>	<u>\$ 15,050</u>	<u>\$ 15,433</u>	<u>\$ 829,567</u>

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

The transfer from Alaska Permanent Fund to the General Fund includes a \$649.3 million transfer for payment of the Permanent Fund dividends and for administrative and associated costs of the dividend program and a \$18.1 million transfer to the Alaska Capital Income Fund.

Transfers from Other to the General Fund represents a rounding error causing the General Fund to record a due from other funds while the corresponding Capital Projects Fund is not recording a due to other funds. Transfers from Other to the International Airports represents a due from other funds recorded by the International Airports Fund with no other fund recording a due to other funds for this activity.

NOTE 11 – RELATED PARTY ACTIVITY

Based on understandings and board approved agreements between the Alaska Industrial Development and Export Authority (AIDEA) and Alaska Energy Authority (AEA), AIDEA provides administrative, personnel, data processing, communications and other services to AEA. AIDEA recognized revenue totaling \$7.5 million for providing these services during FY16. On June 30, 2016 AIDEA had \$3.3 million receivable from AEA for services and short-term borrowings.

On September 30, 2010, pursuant to legislation and an agreement, AIDEA purchased 37 loans from AEA with an outstanding balance of \$24,254 thousand, plus accrued interest, for \$20,631 thousand. Under the agreement, at AIDEA's request, AEA is required to repurchase any loan upon a payment default. The current loan outstanding balance at June 30, 2016 is \$16,307 thousand.

Northern Tobacco Securitization Corporation (NTSC) entered into a memorandum of agreement with Alaska Housing Finance Corporation (AHFC) that retains AHFC as administrator with respect to the preparation of all reports and other instruments and documents that NTSC is required to prepare, execute, file or deliver pursuant to the bond indenture and the related agreements for a monthly fee. NTSC also entered into a sub-lease agreement with AHFC for office space, overhead and operating services from AHFC for a monthly fee. The cost to NTSC for these services provided by AHFC for the year ended June 30, 2016 was approximately \$9 thousand.

Alaska Gasline Development Corporation (AGDC) utilizes certain AHFC administrative and support services and products such as payroll administration for half of the fiscal year, employee medical plans and their associated administrative services. There was no outstanding balance due to AHFC at June 30, 2016.

The Department of Transportation and Public Facilities (DOTPF) provides administrative and technical services benefiting all Alaska's airports and aircraft bases. Related costs are allocated based upon budgetary estimates of the pro rata portion which should be borne by various facilities as set forth in the annual appropriation and budget document of the State. Costs allocated to the International Airport Fund (IAF) as operating expenses totaled \$2,955 thousand for the year ended June 30, 2016. Capital project management services are performed by DOTPF personnel and are capitalized to IAF capital assets. The indirect costs allocated to the IAF and capitalized to construction in progress totaled \$2,108 thousand during the year ended June 30, 2016.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. SICK LEAVE

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

The estimated amount of unused accumulated sick leave as of June 30, 2016, is \$16,926 thousand. This amount was calculated using the base pay on file for each employee as of June 30, 2016. 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 16 expended for school debt was \$114,509 thousand, which was 98.1 percent of the entitlement. The remaining FY 16 entitlement of \$2,230 thousand, 1.9 percent, was paid out in FY 17. The total debt requirement, assuming the State makes full payment of its share of school debt service, would be approximately \$1,089,662 thousand. The State has in the past and did appropriate less than the full amount which the municipalities are entitled under statute in FY 17.

C. RISK MANAGEMENT AND SELF-INSURANCE

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

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

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

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

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

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

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

In FY 16, the State completely self-insured all statutory workers' compensation claims, general (premises and operations) and professional liability, and automobile liability. The State had Self-Insured Retention (SIR) levels of \$1 million per claim for property, \$750,000 for marine risks, and \$250,000 per incident for airport and aviation liability exposures. Limits of excess insurance vary by risk: \$1 billion per occurrence for marine, \$200 million for property, and \$1 billion 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, 2015 and June 30, 2016 (in thousands). The State records its related liability using discounted amounts provided by actuaries. The amount of unpaid claim liabilities for Risk Management are presented at their present value using a 3.0 percent discount interest rate for FY 15 and a 3.0 percent discount interest rate for FY 16. Claims payment amounts include allocated loss adjustment expenses (legal and adjusting).

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
2015	\$ 122,875	\$ 52,822	\$ (42,332)	\$ 133,365
2016	133,365	30,269	(30,062)	133,572

D. LITIGATION AND ADMINISTRATIVE APPEALS

The State is involved in a number of legal actions. The Department of Law estimates the probable maximum liability for the cases associated with the governmental fund types to be approximately \$28,695 thousand, with an additional possible liability of \$27,995 thousand. The probable loss amount has been reported as long-term debt obligations.

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

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

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, 2016, 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 are uncertain as not all of the loans are expected to be fully drawn and some loans may increase with changes in scope of the underlying projects; accordingly, they are not included in the financial statements for these funds. As of June 30, 2016, the Alaska Clean Water and the Alaska Drinking Water Funds have entered into binding commitments, as evidenced by signed loan agreements, for which funds remain to be disbursed totaling \$98,980 thousand and \$52,264 thousand respectively.

As of June 30, 2016, the Department of Commerce, Community and Economic Development identified outstanding loan commitments. Agreements have been entered into, yet funds have not yet been disbursed. The open loan commitments include the Alaska Commercial Fishing Revolving Loan Fund for \$915 thousand, the Alaska Fisheries Enhancement Revolving Loan Fund for \$3,266 thousand, and the Alaska Bulk Fuel Revolving Loan Fund for \$5,989 thousand.

At June 30, 2016, the Alaska Energy Authority had open Power Project Fund loan commitments of \$22,307 thousand.

At June 30, 2016, the Alaska Industrial Development and Export Authority (AIDEA) had extended loan participation purchase commitments to be funded by the Revolving Fund of \$57.6 million, lines of credit of \$4 million, and loan guarantees of \$1.6 million. AIDEA extended commitments to fund lines of credit not to exceed \$8.5 million from the Sustainable Energy Transmission and Supply Development Fund in the form of two lines of credit relating to the Interior Energy Project. These commitments if drawn down, in addition to the currently outstanding Interior Energy Project related line of credit of \$44.3 million, will be converted to term loans in the future if certain events occur. In the event the lines of credit do not convert to term loans their repayment may be limited.

AIDEA has legislative authorization to guarantee loans made to the Alaska Insurance Guaranty Association (AIGA). The AIGA pays, from assessments to member insurers, the claims of insurance companies regulators put into liquidation. AIDEA can guarantee only loans AIGA needs to meet cash flow needs up to a maximum of \$30 million in outstanding principal balance at any time. No guarantees have been made pursuant to this authorization.

H. POTENTIAL DEVELOPMENT PROJECTS

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

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

The AGDC entered into a Joint Venture Agreement effective July 1, 2014, with affiliates of ExxonMobil, BP, ConocoPhillips, and TransCanada Corporation, for a proposed Alaska Liquefied Natural Gas (AK LNG) project. The project is to jointly fund and conduct Pre Front End Engineering (Pre-FEED) work consisting of engineering, design, permitting and related studies for a North Slope treatment plant, large-diameter pipeline from the North Slope to Nikiski and liquefied natural gas plant and marine terminal at Nikiski. Costs of the overall project are estimated to be \$45 billion to \$65 billion and the estimated export of LNG is 15 million to 18 million tons per year. Under the agreement, AGDC would contribute its ownership share of funds to carry out the Pre-FEED work for the Alaska LNG project. In FY 15 AGDC contributed \$16.3 million, in FY 16 AGDC contributed \$49.8 million, with an additional \$25.4 to \$42.8 million estimated to be contributed in FY 17 to complete Pre-FEED work.

I. INVESTMENT COMMITMENTS

The Alaska Retirement Management Board (ARMB) has entered into agreements with external investment managers to provide funding for future pension fund investments. At June 30, 2016, ARMB's unfunded commitments were as follows (in thousands):

Investment Type	
Absolute Return	\$ 98,595
Energy	59,508
Infrastructure	50,000
Private Equity	1,361,506
Real Estate	145,895
	<u>\$ 1,715,504</u>

J. POLLUTION REMEDIATION

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

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

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

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

At July 1, 2015, the General Fund had pollution remediation obligations of \$91,713 thousand (restated amount, see Note 14 for additional information). As of June 30, 2016, the State had an increase to the obligation of \$32,545 thousand and recognized a decrease of \$6,417 thousand, for an ending balance of \$117,841 thousand in pollution remediation obligation related activities. The State has an estimated potential recovery of \$6,863 thousand from other responsible parties.

At July 1, 2015, the International Airports Fund (IAF) reported pollution remediation liabilities of \$1,193 thousand for which IAF is in whole or in part a responsible party. As of June 30, 2016, the IAF reported an increase of \$3,775 thousand and a

decrease of \$295 thousand, for an ending balance of \$4,673 thousand. IAF has an identified \$37 thousand expected to be collected from third parties. The estimated liabilities were measured using the estimated mean of the future cash flows of costs and recovery associated with those sites, measured at current value. This accrual includes the estimated obligation for fourteen sites for which it has been determined IAF is in whole or in part a responsible party and for which an obligating event has occurred.

At December 31, 2014, the Alaska Railroad Corporation had pollution remediation obligations of \$2,617 thousand. As of December 31, 2015, the Alaska Railroad Corporation had additional obligations of \$872 thousand and reductions in obligations of \$796 thousand, for an ending liability of \$2,693 thousand. The Alaska Railroad Corporation estimated the liability for pollution remediation by estimating a reasonable range of potential outlays and multiplying those outlays by the probability of occurrence, reduced by the allocation of liability to other potentially responsible parties where applicable. The liabilities associated with these sites could change over time due to changes in costs of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation efforts.

K. ENCUMBRANCES

The State of Alaska utilizes encumbrance accounting to identify fund obligations. The following shows encumbrances within the governmental funds for the fiscal year ended June 30, 2016:

	Amount (in thousands)
General Fund	\$ 848,518
Special Revenue Funds	23,356
Capital Project Funds	55,168
Total Encumbrances	<u>\$ 927,042</u>

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

The Department of Education and Early Development, Department of Commerce, Community and Economic Development, the Department of Transportation and Public Facilities, Department of Environmental Conservation and the Legislature have several construction/maintenance projects underway which totals \$191.8 million of which \$145.7 million is in the General Fund, \$12.0 million is in a Special Revenue Fund, and \$34.1 million are Capital Project Funds. These projects are funded by a mixture of general funds, bond proceeds, and a quasi-corporation.

The Department of Commerce, Community and Economic Development administers grants to municipalities and named recipients which total \$180.4 million of which \$174.2 is in the General Fund and \$6.2 million is in the Special Revenue Fund. These projects are funded by the general funds and bond proceeds.

The Department of Transportation and Public Facilities has a project for the Alaska Marine Highway System Alaska Class Ferry purchase for a total of \$20.3 million, which is in the General Fund. This is funded by general fund resources.

The Department of Administration has an information technology project underway within the General Fund totaling \$7.5 million funded by general fund resources.

In FY 16, the University of Alaska capitalized \$57.2 million, included in construction in progress, on building a new combined heat and power plant on the University of Alaska Fairbanks Campus. The project is estimated to cost \$248 million and expected to be completed in the winter of 2018. As of June 30, 2016, the University has encumbered \$117.6 million on this project. In addition, construction commitments at June 30, 2016 aggregated \$139.4 million. The major construction projects of the University of Alaska are funded primarily by State of Alaska appropriations and general obligation bonds, University general revenue bonds and federal grants.

L. MEDICAID

The Alaska Health Enterprise (AHE) system processes Medicaid and Children's Health Insurance Program medical claims submitted by service providers. Some claims are suspended during normal processing for reasons including third party

insurance verification, verification of medical necessity, provider claim submission errors, and system defects. Due to the complexity of claim processing, the cost of settling the suspended claims cannot be reasonably estimated.

October 1, 2013 the Department of Health and Social Services legacy Medicaid system was replaced by the Alaska Health Enterprise (AHE) system. After the system went live, numerous system defects were identified. While the number of defects decreased in FY 16, the claims affected by these defects were not completely corrected and reprocessed. Due to the complexity of claim pricing, the total amount affected by AHE system defects cannot be reasonably estimated before the defects are corrected.

M. OIL AND GAS TAX CREDITS

Producers or explorers of oil and gas can apply for a tax credit for certain qualifying losses and expenditures under AS 43.55.023 and AS 43.55.025. As of June 30, 2016, the Department of Revenue has received tax credit applications totaling \$72.6 million, which have not been accrued as a liability in the general fund financial statements. Due to the complexity of the approval process, the amount of the tax credit that will ultimately be issued or denied cannot be estimated.

NOTE 13 – SUBSEQUENT EVENTS

A. ALASKA MUNICIPAL BOND BANK AUTHORITY

Subsequent to June 30, 2016, the Alaska Municipal Bond Bank Authority (AMBBA) issued the 2016 Series Three and Four general obligation and refunding bonds in the principal amount of \$109.8 million. The 2016 Series Three and Four bonds priced on October 18, 2016 and closed on November 3, 2016. The true interest cost for the total issuance was 2.82 percent with the last maturity on December 1, 2037 for the 2016 Series Three and December 1, 2035 for the 2016 Series Four. The 2016 Series Three Bond proceeds were used to make a new loan to the City and Borough of Juneau, to refund certain outstanding Reserve Fund Obligations and certain outstanding bonds previously issued by the Bond Bank, and to pay a portion of the costs of issuing the 2016 Series Three Bonds. The 2016 Series Four Bond proceeds were used to make a new loan to the City of Ketchikan, to refund certain outstanding Reserve Fund Obligations and certain outstanding bonds previously issued by the Bond Bank, and to pay a portion of the costs of issuing the 2016 Series Four Bonds.

Subsequent to June 30, 2016, the Bond Bank issued \$100.715 million in Master Resolution General Obligation Bonds, Series 2017A, under its 2016 Master Resolution program. These bonds priced on February 28, 2017, and closed on March 21, 2017. The true interest cost for the total issuance was 4.21 percent with last maturity of October 1, 2046. The Series 2017A Bonds were issued to make a loan to the Yukon-Kuskokwim Health Corporation (Borrower) for construction costs, to make a deposit to the Authority's 2016 Reserve Fund, to make a deposit to the Capitalized Interest Subaccount and to pay or provide for the payment of the 2017A Borrower's Allocable Proportion of Authority Reserve Fund Interest Expense under the 2016 Master Resolution during construction, and to pay a portion of the costs of issuing the Series 2017A Bonds and costs of issuing the 2017A Borrower Bond.

Subsequent to June 30, 2016, the Bond Bank issued \$12.795 million in General Obligation Bonds, 2017 Series One (Non-AMT), and \$31.655 million in General Obligation Bonds, 2017 Series Two (AMT), under its 2005 General Resolution Program. These bonds priced on April 12, 2017, and closed on April 27, 2017. The true interest cost for the 2017 Series One was 2.86 percent with last maturity of May 1, 2037, and the true interest cost for the 2017 Two (AMT) was 3.95 percent with last maturity of May 1, 2043. The 2017 Series One Bond proceeds were used to make two new loans to the Kenai Peninsula Borough, a new loan to the City of Seward, and to pay a portion of the costs of issuing the 2017 Series One Bonds. The 2017 Two Bond proceeds were used to make a new loan to the City of Unalaska, to make a new loan to the City of Whittier, and to pay a portion of the costs of issuing the 2017 Series Two Bonds.

B. ALASKA CLEAN WATER FUND

Pursuant to legislative authorization obtained during the 2016 session of the Alaska Legislature, Series C Revenue Bond Anticipation Notes for FY 17 in the amount of \$1,598 thousand were issued on October 20, 2016. The Notes were repaid on October 21, 2016. The borrowing is secured by interest earnings of the Alaska Clean Water Fund.

C. ALASKA DRINKING WATER FUND

Pursuant to legislative authorization obtained during the 2016 session of the Alaska Legislature, Series D Revenue Bond Anticipation Notes for FY 17 in the amount of \$1,665 thousand were issued October 20, 2016. The Notes were repaid on October 21, 2016. The borrowing is secured by interest earnings of the Alaska Drinking Water Fund.

D. ALASKA STUDENT LOAN CORPORATION

On August 11, 2016, the State entered into a Standby Bond Purchase Agreement with State Street Bank and Trust Company, replacing the agreement due to expire September 12, 2016. Also on August 11, 2016, Alaska Student Loan Corporation entered into a Reimbursement Agreement with the State of Alaska, Department of Revenue, Treasury Division replacing the agreement due to expire on September 12, 2016. Both agreements expire August 10, 2020. On August 11, 2016, State Street Bank and Trust Company extended the irrevocable direct-pay letter of credit to July 20, 2020. All three agreements relate to the 2012 Education Loan Revenue, Refunding Bonds.

E. UNIVERSITY OF ALASKA

In October 2016, the University issued General Revenue Bonds 2016 Series V-1, with a par amount of \$32,845 thousand, original issue premium of \$5,699 thousand, and a 28 term year. Average annual debt services is \$2.1 million.

In October 2016, the University issued General Revenue Refunding Bonds 2016 Series V-2 with a par amount of \$14,645 thousand, original issue premium of \$1,907 thousand, and a 17 year term. Average annual debt service is \$1.1 million. The bonds refund General Revenue Bonds 2005 Series N and 2008 Series O except for the October 1, 2017 maturity. The economic gain from the refunding is \$1.7 million in present value and total debt service payments are reduced by approximately \$2 million over the life of the bonds.

F. ALASKA HOUSING FINANCE CORPORATION

In July 2016, the Alaska Housing Finance Corporation (AHFC) issued \$50 million Collateralized Bonds (Veterans Mortgage Program) 2016 First and Second Series. The bonds are general obligations of AHFC, but principal and interest on the bonds are also unconditionally guaranteed by the State of Alaska. The 2016 Collateralized Bonds are tax exempt and bear interest at fixed rates between 0.65 percent and 3.20 percent each June 1 and December 1 with a final maturity of December 1, 2046.

Also in July 2016, AHFC defeased the remaining \$11,585 thousand of Collateralized Bonds, 2007 First Series (the "Refunded Bonds"). AHFC funds were deposited into an irrevocable trust with an escrow agent to completely pay off the Refunded Bonds on the first optional redemption date on June 2017. The Refunded Bonds have been legally defeased, and as of the defeasance date, the trust account assets and the liability for the Refunded Bonds have been removed from the Statement of Net Position.

In August 2016, AHFC issued \$100 million General Mortgage Revenue Bonds II 2016 Series A. The bonds are general obligations of AHFC. The 2016 Series A bonds are tax exempt and bear interest at fixed rates between 0.45 percent and 3.50 percent payable each June 1 and December 1 with a final maturity of December 1, 2046.

G. XEROX SETTLEMENT AGREEMENT

The Department of Health and Social Services entered a settlement agreement on September 16, 2016 with Xerox State Healthcare LLC (Xerox), formerly known as Affiliated Computer Services Inc. This settlement agreement is the result of multiple contract disputes that have arisen between the two parties. Xerox has \$11.8 million in outstanding change requests through December 31, 2015, which have not been paid. Xerox agrees to forgo collections of \$10.3 million, leaving \$1.5 million in outstanding change request work that the State agrees to pay into escrow within 30 days of the Execution Date. Within the settlement agreement Xerox agrees to provide enhancements to the MMIS system at no additional charge along with increasing enhancement hours. As of February 7, 2017 the Division of Health Care Services has paid to Xerox \$19,794,000.85 of the \$29,380,667.38 agreed to pay.

H. PERMANENT FUND DIVIDEND LAWSUIT

On September 16, 2016, a member of the Legislature and two other plaintiffs legally challenged the Governor's veto of half the money appropriated to permanent fund dividend disbursements. The veto limited the dividend payments at just over \$1,000 per resident, saving the State of Alaska more than \$650 million. An Anchorage Superior Court Judge in November 2016 upheld the Governor's veto power to cut this year's Alaska Permanent Fund dividend in half. This decision is being appealed to the Alaska Supreme Court.

I. INTERNATIONAL AIRPORT FUND

On July 6, 2016, the International Airport system completed planned transactions relating to the delayed delivery component of its 2016 series revenue refunding bond sales in the amount of \$82.5 million and \$8.5 million for its 2016B and 2016D series, respectively.

J. ALASKA MENTAL HEALTH TRUST AUTHORITY

On August 2, 2016, the Alaska Mental Health Trust Authority closed a purchase of an investment property in Austin, Texas. Purchase price was \$22,400 thousand, excluding closing costs. \$13,440 thousand of the purchase price was financed by a financing institution.

K. ROYALTY OIL AND GAS CONTRACT

On August 31, 2016, the Alaska Royalty Oil and Gas Development Board voted to recommend a sale of the state's royalty oil to Petro Star, Inc.

A one-year contract and subsequent four-year contract is in the best interest of the State and will support in-state refining as well as provide more value to the State from its royalty oil. The Department of Natural Resources estimates that over its duration, these contracts will yield between \$29 million and \$37 million in revenue that will be in addition to what would have been obtained had this proposed royalty volume been taken in value.

NOTE 14 – PRIOR PERIOD ADJUSTMENTS AND RESTATED BEGINNING NET POSITION

PRIOR PERIOD ADJUSTMENTS

Governmental Activities

Pollution Remediation

During the preparation of the FY 2016 financial statements, it was determined that an error had occurred in the calculation of pollution remediation for the Governmental Activities. Some pollution remediation projects identified within the Department of Natural Resources, Department of Corrections and the Department of Transportation and Public Facilities were also included in the Department of Environmental Conservation's spreadsheet. As a result, pollution remediation liability reported in the Governmental Activities was overstated by \$50,919 thousand.

Accounts Payable and Accrued Liabilities

In FY 2016, it was determined that the oil and gas tax credit accrual should include credit amounts certificated between July 1st and the date of the FY 2015 financial statements for credit applications received by June 30th of that year. As a result, a prior period adjustment was made to increase beginning accounts payable and accrued liabilities by \$359,786 thousand. The correction was made to comply with accounting standards.

RESTATED BEGINNING NET POSITION

Governmental Accounting Standards Board Statement Regarding Pensions and Postemployment Benefits Other Than Pensions

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contribution Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68, which are both effective for fiscal years beginning after June 15, 2014. Statement 68 amends GASB Statement No. 27, Accounting for Pensions by State and Local Government Employers as well as the requirements of GASB Statement No. 50, Pension Disclosures. The scope of the change relates to pension plans that are administered through a trust or similar arrangement meeting certain criteria. Both GASB Statement No. 27 and 50 are still applicable to those pensions not covered within the scope of Statement No. 68.

In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which is effective for fiscal years beginning after June 15, 2017, but earlier application is encouraged. Statement 75 replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, Other Post Employment Benefit Measurement by Agent Employers and Agent Multiple-Employer Plans, for Other Post-Employment Benefits.

The State of Alaska and the majority of its component units adopted the provisions of Statement 68 during FY 15. However, the Alaska Railroad Corporation is on a fiscal year ending December 31, 2015, so they implemented GASB 68 and early implemented GASB 75 on January 1, 2015. The State of Alaska and other component units will implement GASB Statement No. 75 in FY 18. Early implementation by the Alaska Railroad Corporation is allowed and acceptable, since the plan is a single employer plan for Railroad employees only.

The effects of adopting Statements 68 and 75 are reported as a restated beginning net position due to a change in accounting principle. The Alaska Railroad Corporation had an effect on the beginning net position due to this change as follows (in thousands):

Component Unit	Net Position		Net Position
	Beginning Balance	Adjustment	Restated
Alaska Railroad Corporation	304,707	5,118	309,825

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REQUIRED SUPPLEMENTARY INFORMATION

STATE OF ALASKA
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016
(Stated in Thousands)

STATEMENT 2.01

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Unrestricted:				
Taxes	\$ 1,105,194	\$ 1,105,118	\$ 170,224	\$ 934,894
Licenses and Permits	97,987	98,938	131,428	(32,490)
Charges for Services	331,040	319,594	183,424	136,170
Fines and Forfeitures	18,448	18,443	32,357	(13,914)
Rents and Royalties	1,084,623	1,084,399	648,894	435,505
Premiums and Contributions	220	134	21,286	(21,152)
Interest and Investment Income	130,623	128,818	195,405	(66,587)
Payments In from Component Units	157,066	157,066	157,066	-
Other Revenues	59,634	59,634	44,482	15,152
Restricted:				
Federal Grants in Aid	7,493,762	7,686,954	2,641,020	5,045,934
Interagency	699,522	870,522	564,213	306,309
Payments In from Component Units	26,592	26,592	17,654	8,938
Other Revenues	34,294	34,038	1,210	32,828
Total Revenues	<u>11,239,005</u>	<u>11,590,250</u>	<u>4,808,663</u>	<u>6,781,587</u>
EXPENDITURES				
Current:				
General Government	767,364	767,204	694,288	72,916
Alaska Permanent Fund Dividend	1,340,432	1,340,432	1,330,027	10,405
Education	2,140,161	2,163,731	2,087,530	76,201
University	510,011	505,040	449,830	55,210
Health and Human Services	3,242,223	3,382,566	2,880,743	501,823
Law and Justice	305,954	331,135	291,693	39,442
Public Protection	1,056,260	1,127,445	906,453	220,992
Natural Resources	621,245	616,387	418,297	198,090
Development	898,023	899,240	597,170	302,070
Transportation	6,751,456	6,891,149	2,279,875	4,611,274
Intergovernmental Revenue Sharing	71,055	71,055	127,301	(56,246)
Debt Service:				
Principal	3,415	3,415	3,333	82
Interest and Other Charges	1,343	1,343	1,343	-
Total Expenditures	<u>17,708,942</u>	<u>18,100,142</u>	<u>12,067,883</u>	<u>6,032,259</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(6,469,937)</u>	<u>(6,509,892)</u>	<u>(7,259,220)</u>	<u>749,328</u>
OTHER FINANCING SOURCES (USES)				
Transfers In from Other Funds	2,879,104	2,879,104	2,879,104	-
Transfers (Out to) Other Funds	(2,172,400)	(2,172,400)	(2,249,794)	77,394
Total Other Financing Sources and Uses	<u>706,704</u>	<u>706,704</u>	<u>629,310</u>	<u>77,394</u>
Excess (Deficiency) of Revenues, Expenditures, Other Financing Sources, Special and Extraordinary Items, Budgetary Basis	<u>\$ (5,763,233)</u>	<u>\$ (5,803,188)</u>	(6,629,910)	<u>\$ 826,722</u>
RECONCILIATION OF BUDGETARY/ GAAP REPORTING:				
Adjust Expenditures for Encumbrances			1,450,831	
Basis Difference			(215,295)	
Perspective Difference			(18,135)	
Excess (Deficiency) of Revenues, Expenditures, Other Financing Sources, Special and Extraordinary Items, GAAP Basis			(5,412,509)	
Fund Balances - Beginning of Year			15,831,903	
Prior Period Adjustment			(359,786)	
Fund Balances - End of Year			<u>\$ 10,059,608</u>	

Note to Required Supplementary Information – Budgetary Reporting For the Fiscal Year Ended June 30, 2016

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

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

The types of differences are as follows:

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

Petroleum Severance Taxes and Royalties	\$ (72,608)
Medical Assistance Program	(145,343)
Working Reserve	1,250
Tobacco Tax	186
Alcohol Tax	291
Tire Tax	2
Vehicle Rental Tax	189
Commercial Passenger Vessel Excise Tax	738
Total General Fund Basis Difference	<u>\$ (215,295)</u>

- Perspective differences result from the structure of financial information for budgetary purposes. The federal receipts/disbursements for PL 103-382, Title VIII are budgeted in the general fund but are accounted for as an agency fund.

Federal Receipts for PL 103-382 (Impact Aid)	<u>\$ (18,135)</u>
Total General Fund Perspective Difference	<u>\$ (18,135)</u>

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

SCHEDULE 2.10

	2016	2015	2014
Primary government's proportion of the net pension liability	50.75%	52.23%	51.60%
Component unit's proportion of the net pension liability	5.52%	4.44%	4.43%
Nonemployer contributing state's proportion of the net pension liability	10.40%	21.86%	22.87%
Primary government's proportionate share of the net pension liability	\$ 2,461,215	\$ 2,436,220	\$ 2,709,520
Component unit's proportionate share of the net pension liability	\$ 267,632	\$ 207,090	\$ 232,515
Nonemployer contributing state's share of the net pension liability	\$ 504,300	\$ 1,019,583	\$ 1,201,055
Primary government's covered-employee payroll	\$ 690,707	\$ 727,637	\$ 748,941
Component unit's covered-employee payroll	\$ 126,050	\$ 134,661	\$ 138,248
Primary government's proportionate share of the net pension liability as a percentage of its covered-employee payroll	356.33%	334.81%	361.78%
Component unit's proportionate share of the net pension liability as a percentage of its covered-employee payroll	212.32%	153.79%	168.19%
Plan fiduciary net position as a percentage of the total pension liability	63.96%	62.37%	56.04%

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

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

SCHEDULE 2.11

	2016	2015 (Restated)	2014	2013
Primary Government				
Statutorily required contribution	\$ 164,533	\$ 285,769	\$ 200,076	\$ 177,375
Contributions in relation to the statutorily required contribution	164,533	636,865	200,076	177,375
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (351,096)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 644,055	\$ 690,707	\$ 727,637	\$ 748,941
Contributions as a percentage of covered-employee payroll	25.55%	92.20%	27.50%	23.68%
Component Units				
Statutorily required contribution	\$ 17,969	\$ 18,561	\$ 17,313	\$ 15,819
Contributions in relation to the statutorily required contribution	17,969	18,561	17,313	15,819
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 116,633	\$ 126,050	\$ 134,661	\$ 138,248
Contributions as a percentage of covered-employee payroll	15.41%	14.73%	12.86%	11.44%
Primary Government Nonemployer Contribution				
Statutorily required contribution	\$ 43,535	\$ 153,622	\$ 82,554	\$ 77,689
Contributions in relation to the statutorily required contribution	43,535	479,750	82,554	77,689
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (326,128)</u>	<u>\$ -</u>	<u>\$ -</u>

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

Fiscal Year 2015 Primary Government Statutorily required contribution amount was restated.

Notes to required schedule

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

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

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

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

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

SCHEDULE 2.12

Public Employees' Retirement System

year ended June 30	Actuarial valuation or roll-forward date as of June 30	Annual Required Contributions Postemployment healthcare	Postemployment healthcare percentage contributed
2013	2010	\$ 612,792	62.6 %
2014	2011	783,827	45.6
2015	2012	782,258	27.9

Teachers' Retirement System

year ended June 30	Actuarial valuation or roll-forward date as of June 30	Annual Required Contributions Postemployment healthcare	Postemployment healthcare percentage contributed
2013	2010	\$ 330,411	44.0 %
2014	2011	320,797	45.6
2015	2012	352,417	107.7

Judicial Retirement System

year ended June 30	Actuarial valuation or roll-forward date as of June 30	Annual Required Contributions Postemployment healthcare	Postemployment healthcare percentage contributed
2014	2011	\$ 1,094	86.7 %
2015	2012	313	166.5
2016	2013	501	101.5

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

SCHEDULE 2.20

	2016	2015	2014
Primary government's proportion of the net pension liability	0.78%	0.79%	0.78%
Component unit's proportion of the net pension liability	2.03%	0.97%	1.02%
Nonemployer contributing state's proportion of the net pension liability	61.03%	84.10%	83.41%
Primary government's proportionate share of the net pension liability	\$ 14,501	\$ 23,739	\$ 25,930
Component unit's proportionate share of the net pension liability	\$ 37,680	\$ 29,024	\$ 33,771
Nonemployer contributing state's share of the net pension liability	\$ 1,135,514	\$ 2,522,174	\$ 2,761,123
Primary government's covered-employee payroll	\$ 4,307	\$ 4,708	\$ 4,859
Component unit's covered-employee payroll	\$ 31,575	\$ 34,497	\$ 36,150
Primary government's proportionate share of the net pension liability as a percentage of its covered-employee payroll	336.68%	504.23%	533.65%
Component unit's proportionate share of the net pension liability as a percentage of its covered-employee payroll	119.33%	84.13%	93.42%
Plan fiduciary net position as a percentage of the total pension liability	73.82%	55.70%	49.76%

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

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

SCHEDULE 2.21

	2016	2015	2014	2013
Primary Government				
Statutorily required contribution	\$ 925	\$ 2,644	\$ 1,951	\$ 1,836
Contributions in relation to the statutorily required contribution	925	12,500	1,951	1,836
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (9,856)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 4,108	\$ 4,307	\$ 4,708	\$ 4,859
Contributions as a percentage of covered-employee payroll	22.52%	290.23%	41.44%	37.79%
Component Units				
Statutorily required contribution	\$ 1,973	\$ 2,314	\$ 2,385	\$ 2,390
Contributions in relation to the statutorily required contribution	1,973	2,314	2,385	2,390
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 27,848	\$ 31,575	\$ 34,497	\$ 36,150
Contributions as a percentage of covered-employee payroll	7.08%	7.33%	6.91%	6.61%
Primary Government Nonemployer Contribution				
Statutorily required contribution	\$ 89,957	\$ 315,279	\$ 207,271	\$ 195,435
Contributions in relation to the statutorily required contribution	89,957	1,650,517	207,271	195,435
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (1,335,238)</u>	<u>\$ -</u>	<u>\$ -</u>

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

Notes to required schedule

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

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

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

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

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

SCHEDULE 2.30

	2016	2015 (Restated)
Total pension liability		
Service cost	\$ 5,814	\$ 5,186
Interest	15,564	15,320
Changes of benefits terms	-	-
Differences between expected and actual experience	-	(3,741)
Changes of assumptions	-	1,407
Benefit payments, including refunds of employee contributions	(10,684)	(10,578)
Net change in total pension liability	10,694	7,594
Total pension liability - beginning	194,431	186,837
Total pension liability - ending (a)	205,125	194,431
Plan fiduciary net position		
Contributions - employer	10,222	8,862
Contributions - employee	811	780
Net investment income	4,349	21,845
Benefit payments, including refunds of employee contributions	(10,684)	(10,578)
Administrative expenses	(86)	(66)
Net change in plan fiduciary net position	4,612	20,843
Plan fiduciary net position - beginning	139,548	118,705
Plan fiduciary net position - ending (b)	144,160	139,548
State's net pension liability - ending (a) - (b)	\$ 60,965	\$ 54,883
Plan fiduciary net position as a percentage of the total pension liability	70.28%	71.77%
Covered-employee payroll	\$ 13,507	\$ 13,731
State's net pension liability as a percentage of covered-employee payroll	451.36%	399.70%

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

Fiscal Year 2015 total pension liability - beginning amount was restated.

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

SCHEDULE 2.31

	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 11,183	\$ 10,329	\$ 9,156	\$ 8,367	\$ 5,052
Contributions in relation to the actuarially determined contribution	11,710	10,222	8,862	8,094	5,419
Contribution deficiency (excess)	<u>\$ (527)</u>	<u>\$ 107</u>	<u>\$ 294</u>	<u>\$ 273</u>	<u>\$ (367)</u>
Covered-employee payroll	\$ 13,996	\$ 13,507	\$ 13,731	\$ 13,289	\$ 11,803
Contributions as a percentage of covered-employee payroll	83.67%	75.68%	64.54%	60.91%	45.91%

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

Notes to required schedule

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

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

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

SCHEDULE 2.32

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

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STATE OF ALASKA

SCHEDULE 2.40

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

	2016	2015
Total pension liability		
Service cost	\$ 604	\$ 632
Interest	2,554	2,363
Changes of benefits terms	-	-
Differences between expected and actual experience	-	241
Changes of assumptions	-	27
Benefit payments, including refunds of employee contributions	(1,564)	(1,611)
Net change in total pension liability	1,594	1,652
Total pension liability - beginning	36,715	35,063
Total pension liability - ending (a)	38,309	36,715
Plan fiduciary net position		
Contributions - employer	628	740
Contributions - employee	-	-
Net investment income	590	4,528
Benefit payments, including refunds of employee contributions	(1,564)	(1,611)
Administrative expenses	(241)	(223)
Net change in plan fiduciary net position	(587)	3,434
Plan fiduciary net position - beginning	37,467	34,033
Plan fiduciary net position - ending (b)	36,880	37,467
State's net pension liability - ending (a) - (b)	\$ 1,429	\$ (752)
Plan fiduciary net position as a percentage of the total pension liability	96.27%	102.05%
Covered-employee payroll	N/A	N/A
State's net pension liability as a percentage of covered-employee payroll	N/A	N/A

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

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

SCHEDULE 2.41

	2016	2015	2014	2013
Actuarially determined contribution	\$ 735	\$ 627	\$ 475	\$ 431
Contributions in relation to the actuarially determined contribution	735	627	740	739
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (265)</u>	<u>\$ (308)</u>
Covered-employee payroll	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A

Notes to required schedule

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

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

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

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

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

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

SCHEDULE 2.41

2012	2011	2010	2009	2008	2007
\$ 896	\$ 965	\$ 2,415	\$ 2,473	\$ 1,737	\$ 1,737
896	965	2,603	2,473	11,737	1,737
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (188)</u>	<u>\$ -</u>	<u>\$ (10,000)</u>	<u>\$ -</u>
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A

STATE OF ALASKA
Changes in the Net Pension Liability and Related Ratios
Schedule
Alaska Railroad Corporation Defined Benefits Pension Plan
Last Ten Fiscal Years
As of Measurement Date
(Stated in Thousands)

SCHEDULE 2.50

	2016
Total pension liability	
Service cost	\$ 5,834
Interest	11,832
Changes of benefits terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	(4,920)
Net change in total pension liability	12,746
Total pension liability - beginning	154,384
Total pension liability - ending (a)	167,130
Plan fiduciary net position	
Contributions - employer	3,571
Contributions - employee	4,290
Net investment income	(199)
Benefit payments, including refunds of employee contributions	(4,920)
Administrative expenses	(550)
Net change in plan fiduciary net position	2,192
Plan fiduciary net position - beginning	145,210
Plan fiduciary net position - ending (b)	147,402
State's net pension liability - ending (a) - (b)	<u>\$ 19,728</u>
Plan fiduciary net position as a percentage of the total pension liability	88.20%
Covered-employee payroll	47,660
State's net pension liability as a percentage of covered-employee payroll	41.39%

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

STATE OF ALASKA
Employer Contributions Schedule
Alaska Railroad Corporation Defined Benefits Pension Plan
Last Ten Fiscal Years
(Stated in Thousands)

SCHEDULE 2.51

	2016
Actuarially determined contribution	\$ 3,571
Contributions in relation to the actuarially determined contribution	3,571
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	47,660
Contributions as a percentage of covered-employee payroll	7.49%

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

Notes to required schedule

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

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

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

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SECTION II – RECOMMENDATIONS AND QUESTIONED COSTS

INTRODUCTION

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

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

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

Other audit reports issued separately that have report conclusions and recommendations which are relevant to the FY 16 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, Governance Framework for Selected Information System Security Controls, July 15, 2008.* Audit Control Number 02-30046A-08.
3. *State of Alaska Department of Administration Division of Finance for the Period July 1, 2015 – May 31, 2016.* Berry Dunn McNeil & Parker, LLC June 14, 2016. AT-101 report on the internal controls related to Alaska's Integrated Resource Information System (IRIS).
4. *State of Alaska Department of Administration Division of Finance for the Period July 1, 2015 – May 31, 2016.* Berry Dunn McNeil & Parker, LLC August 2, 2016. AT-101 report on the internal controls related to State of Alaska's Alaska Data Enterprise Reporting System (ALDER) data warehouse.

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SUMMARY OF RECOMMENDATIONS
For the Fiscal Year Ended June 30, 2016

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

	<i>Basic Financial Statements</i>		<i>Federal Programs</i>			
<i>State Department</i>	<i>Material Weakness</i>	<i>Significant Deficiency</i>	<i>Material Weakness</i>	<i>Significant Deficiency</i>	<i>Federal Compliance</i>	<i>Other State Issues</i>
GOV						
DOA	2016-003	2016-002, 2016-005, 2016-006, 2016-007, 2016-012, 2016-013, 2016-014, 2016-015, 2016-016, 2016-017				2016-001, 2016-004, 2016-008, 2016-009, 2016-010, 2016-011
DOL						
DOR	2016-018					
DEED				2016-021, 2016-023	2016-020, 2016-022, 2016-023	2016-019
DHSS		2016-024		2016-026, 2016-028, 2016-029, 2016-030, 2016-031, 2016-032, 2016-033, 2016-034, 2016-035, 2016-036	2016-026, 2016-027, 2016-028, 2016-029, 2016-030, 2016-031, 2016-032, 2016-033	2016-025
DLWD		2016-037, 2016-038		2016-040, 2016-041	2016-039, 2016-040, 2016-041, 2016-042	
DCCED				2016-044	2016-043, 2016-044	
DMVA						2016-045

SUMMARY OF RECOMMENDATIONS
For the Fiscal Year Ended June 30, 2016

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

	<i>Basic Financial Statements</i>		<i>Federal Programs</i>			
<i>State Department</i>	<i>Material Weakness</i>	<i>Significant Deficiency</i>	<i>Material Weakness</i>	<i>Significant Deficiency</i>	<i>Federal Compliance</i>	<i>Other State Issues</i>
DNR						2016-046, 2016-047, 2016-048, 2016-049
DFG						2016-050
DPS						2016-051
DEC						2016-052
DOC						
DOTPF		2016-053, 2016-054, 2016-055, 2016-056, 2016-057		2016-061, 2016-062	2016-060, 2016-061, 2016-062	2016-058, 2016-059
Court System						
Component Units		2016-063				

Findings and Recommendations

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OFFICE OF THE GOVERNOR

No recommendations were made to the Office of the Governor in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2015*.

No new recommendations have been made during the FY 16 statewide single audit.

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DEPARTMENT OF ADMINISTRATION (DOA)

Eleven recommendations were made to DOA in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2015*. Prior year Recommendation Nos. 2015-005, 2015-009, and 2015-011 are resolved. Prior year Recommendation Nos. 2015-001 through 2015-004, 2015-006 through 2015-008, and 2015-010 are not resolved and are reiterated in this report as Recommendation Nos. 2016-001 through 2016-008 respectively.

Nine new recommendations have been made during the FY 16 statewide single audit and are included as Recommendation Nos. 2016-009 through 2016-017.

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Recommendation No. 2016-001

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

Prior Finding

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

- Consistently capitalize the cost of capital improvements; and
- Employ a consistent methodology for tracking capital asset disposal.

Additionally, ETS does not perform a formal inventory of ISF capital assets.

This finding was first reported in the FY 06 statewide single audit and was attributed to inadequate procedures including manual processes and lack of communication between staff. From FY 07 through FY 10, little progress was made to address the problem. In FY 11, ETS implemented an asset tracking system which appeared adequate to meet basic asset tracking needs. Although the system improved asset tracking, historical data input into the new system continued to be unreliable. Furthermore, no physical inventory was completed for ISF capital assets. No forward progress in addressing the finding was made during FY 12 through FY 15.

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

Legislative Audit's Current Position

During FY 16, ETS staff partially addressed the finding. A comprehensive inventory was begun but not completed by the end of FY 16. Though the network equipment portion of the inventory was completed, the computer services inventory is not expected to be completed until late FY 17. Consequently, information in ETS' asset tracking system remains unreliable. According to ETS management, the lack of progress was attributable to high turnover in key management and accountant positions and competing priorities.

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

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

Agency Response — Department of Administration

The Office of Information Technology (OIT), formerly ETS, concurs with this recommendation. A comprehensive computer services inventory was completed on August 4, 2017. A revised capitalized asset valuation, based upon GAAP principles, will be included in the FY 17 CAFR statements. A review of the computer services inventory found a high degree of accuracy with the current FASGOV inventory process in all areas except the disposal of fully depreciated assets. To address this, OIT is reviewing processes related to recording assets correctly at the point of disposal and will have a procedure in place by September 30, 2017.

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Recommendation No. 2016-002

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

Prior Finding

FY 15 expenses and deferred outflows related to pensions for governmental activities were incorrectly calculated. DOA Division of Finance (DOF) staff responsible for calculating governmental activities pension expense and deferred outflows related to pensions used the incorrect FY 15 contribution amount for the Teachers' Retirement System (TRS) portion of the pension activity calculation. Generally accepted accounting principles² require that pension expense, deferred outflows of resources, and deferred inflows of resources related to pensions be recognized for the employer's proportionate share of collective pension expense and collective deferred inflows/outflows of resources.

Legislative Audit's Current Position

The proper reporting of the State's proportionate share of pension expense and pension related deferred outflows of resources remained an issue in FY 16. Multiple errors were identified relating to the improper reporting of deferred inflows and outflows related to pensions and pension expense. The significant errors included:

- Deferred activity related to the State of Alaska's change in proportionate share of pension activity and pension contributions for the Public Employees Retirement System (PERS) was not appropriately netted when reported in the FY 16 CAFR. This resulted in deferred inflows and deferred outflows of resources related to pensions

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

being overstated by \$132.1 million for governmental activities in the FY 16 government-wide Statement of Net Position.

Governmental Accounting Standards Board Statement No. 68 (GASB 68) paragraph 54 states the deferred portion of the change in the proportionate share of pension and contribution activity should be reported as a deferred outflow or deferred inflow of resources. This error occurred as a result of oversight in applying the complexities of pension accounting standards to the State of Alaska's involvement in PERS. This misstatement was ultimately corrected via an audit adjustment and properly reported in the FY 16 CAFR.

- DOF incorrectly calculated and recorded the State's portion of deferred outflows and pension expense for PERS. This error was the result of multiple mistakes in the PERS calculations performed by DOF accountants, which resulted in deferred outflows being understated and pension expense being overstated by \$124.2 million for governmental activities on the FY 16 government-wide statements.

GAAP¹ require that pension expense, deferred outflows of resources, and deferred inflows of resources related to pensions be recognized for the employer's proportionate share of collective pension expense and collective deferred inflows/outflows of resources. This misstatement was ultimately corrected via an audit adjustment and properly reported in the FY 16 CAFR.

- DOF failed to accurately identify the functional classification of pension expenses on the FY 16 government-wide statement of activities, resulting in misclassifications across expense functions of \$136.6 million. Governmental accounting standards³ require the functional classification of expenses in order to group related activities that are aimed at accomplishing a major service or regulator responsibility. This provides information on the overall purposes or objectives of expenditures.

This error was due to accountant oversight and lack of sufficient review procedures over preparing the reconciliation and allocating expenses across functions. This misstatement was ultimately corrected via an audit adjustment and properly reported in the FY 16 CAFR.

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

Agency Response — Department of Administration

The Division of Finance (DOF) agrees with this recommendation to ensure expenses and deferred outflows related to pensions are accurately reported in the CAFR. As an

³Codification of Governmental Accounting and Financial Reporting Standards; Section 1800.133.

improvement to DOF's process, separate workbooks for PERS and TRS that contained only data specific to each pension plan were prepared. This modification removed the possibility of accidentally linking information from unrelated plans in the preparation of the required journal entries.

During FY 16, the Division of Retirement and Benefits (DRB) changed their methodology and presentation of the Governmental Accounting Standards Board (GASB) 68 related schedules. Although DOF worked with DRB and their actuaries to present the schedules in a format that would work for DOF's required CAFR allocations, errors occurred during the allocation calculations.

DOF continues to document procedures to accurately present all pension related activity. As audit findings were worked through, the procedures were updated simultaneously. These procedures will be reviewed and finalized with an estimated completion date of August 31, 2017.

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Recommendation No. 2016-003

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

Prior Finding

In FY 15, the State of Alaska made pension plan contributions to the PERS and the TRS in excess of the standard employer rate. Excess contributions directly benefiting the State as an employer made after the measurement date of the FY 15 net pension liability were recorded as expenses rather than deferred outflows of resources.

GASB 68 outlines how employers and other non-employer contributing entities of pension plans must report pension-related activity on their financial statements. However, GASB 68 does not specifically address situations, such as the State's, where an entity is both a participating employer and non-employer contributing entity in a special funding situation. Due to this lack of specificity, DOF accountants did not correctly recognize the portions of excess contributions that directly benefited the State as employer and special funder contributor. Per GASB 68, the employer and special funder contributions made subsequent to the measurement date should be reported as a deferred outflow of resources related to pensions.⁴

⁴GASB 68, paragraphs 57 and 106.

Legislative Audit's Current Position

During FY 16 audit work, it was identified that an additional \$1.66 billion in FY 15 State contributions to PERS and TRS were inappropriately reported as pension expense instead of as deferred outflows in the FY 15 CAFR. The FY 15 impact of the error was corrected through the reissuance of the FY 15 CAFR.

The misclassification the prior year led to DOF staff's calculation of the FY 16 pension expense for the government-wide statement of activities resulting in a negative expense of \$1.48 billion, and represents a material weakness in internal controls.

The GASB 68 accounting standards do not directly address the particular nuances of accounting for a non-employer contributing entity in a special funding situation that is making contributions exceeding those that are legally required. However, GAAP clearly identify the elements of pension expense.⁵ The misstatement was corrected via an audit adjustment and the activity was correctly reported.

We continue to recommend the state accountant ensure pension plan contributions are accounted for in accordance with governmental accounting standards.

Agency Response — Department of Administration

DOF agrees with this recommendation. The continued reporting of GASB 68 is complicated. The misclassification of prior year pension expense and deferred outflows, DRB's combining state employer and non-employer's charges on their audited GASB 68 reports, and errors in DOF's allocation calculations in the current year resulted in continued financial statement errors.

To remedy this situation, DOF continues to document procedures to accurately present all pension related activity. As audit findings were worked through, the procedures were updated simultaneously. The procedures will be reviewed and finalized with an estimated completion date of August 31, 2017.

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⁵GASB 68 paragraph 53 and 102.

Recommendation No. 2016-004

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

Prior Finding

DOA management failed to issue the schedules of employer and non-employer pension allocations for PERS and TRS until the end of November 2015. Without these schedules, employers participating in the PERS and TRS pension plans could not complete their annual financial statements. Many school districts and the State of Alaska were unable to meet deadlines⁶ due, in part, to the delay of the audited pension allocation schedules.

Disagreements between DOA management and the allocation schedule auditor regarding whether the State was in a special funding situation led to repeated delays.

Legislative Audit's Current Position

The audited schedules of employer and non-employer pension allocations for PERS and TRS were not issued in final audited form until October 21, 2016. The delay was caused by an unanticipated change in the allocation methodology for determining employer proportionate shares of pension activity, and disagreements between the plan auditors and actuaries on how calculations for deferred activity should be performed.

The audited allocation schedules are critical to the completion of participating employer's annual audits. Delayed schedules may result in the delayed issuance of audited financial statements for the State as well as many school districts and local governments.

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

Agency Response — Department of Administration

The Division of Retirement and Benefits (DRB) concurs with this recommendation regarding the issuance of the PERS and TRS audited schedules of employer and non-employer pension plan allocations. DRB continued to work on the scheduling and timing issues related to GASB 68 reporting. However, due to the special funding in FY 15, the Division had to change allocation methodologies that required more analysis, and then have discussions with interested parties to inform them of the impacts and effects of the methodology change. Because this methodology was different from the prior year schedule, it was again

⁶AS 37.05.210 and AS 14.14.050.

reviewed by DRB's external auditors, KPMG's Division of Professional Practice, pushing the release date further than anticipated. While the release date was late, it was two months earlier than the prior year.

In order to respond to requests for a report distribution before the impacted year end, DRB modified the preparation calendar so that the report would be issued by June of the fiscal year for inclusion. Therefore, the June 30, 2016 allocation schedules to be used in the FY 17 financial statements were issued in June 2017. With the issuance of GASB 75, the Division is working with their actuaries and auditors to combine the reporting for dual distribution in the Spring of each year, with a June 2018 anticipated release of the pension and other post-employment benefits audited schedules.

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Recommendation No. 2016-005

DOF's director should improve controls over the preparation of financial statement footnotes to ensure all footnotes are correctly prepared as required by GAAP.

Prior Finding

The draft FY 15 CAFR contained several footnote errors and omissions. Some footnotes required significant revisions, while other footnote disclosures were not included as required by GAAP.

GAAP requires extensive footnote disclosures accompany a government's CAFR. The footnotes are an integral part of the financial statements. DOF's lack of internal controls to ensure complete and accurate footnote disclosures resulted in the errors and omissions. Once notified by audit staff, DOF staff generally addressed the findings, and the final version of the FY 15 CAFR footnotes was materially accurate.

Legislative Audit's Current Position

While the state accountant completed a financial statement disclosure checklist when preparing the CAFR, additional improvements are needed. Review of the FY 16 draft CAFR footnotes identified significant errors and omissions of GAAP required information.

DOF's lack of sufficient internal controls to ensure complete and accurate footnote disclosures resulted in the errors and omissions. Additionally, FY 16 was the first year the CAFR and footnotes were prepared using information from State's new accounting system, IRIS. This resulted in an extended CAFR timeline and a strain on available DOF resources.

Once notified by audit staff, DOF staff addressed the findings, and the final version of the FY 16 CAFR footnotes was materially accurate.

We continue to recommend DOF's director improve controls over the preparation of the CAFR footnotes to ensure all footnotes are correctly prepared as required by GAAP.

Agency Response — Department of Administration

DOF agrees with this recommendation. Reporting requirements for Governmental Accounting Standards Board (GASB) pronouncement number 68 related to pensions continues to be difficult for the state. GASB 68 requires a significant amount of additional information to be included within the financial statement footnotes. DOF's implementation of GASB 68 requirements failed to recognize the need to include a component units pension plan information due to its materiality.

A footnotes disclosure checklist identified some areas of omission, but is not an all-inclusive resource. DOF will continue to utilize additional internal checklists and review outside audited financial statements for material items that should be included at the state level.

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Recommendation No. 2016-006

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

Prior Finding

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

- The defeasance of general obligation bonds was not properly reported on the fund financial statements. Total other financing sources for non-major governmental funds was understated \$116.6 million on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and other financing uses were understated \$116.3 million.
- The net proceeds from issuing bond anticipation notes and the associated payment to refund the prior bond anticipation notes were incorrectly reported. This error resulted in a \$10.0 million overstatement to debt service expenditures and \$9.8 million overstatement to other financing sources for non-major governmental funds on the

Statement of Revenues, Expenditures, and Changes in Fund Balances. Additionally, other revenues were overstated \$9.8 million and debt service expenditures of \$10.0 million were overstated for governmental activities Statement of Activities.

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

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

Legislative Audit's Current Position

DOF staff did not accurately report FY 16 long term debt activities. COP debt activity was reported correctly. However, there were multiple errors related to the reporting of the general obligation bond issuances. Two issuances occurred in FY 16: Series A proceeds were used to pay the principle and remaining interest on the short-term debt of a transportation capital project fund; Series B proceeds were deposited in the same fund to pay for future transportation projects.

The significant errors were as follows:

- Series A and B proceeds were reported in a capital project fund but also incorrectly reported a second time in a debt service fund. Furthermore, Series A proceeds were incorrectly reported as other financing sources: refunding bonds issued in the capital project fund. The proceeds should have been reported as bonds issued since the bonds were not issued to refund long term debt. Series B proceeds were reported as other revenue rather than as an other financing source. The errors occurred during CAFR preparation as a result of inadequate knowledge by DOF accountants relating to the proper accounting for bond issuances.
- A \$10 million transfer into the capital project fund from the general fund to pay a portion of the principle and remaining interest on short-term debt of the fund was incorrectly reported. The amount was double reported as other financing sources — first as transfers in and again as refunding bonds issued. The payment of principal and interest on the short-term debt was also reported as transportation expenditures when it should have been limited to reducing a liability. The error occurred due to a misunderstanding by DOF staff regarding the use of the funds.

According to generally accepted government accounting standards,⁷ proceeds of long-term debt not recorded as fund liabilities normally should be reflected as “other financing sources” in the operating statement of the recipient fund.

The errors resulted in misstatements on the nonmajor funds Statement of Revenues, Expenditures, and Changes in Fund Balances in the following accounts and amounts: \$155.3 million overstatement of other revenues; \$432.6 million overstatement of refunding bonds issued; \$314.1 million overstatement of payment to refunding bond escrow agent; \$263 million understatement of bonds issued; \$656 thousand overstatement of debt service: interest and other charges; and \$10 million overstatement of transportation expenditures. Additionally, refunding bond proceeds on the Reconciliation of Changes in Fund Balances to the Statement of Activities was overstated by \$315 million and bond proceeds was understated by the same amount. Additionally, the \$10 million transfer in was incorrectly reported on the Statement of Activities for governmental activities. General other revenues were overstated by \$9.6 million and expenses were overstated the same amount.

The noted errors were corrected via an audit adjustment and the activity was properly reported in the FY 16 CAFR.

We continue to recommend the state accountant ensure debt-related activities are accurately reported in the CAFR.

Agency Response — Department of Administration

DOF concurs with the recommendation to ensure debt related activities are accurately reported in the CAFR. Legislative Audit’s current position includes one distinct area of long-term debt: general obligation bond issuances.

The State issued long-term Series A and B bonds for the repayment of previously issued short-term Series A bonds and to establish funding for future transportation projects. During the preparation of the FY 16 CAFR the debt accounting for the Series A activity was incorrectly reported as other financing sources to refund long-term debt instead of short-term debt. In addition, Series B proceeds were reported as an other revenue rather than other financing source. This initial classification error resulted in misstatements on the nonmajor funds Statement of Revenues, Expenditures, and Changes in Fund Balances; which were corrected via an audit adjustment for proper FY 16 CAFR reporting.

While the short-term debt accounting portion of this recommendation was resolved, DOF was unable to implement the full corrective action plan because of competing priorities, staff turnover, and assisting in the resolution of issues that arose in the newly implemented accounting system. The remaining remediation will be accomplished through an update and peer review to the debt accounting procedures. DOF has made this effort a priority and the

⁷Codification of Governmental Accounting and Financial Reporting Standards B50.102.

debt accounting procedure was completed June 15, 2017 and is available to be used in the FY 17 CAFR preparation. In addition, debt accounting training will be identified and periodically provided to DOF staff to broaden the knowledge base among team members.

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Recommendation No. 2016-007

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

Prior Finding

Multiple errors were identified relating to the inaccurate reporting of SBRF and CBRF financial activity in the FY 15 draft CAFR. The significant errors were as follows:

- Interfund activity of \$3 billion relating to appropriations made from the CBRF was not accurately presented due to oversight by accounting staff.
- Calculation of the year-end transfer of funds between the SBRF and the General Fund (GF) was overstated by \$50.4 million due to a formula error.
- Internal transfer activity of \$6.9 billion within the CBRF was not properly eliminated due to a lack of understanding of proper financial reporting by staff.

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

GAAP require that governmental funds be reported using the modified accrual basis of accounting, under which expenditures and transfers are recognized when measurable and when the related liability is incurred.⁸

Legislative Audit's Current Position

This finding was partially resolved, as DOF staff followed procedures and properly eliminated the internal transfer activity within the CBRF. However, testing of the FY 16 draft CAFR identified other errors of inaccurate reporting of financial activity that were primarily due to oversight by accounting staff.

⁸Codification of Governmental Accounting and Financial Reporting Standards 1600.116.

Specifically, errors were identified relating to the presentation of the repayment from the GF to the CBRF required by article IX, Section 17(d) of the Alaska Constitution. The errors were as follows:

- Footnote disclosures included \$204.9 million as the FY 16 repayment amount; however, no corresponding activity was reported in the financial statements.
- Calculation for the repayment did not include \$288 million from the SBRF year-end fund balance, causing an understatement.
- GF subfund appropriation balances lapsing at year end understated the repayment calculation by \$19.8 million.
- Application of the methodology for repayment, as well as a formula weakness in a supporting schedule for one subfund, caused a \$12.1 million understatement.
- Advances in GF subfunds were incorrectly reported in the GF fund balance, causing an overstatement in the repayment by \$2.2 million.

Furthermore, errors were identified in the financial reporting of interfund activity for the draw from the CBRF to the GF for balancing appropriations at year end as permitted by legislation. These errors were as follows:

- Current year data for deferred inflow of resources was not updated on the schedule used for calculating the draw, resulting in a \$309.8 million overstatement.
- Appropriation balances lapsing in the GF at year end were included in the calculation of the amount drawn, causing an overstatement of \$151.2 million.
- Interest earnings from investments in the GF appropriated to the CBRF through legislation were not transferred timely, resulting in a \$12.7 million understatement in the CBRF draw calculation.
- Inaccurate reporting of the equity balances for advances contributed to a \$2.6 million overstatement in the CBRF draw calculation.

The noted errors were corrected via audit adjustments and the activity was properly reported in the FY 16 CAFR.

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

Agency Response — Department of Administration

DOF concurs with the recommendation to ensure procedures are followed to accurately report financial activity of the SBRF and the CBRF. Legislative Audit's current position includes two areas where inaccurate reporting of financial activity occurred: presentation of the repayment from the General Fund (GF) to the CBRF and reporting of interfund activity for the draw from the CBRF to the GF for balancing appropriations at year end.

This was the first full year the new accounting system was the basis for CAFR preparation which required each procedure to be reviewed and updated along with development of new reports to support CAFR efforts. The items in this recommendation identify areas where procedures and/or reporting need to be improved so that adequate guidance is provided for workpaper calculations and reporting accuracy.

A portion of this recommendation was resolved for the internal transfer activity within the CBRF through updates to the CAFR procedures. Further updates to CAFR and CBRF procedures along with new procedures to resolve the remaining recommendation areas is a DOF priority. It is anticipated that procedures and peer review will be completed September 2017 so that the procedures are available for use in the FY 17 CAFR preparation.

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Recommendation No. 2016-008

DOF's director should reconfigure its Alaska Data Enterprise Reporting System (ALDER) shortfall report to identify and monitor all revenue shortfalls.

Prior Finding

In FY 15, we found there was no tool for identifying revenue shortfalls under IRIS, which went live in July 2015. Since there is no financial reporting function within IRIS, reporting for IRIS must be addressed through ALDER, the State's data warehouse reporting tool. Due to the time requirements to implement IRIS and the increased complexity of reporting IRIS activity in ALDER, no shortfall report was created and made available to departments.

The *State Budget Act* provides that if actual collections fall short of appropriated program receipts, an agency is required to reduce the budget by the estimated reduction in collections. Furthermore, the Alaska Administrative Manual⁹ states:

⁹Alaska Administrative Manual 25.090.

When an appropriation is funded from budgeted revenues, it means that the appropriation may be spent only to the extent that budgeted revenues are earned. If budgeted revenues (cash receipts plus valid account receivables) fall short of the amount estimated, expenditures must be reduced accordingly.

Without a shortfall report, departments have no efficient way of monitoring appropriations to identify revenue shortfalls so that corrective actions to reduce expenditures can be taken timely.

Current Position

In FY 16, DOF staff made progress in addressing the finding; however, additional action is needed. Specifically, DOF personnel created an ALDER report to identify and monitor shortfalls. However, there were flaws in the report design and revenue shortfalls were incorrectly calculated. Additionally, DOF's shortfall ALDER report does not calculate shortfalls for appropriations with term years equal to FY 15 or earlier.

For appropriations that terminated in FY 15 or earlier, only encumbered balances were converted from the former state accounting system, AKSAS.¹⁰ Since no detail financial information was available in IRIS for these appropriations, DOF's ALDER shortfall report could not be used to calculate shortfalls. No alternative process was developed for departments to monitor shortfalls for these appropriations.

We recommend DOF's director reconfigure its ALDER shortfall report to identify and monitor all revenue shortfalls.

Agency Response — Department of Administration

DOF agrees with this recommendation. While the shortfall report was developed in FY 15 and posted to the Enterprise report folder for department use, DOF was not aware that the report was not being utilized by departments and therefore was not aware the report required edits.

While conducting shortfall testing, the Division of Legislative Audit (DLA) contacted DOF and edits are being made to the report. DOF will continue to work with DLA to ensure the edits performed address all areas of concern with an expected completion date of August 31, 2017.

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¹⁰Revenue and expenditure budgets, incurred expenditures, and collected revenues recorded in AKSAS were not converted into IRIS.

Recommendation No. 2016-009

DOA's ETS division director should coordinate with the Department of Labor and Workforce Development's (DLWD) Administrative Services Division (ASD) director to address security concerns.

There is a significant control deficiency in management of DLWD's IT security. There have been substantial delays in addressing the control deficiency due to a lack of productive communication between DLWD and ETS staff.

Per the State of Alaska's Information Security Policy and National Institute of Standards and Technology¹¹ (NIST) Special Publication 800-53 Revision 4,¹² IT security deficiencies should be addressed timely.

This control deficiency creates the potential for loss or manipulation of sensitive data.

We recommend DOA's ETS director coordinate with DLWD's ASD director to address security concerns.

Auditor's Note

The details related to this control weakness and the relevant audit criteria are being withheld from this report to prevent the weakness from being exploited. Pertinent details have been communicated to agency management in a separate, confidential document.

Agency Response — Department of Administration

The Office of Information Technology (OIT) concurs with this recommendation. OIT is working with the Department of Labor to implement interim security controls which will be in place by August 31, 2017. OIT leadership will coordinate with the Datacenter Manager and DLWD's ASD Director (or designee) to address any issues that may arise.

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¹¹NIST is a non-regulatory agency of the U.S. Department of Commerce. NIST is responsible for developing information security standards and guidelines, including minimum requirements for federal information systems. NIST Special Publication 800-53 is considered industry best practices.

¹²*Security and Privacy Controls for Federal Information Systems and Organizations.*

Recommendation No. 2016-010

DOF's director should significantly improve ALDER 2.0 training.

DOF has not adequately supported State agencies' use of the ALDER 2.0 system. Since going live in July 2015, no formalized training classes and no comprehensive reference manuals have been provided to ALDER users. Competing priorities, including the challenges of implementing the State's new accounting system, IRIS, has prevented DOF from allocating the resources necessary to develop ALDER 2.0 training.

ALDER 2.0 is a statewide reporting system designed to integrate data from multiple systems into a unified environment for simpler and more effective reporting. ALDER currently provides an integrated reporting platform for financial, procurement, and payroll data. With the implementation of IRIS, which has limited reporting capabilities, ALDER 2.0 is critical for querying and summarizing the State's accounting data.

An effective internal control system requires management communicate quality information to enable personnel to achieve management's objectives. Quality information is appropriate, current, complete, accurate, accessible, and provided on a timely basis.¹³ Due to the complexity of ALDER 2.0, the lack of formal training adversely impacted agency fiscal personnel in performing their duties, including the timely and accurate recording of transactions in IRIS. The lack of training also contributed to the delay in preparing the State's FY 16 CAFR.

We recommend DOF's director significantly improve ALDER training, including developing and implementing ALDER 2.0 training classes and reference manuals, and requiring all key fiscal personnel attend training.

Agency Response — Department of Administration

DOF agrees with the recommendation that ALDER 2.0 training needs to be improved.

The stabilization of the new Integrated Resource Information System (IRIS) administrative system was tightly coupled with the development of ALDER 2.0 data warehouse reporting capability. Configuration, additional functionality, and data element enhancements performed for IRIS during the 12-month stabilization period required refinement to the ALDER 2.0 data model that is the foundation for reporting. While no formal training occurred, DOF continued to release enterprise reports and host numerous workshops that provided departments the ability to work on specific reporting requirements. System stabilization efforts consumed staff time and prohibited DOF from developing and providing formal training.

¹³GAO-14-704G 13.05 and 14.03, "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States.

The staff responsible for developing the ALDER training curriculum is the same staff that produces the State's CAFR. Due to numerous challenges, the FY 16 CAFR was not completed until May 26, 2017. Consequently, DOF staff will monitor departments during the re-appropriation period to avoid these challenges for the FY 17 CAFR.

DOF will continue to host workshops for departments so that they can receive assistance in report development and will begin developing a training curriculum and reference materials in January 2018. DOF's intent is to have formal report developer training available for state employees by Spring 2018.

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Recommendation No. 2016-011

DOA's commissioner should obtain an attorney general opinion to support the proper accounting and reporting for the regional educational attendance area and small municipal school district (REAA) fund.

DOF accounting staff did not transfer the REAA fund balance that exceeded \$70 million at the end of FY 16 as required by statute. The FY 16 fund balance was \$87.7 million.

REAA statute states, in part:

- (a) The regional educational attendance area and small municipal school district school fund is created as an account in the general fund to be used, in addition to other funding sources, to fund projects approved under AS 14.11.025 for the costs of school construction in regional educational attendance areas and small municipal school districts.*
- (b) Legislative appropriations, including appropriations of interest earned on the fund, shall be deposited in the fund established under this section. The fund balance may not exceed \$70,000,000.*
- (c) Money appropriated to the fund does not lapse except to the extent money in the fund exceeds the maximum fund balance specified in (b) of this section. [emphasis added]*

DOF did not transfer the excess \$17.7 million fund balance to the general fund based on guidance from the Department of Law (LAW) and the Office of Management and Budget. DOF was advised by LAW attorneys that the REAA statutory reference to "fund balance" should be interpreted as unobligated fund balance. As the unobligated fund balance at year-

end did not exceed \$70 million, LAW advised that no transfer was necessary. However, this guidance was not supported by a legal opinion, making it insufficient from an audit perspective.

An audit adjustment was submitted to DOF to move the \$17.7 million excess fund balance to the general fund. DOF staff did not post the adjustment based on direction from LAW. Because the REAA fund is a subfund of the general fund, the failure to post the adjustment did not create a misstatement in the general fund balance sheet. However, not posting the adjustment did result in a misstatement to the financial statement footnotes. The excess fund balance should have been available in the general fund to reduce the transfer from the constitutional budget reserve fund (CBRF) per Chapter 1, SSLA 2015, Section 12(b) as explained in Note 2 to the FY 16 CAFR. Consequently, Note 2 is misstated by the \$17.7 million. We also note that the combining statements 3.01 and 3.02 which summarize financial activity of the CBRF was misstated by the same amount.

We recommend DOA's commissioner obtain an attorney general opinion that supports the proper accounting and financial reporting for the REAA fund.

Agency Response — Department of Administration

DOA agrees with this recommendation. During the CAFR audit there was disagreement with the interpretation of the statute governing the REAA fund. While the statute states that the fund balance is not to exceed \$70 million, ignoring continuing appropriations that have not termed creates legal issues for the State of Alaska.

The Office of Management and Budget (OMB) received a written memorandum from the division of Legal and Research Services within the Legislative Affairs Agency stating that only the unexpended and unobligated balance of the REAA fund should be subject to lapse. In addition to the memorandum received by OMB, DOA will obtain an attorney general opinion to support the proper accounting and reporting for the REAA fund.

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Recommendation No. 2016-012

DOF's director should implement strong system configuration management controls.

During FY 16, there was no comprehensive policy for configuration management.¹⁴ According to DOF management, certain configuration changes were considered minor and too time consuming for tracking and monitoring. However, there was no guidance to define a minor change.

NIST's *Special Publication 800-53* provides extensive framework for system configuration management controls. Per NIST control CM-1, a typical organization should develop, document, and disseminate a configuration management policy that addresses purpose, scope, roles, responsibilities, management commitment, coordination among organizational entities, and compliance. Additionally, per NIST control CM-3, each organization should:

- a. Determine the types of changes to the information system that are configuration-controlled;
- b. Review proposed configuration-controlled changes to the information system and approve or disapprove such changes with explicit consideration for security impact analyses;
- c. Document configuration change decisions associated with the information system;
- d. Implement approved configuration-controlled changes to the information system;
- e. Retain records of configuration-controlled changes to the information system;
- f. Audit and review activities associated with configuration-controlled changes to the information system; and
- g. Coordinate and provide oversight for configuration change control activities.

Lack of well-designed configuration management may result in inappropriate system changes that cause disruptions, inefficiencies, noncompliance with federal and state laws, and/or productivity loss.

We recommend DOF's director implement strong system configuration management controls.

Auditor's Note

The details related to this control weakness are being withheld from this report to prevent the weakness from being exploited. Pertinent details have been communicated to agency management in a separate, confidential document.

¹⁴Configuration management is a collection of activities that establishes and maintains the integrity of information technology products and information systems, through control of processes for initializing, changing, and monitoring the configurations.

Agency Response — Department of Administration

DOF agrees with this recommendation. DOF created a working group consisting of accountants responsible for compiling financial data, business analysts within the IRIS project section and a computer programmer to document a procedure for processing configuration changes. This will include documenting decisions made for changes believed to carry less risk and therefore require less review and/or formal processes. The expected completion date is August 31, 2017.

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Recommendation No. 2016-013

The state accountant should ensure revenues are consistently and accurately classified in the CAFR.

Government-wide governmental activities revenues in the FY 16 CAFR contained numerous classification errors. As a result, \$398.4 million of revenues in the government-wide governmental activities financial statements were misclassified. The most significant errors were as follows:

- Property taxes of \$111.6 million were incorrectly reported as severance taxes on the statement of activities. The misclassification was due to DOA DOF's accountants' misunderstanding of agency coding combined with a lack of review or comparison of FY 16 revenue to prior year revenue to identify errors. A review or comparison of revenue amounts would have identified revenue structures in the new state accounting system, IRIS, required a manual classification of property tax revenues.
- An adjustment to reverse governmental activities capital grants and contributions: transportation revenue of \$210.1 million was incorrectly classified as operating grants and contributions: transportation on the statement of activities. Due to the implementation of a new accounting system during FY 16, DOF's revenue classification tool was not finalized prior to CAFR preparation. Additionally, DOF staff responsible for revenue classification inconsistently applied the draft revenue classification tool.

These errors were ultimately corrected via an audit adjustment and properly reported in the FY 16 CAFR.

Governmental accounting standards¹⁵ require revenues to be classified between program revenues and general revenues. Program revenues are derived directly from the program itself and classified between charges for services, operating grants and contributions, and capital grants and contributions. General revenues include all other revenues not meeting the definition of program revenues and break out taxes by the different tax types, including sales tax, property tax, and income tax.

We recommend the state accountant ensure revenues are consistently and accurately classified in the CAFR.

Agency Response — Department of Administration

DOF agrees with this recommendation. When compiling the draft CAFR, DOF accountants incorrectly classified \$111.6 million of property taxes as severance taxes and performed an adjustment in operating grants and contributions instead of capital grants and contributions in the amount of \$210.1 million.

With the implementation of IRIS, DOF staff were required to change business processes regarding revenue. Legacy procedures could not be referenced and the CAFR process had to be redefined. DOF accountants spent a substantial amount of time identifying errors and inconsistencies within revenues and performed the necessary actions to correct those errors. However, without completed and finalized procedures for this new process, the above misclassifications occurred.

During the audit process, DOF accountants updated CAFR procedures for each area of concern identified. Upon audit completion, the procedures were reviewed and finalized to ensure revenues are consistently and accurately classified in the CAFR. These finalized procedures will be used when preparing the CAFR financial statements.

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Recommendation No. 2016-014

The state accountant should improve procedures to accurately report capital assets.

Multiple errors were identified in the reporting of capital assets on the FY 16 government-wide governmental activities Statement of Net Position. Specifically, the capital asset accounts: Construction in Progress; Infrastructure Net of Depreciation; Buildings, Net of

¹⁵Codification of Governmental Accounting and Financial Reporting Standards 1800.142-.143.

Depreciation; and Equipment, Net of Depreciation contained significant errors. The following errors were noted for each account:

- Infrastructure Net of Depreciation was understated \$61.1 million.
- Construction in Progress was understated \$237.6 million.
- Buildings, Net of Depreciation was overstated \$76.4 million.
- Equipment, Net of Depreciation was understated \$21.6 million.

The errors were the result of DOF accountants not identifying that: prior year audit adjustments were not treated correctly in the FY 16 capital asset listings; capital asset listings by account contained formula errors; and adjustments posted to the capital asset accounts were not supported by the associated capital asset listing. Collectively, the errors would have misstated the financial statements; however, the errors were corrected via audit adjustments and capital assets were properly reported in the FY 16 CAFR.

Governmental accounting standards¹⁶ require capital assets to be reported at historical cost and include all tangible or intangible assets used in operations that have initial useful lives extending beyond a single reporting period and be depreciated over their useful lives.

We recommend the state accountant improve procedures to accurately report capital assets. Improved procedures will be especially important as the State moves to tracking and reporting all capital assets in IRIS.

Agency Response — Department of Administration

DOF agrees with this recommendation. When compiling the draft CAFR, prior year audit adjustments were not properly applied to assets in the current fiscal year, worksheets contained formula errors, and adjustments were not properly supported.

IRIS supports a capital asset function that can be utilized for financial statement purposes and it was initially used for the draft CAFR. However, several errors occurred within one department that were material to the capital asset account and concerns were identified within the system's depreciation process. Due to these issues, DOF staff reverted to the former procedures just prior to the draft CAFR submission. This resulted in rushed processes, limited review time and the noted errors to occur.

DOF continues to move forward with utilizing the capital asset system functionality for financial statement preparation and DOF's systems support is working to resolve the depreciation issue. When it is confirmed that this system functionality can be used, DOF will

¹⁶Codification of Governmental Accounting and Financial Reporting Standards 1400.102-.104.

perform parallel procedures with substantial review for the first year of implementation to ensure capital assets are accurately reported.

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Recommendation No. 2016-015

The state accountant should ensure year-end revenue accruals reported in the CAFR are recorded to the correct fiscal year, are valid, and are properly supported.

Implementation of IRIS in FY 16 resulted in various revenue errors. IRIS records revenue receivables (RE) during the reappropriation period (July and August following fiscal year-end) by default to the current fiscal year. Agency accountants must manually change IRIS generated RE transactions to the prior fiscal year as necessary. DOF staff identified that agency accountants did not always correctly modify the fiscal year of RE documents and proposed adjustments to address the issue. However, DOF's methodology was flawed and resulted in the following identified errors:

- General fund deferred inflows of resources (unavailable revenue) of \$122.4 million were overstated in the fund statements. Furthermore, government-wide, governmental activities revenues on the Statement of Activities were overstated by the same amount. These errors were due to DOF accountants not correctly considering the cumulative effect of various pre-draft CAFR adjustments to these accounts, and by considering all RE-related errors to be unavailable revenue.
- General fund unavailable revenue was overstated \$23 million, and government-wide, governmental activities revenues overstated the same amount. This error was caused by DOF staff incorrectly including duplicate transactions totaling \$4.2 million, and accruing \$18.8 million in revenues for expenditures that were not reimbursable. These errors were the result of DOF's methodology not fully considering the different ways agencies use IRIS structures to track expenditures and required State match for federally reimbursed programs.

DOF's year-end process to identify and reclassify unavailable revenue in the FY 16 draft CAFR also resulted in various revenue errors:

- Intergovernmental receivables of \$14.2 million converted from the prior accounting system, AKSAS, were inadvertently reported as general fund unavailable revenue instead of being eliminated as intergovernmental activity. This resulted in general fund expenditures and unavailable revenue being overstated \$14.2 million. This error

was due to oversight by DOF accountants due to the complexity of converting intergovernmental receivables from the prior accounting system to IRIS.

- Collected revenues of \$3.8 million were included in DOF's unavailable revenue accrual. This error was due to DOF staff's use of incorrect parameters in financial reports used to calculate unavailable revenue at year-end.

These errors were ultimately corrected via audit adjustments and properly reported in the FY 16 CAFR.

Governmental accounting standards¹⁷ require governmental fund revenues to be recognized in the accounting period in which they become both measurable and available¹⁸ to finance expenditures of the fiscal period.

We recommend the state accountant ensure year-end revenue accruals reported in the CAFR are recorded to the correct fiscal year, are valid, and are properly supported.

Agency Response — Department of Administration

DOF agrees with this recommendation. When compiling the draft CAFR it was discovered that automated revenue receivable generation during the re-appropriation period posted to the current fiscal year. DOF accountants analyzed each type of activity for proper reporting. The complicated elements of revenue activity led to errors within the deferred inflows of resources, unavailable revenue, intergovernmental receivables, and governmental activities revenue accounts.

With the implementation of IRIS, DOF staff was required to completely change business processes regarding revenue. Legacy procedures could not be referenced and the CAFR process had to be redefined. DOF accountants spent a substantial amount of time identifying errors and inconsistencies within revenues and performed the necessary actions to correct those errors. However, without completed and finalized procedures for this process the above errors occurred.

During the audit process, DOF accountants updated CAFR procedures for each area of concern identified. Upon audit completion, the procedures were reviewed and finalized to ensure revenues are consistently and accurately classified in the CAFR. The finalized procedures will be used when preparing future CAFR financial statements.

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¹⁷Codification of Governmental Accounting and Financial Reporting Standards 1600.106.

¹⁸Available has been defined by DOF policy as being received within 60 days of fiscal year-end.

Recommendation No. 2016-016

The state accountant should ensure personal service expenditures recorded in IRIS are reconciled to the State's payroll system (AKPAY).

FY 16 personal services expenditures generated in AKPAY were not reconciled with personal services expenditures recorded in IRIS.

The AKPAY system was used to process the State's payroll throughout FY 16; however, the system did not directly interface with IRIS. Management instituted a temporary process that included extracting personal services expenditure data from AKPAY, converting it into a format usable by IRIS, and uploading the data into IRIS to record personal service expenditures and associated liabilities. Per management, insufficient resources and complexities with recording personal services activity to IRIS attributed to the lack of reconciliation.

During FY 16, the AKPAY system processed approximately \$1.8 billion in personal services expenditures. In absence of performing reconciliations, the manual processes used to record personal services expenditures in IRIS increase the risk of a financial misstatement.

Alaska Administrative Manual 05.020 requires each State agency to “*adopt methods to periodically assess risk and develop, implement, and review its system of internal control.*” Furthermore, AAM 05.110 lists reconciliations as a common control activity that provide reasonable assurance of the accuracy of financial records through periodic comparison of source documents to data recorded in accounting information systems.

We recommend that the state accountant ensure personal service expenditures recorded in IRIS are reconciled to AKPAY.

Agency Response — Department of Administration

DOF agrees with this recommendation. Historically, DOF Accounting Services performed a monthly reconciliation of AKPAY and the legacy accounting system. The initial year of implementation and stabilization activities for the IRIS financial system was challenging and was further impacted by staff shortages within DOF. Some compensating controls were in effect, such as the interface summary control totals between AKPAY and IRIS financial and the generation of payroll charge reports distributed to departments. After the initial few payroll iterations using the temporary process to convert legacy personal services accounting structures to the new IRIS personal services accounting structures, no areas of functional concern were reported by departments as they performed their accounting and reconciliation tasks. IRIS HRM replaced the AKPAY payroll system mid-FY 17 and the temporary process to convert personal services accounting structures is no longer required. DOF will develop and implement a plan to reconcile personal service expenditures between AKPAY and IRIS financial at the summary level for FY 17.

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Recommendation No. 2016-017

The Division of Retirement and Benefits' (DRB) director should ensure the financial audits of the retiree and health funds are performed timely.

The audits of the group health and life fund and the retiree health fund, performed by other auditors (OA), were not completed by the October 3, 2016, deadline established by DOF. As a result, preliminary unaudited financial activity for both funds was included in the draft CAFR prepared by DOF for audit.

The group health and life fund financial activity is reported in the CAFR as an internal service fund. The retiree health fund is reported as an other employee benefit trust fund. State law (AS 37.05.210) requires DOF to issue the audited CAFR for the preceding fiscal year by December 15th. Due to administrative errors by DRB staff during the audit process, the audit was delayed. The final OA opinion and audited financial statements were provided to DOF on April 7, 2017 – over six months after DOF's October 3rd deadline.

Incomplete and untimely draft CAFR information delayed the issuance of the CAFR and statewide single audit report, which negatively impacted decision-making by report users. Furthermore, the delay decreased audit efficiency.

We recommend DRB's director ensure the financial audits of the retiree and health funds are performed timely.

Agency Response — Department of Administration

DRB concurs with this recommendation that the division should ensure the financial audits of the retiree and health funds are performed timely. Although DOF established an October 3, 2016 deadline for the audits of the group health and life fund and the retiree fund, DRB notified DOF that they would not be able to meet that deadline. Issues that contributed to the delays included missing documentation, a need for additional documentation to complete the necessary audit work, the departure of key health team staff assigned to the request of health items and limited staff resources.

To better manage this process and learn from the experience of this year's audits, the accounting team will work collaboratively with DOF staff in advance to establish an agreeable timeline and schedule tasks for better transparency. Additionally, the DRB accountants will join efforts with the DRB health team and the primary third-party administrators (TPA) on items that require further research to determine the best strategy

going forward. The DRB accountants will also increase the review of audit samples for completeness prior to providing the documentation to the external auditors and DRB will ensure the required items are requested in advance so that the TPAs have time to locate and provide the information promptly to meet the deadlines.

For the audits of the retiree and health funds as of June 30, 2017, DRB is working with the primary TPA to perform health plan testing on-site. Additionally, DRB and the external audit team will hold a teleconference with the three TPAs to confirm the receipt of the test items list, discuss the required support needed by the external auditors, and determine the timing involved to meet reporting deadlines. With these additional measures in place, DRB should meet the deadline and accomplish the goal of issuing timely health plan audited financial statements.

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DEPARTMENT OF LAW (LAW)

No recommendations were made to LAW in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2015*.

No new recommendations have been made during the FY 16 statewide single audit.

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DEPARTMENT OF REVENUE (DOR)

Four recommendations were made to DOR in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2015*. Prior year Recommendation Nos. 2015-012 through 2015-015 are resolved.

One new recommendation has been made during the FY 16 statewide single audit and is included as Recommendation No. 2016-018.

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Recommendation No. 2016-018

DOR's Tax Division director should update procedures to ensure oil and gas tax credits payable at year-end are accurately reported in the Comprehensive Annual Financial Report (CAFR).

DOR's procedures for accruing FY 16 oil and gas tax credits at fiscal year-end did not capture the entire liability to the State and did not disclose the related unmeasurable loss contingency. DOR's procedures resulted in the underreporting of the FY 16 CAFR general fund accounts payable and accrued liability account by \$577.1 million dollars, of which \$359.8 million related to the prior year and \$217.3 million to the FY 16 general fund taxes account. Additionally, required disclosures were not included in the FY 16 CAFR footnotes. The errors represented a material weakness in internal controls, and were corrected through an audit adjustment and properly reported in the FY 16 CAFR and related footnotes.

To incentivize the exploration and development of Alaska oil and gas resources, several tax credit options have been implemented. Under AS 43.55.023 and AS 43.55.025, tax credits are issued as certificates for certain qualifying losses and expenditures. To claim a credit, the producer or explorer submits an application to DOR with supporting documentation. Once the application is received, staff within the Tax Division conduct an administrative review to verify the accuracy and validity of the claim prior to approval and issuance of the certificate. A tax credit may be approved for an amount significantly different from the requested amount or denied.

DOR Tax Division's practice was to accrue as a liability all issued but unused tax credit certificates at fiscal year-end. However, according to governmental accounting standards,¹⁹ in non-exchange transactions, the provider recognizes a liability when all relevant eligibility requirements are met by the recipient. Specific to this issue, the State is the provider of the resource and the producer or explorer applying for the tax credit certificate is the recipient. In order to be eligible for the certificate, the producer or explorer must incur qualifying losses or expenditures during the specified period of time which is communicated via application to DOR. Therefore, the eligibility requirements have been met when DOR receives the tax credit application, and a liability exists at that point.

According to DOR Tax Division management, developing an estimate for applications where a certificate has not yet been issued is not possible given the unpredictability of the credit applied for and the actual credit amount issued. However, it is possible to report a liability for applications received by fiscal year-end where a certificate has been issued by the end of the re-appropriation period (July – August). Any liability for the applications received by fiscal year-end but not certificated that cannot be reasonably estimated should be disclosed in the CAFR footnotes per accounting standards.

¹⁹*Codification of Governmental Accounting and Financial Reporting Standards N50.104.*

Governmental accounting standards²⁰ stipulate an estimated loss from a loss contingency should be accrued if information available prior to issuance of the financial statement indicates that it is probable that a liability had been incurred at the date of the financial statements and the amount can be reasonably estimated. Furthermore, when an estimate cannot be made, the loss contingency should be disclosed. These standards require that uncertificated tax credit applications be reevaluated close to the financial statement issuance date to determine those issued or valued that should be reported as a liability on the face of the CAFR versus a footnote disclosure in the CAFR.

Although DOR's Tax Division cannot reasonably estimate a liability for applications at year-end, once the certificate has been issued, the amount is known and should be accrued in the State's financial statements. Therefore, a liability should be recognized in the financial statements for all issued but unused tax credits, and applications received by June 30th where tax credits are subsequently certificated up to the date of the financial statements. Additionally, a disclosure for the related unmeasurable loss contingency should be included in the footnotes.

We recommend DOR's Tax Division director update procedures for accrual of tax credit liabilities to ensure oil and gas tax credits payable are properly reported in the CAFR.

Agency Response — Department of Revenue

The DOR Tax Division has historically accrued as a liability all tax credit certificates that had been issued but remained unused by the end of the re-appropriation period (July-August). The Tax Division does not agree that a liability exists when a taxpayer files an application for credit with the Tax Division. The Tax Division has denied multiple applications for ineligibility after the application was submitted and final. The Tax Division also regularly makes adjustments to the credit amount applied for by a taxpayer. The liability is not known or measurable until an application has been reviewed and a credit certificate issued. Therefore, the Tax Division does not accrue a liability until after a credit certificate is issued. It has been the Tax Division's understanding that all DOR initiated adjustments to the CAFR were to be made by the end of the re-appropriation period. The Tax Division believes it is valuable to use a consistent cutoff date for reporting accruals each year. However, the Tax Division agrees that governmental accounting standards stipulate that an accrual should be made if the information is available prior to the issuance of the financial statements. Therefore, in order to ensure that oil and gas tax credits are properly accrued, the Tax Division's new procedure will be to make a final accrual for certificates issued after the re-appropriation period but prior to the issuance of the financial statements. Since the financial statements are not issued on a consistent date each year, the Division of

²⁰Codification of Governmental Accounting and Financial Reporting Standards C50.157.

Legislative Audit will notify the Tax Division of the date to make the final accrual—which will be near the end of their audit process.

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Legislative Auditor's Additional Comments

We have reviewed the Department of Revenue's (DOR) response, and nothing in the response persuaded us to revise the recommendation. DOR management disagrees that a liability exists when a credit application is received by the department. As explained in our recommendation, in order to qualify for the credit, the producer or explorer must incur qualifying losses or expenditures during the specified period of time which is communicated via application to DOR. Consequently, we contend that eligibility requirements have been met when DOR receives the tax credit application and a liability exists at that point. As long as the liability can be reasonably estimated prior to issuance of the financial statements, it should be accrued. We reiterate that DOR's Tax Division director should update procedures to ensure oil and gas tax credits payable at year-end are accurately reported in the Comprehensive Annual Financial Report.

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DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT (DEED)

Two recommendations were made to DEED in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2015*. Prior year Recommendation Nos. 2015-016 and 2015-017 are resolved.

Five new recommendations have been made during the FY 16 statewide single audit and are included as Recommendation Nos. 2016-019 through 2016-023.

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Recommendation No. 2016-019

DEED's Teaching and Learning Support (TLS) division director should develop and implement procedures to appropriately restrict access to the Grants Management System (GMS).

As of June 22, 2016, three of 39 State level GMS user accounts were still active although the users no longer had a valid business need to access the system. Lack of written procedures to manage GMS user accounts at both the State and Local Education Agencies (LEA)²¹ levels contributed to the unauthorized accounts. Formalized procedures for updating access rights to GMS when employees change jobs or separate from the State have not been implemented. Additionally, DEED does not periodically review user accounts at the State or LEA level to ensure users continue to have a valid business need for access.

GMS is a web-based system through which LEA employees submit grant applications, receive grant award notifications, and submit reimbursement requests for TLS approval. State level access allows DEED employees to view, modify, and approve LEA grant awards and reimbursement requests. LEA users submit and upload information, as well as make modifications to previously submitted information. GMS is DEED's system of record for all U.S. Department of Education program grant documentation, as no hard copy files are maintained by DEED.

Per State Information Security policies,²² changes in employee status should be communicated to system administrators to ensure changes to user privileges are promptly and consistently applied across systems. Additionally, user accounts for terminated individuals must be promptly disabled or removed.

Written procedures for GMS user account management have not been drafted due to competing priorities. Additionally, DEED has delegated oversight of LEA GMS users to a lead individual at each LEA, but has not monitored access to ensure compliance with State security policies. Lack of controls over user accounts increases the risk of unauthorized access to GMS, which could compromise the integrity and availability of data.

We recommend TLS' division director develop and implement procedures to appropriately restrict access to GMS.

Agency Response — Department of Education and Early Development

The department agrees with recommendation No. 2016-019. The contractor, HMB, has implemented a requirement for a user's password to be changed every 90 days. In addition, GMS administrators are conducting webinars to inform current administrators on the

²¹LEAs for the Special Education Cluster include 53 School Districts and one State-run school.

²²Information Security Policy-171, 5.4.2 and 5.4.3.

process they need to follow to remove access to non-active users. Another webinar is tentatively scheduled for September 2017. District business managers were also reminded to review their GMS users in September 2016. Department user access is modified or removed when GMS administrative staff are made aware of changes in duties.

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Recommendation No. 2016-020

DEED's TLS division director should ensure LEAs are notified of federal suspension and debarment requirements.

DEED did not notify the 54 LEAs receiving FY 16 Special Education Cluster²³ (SEC) funds that LEAs must comply with federal suspension and debarment requirements. TLS program staff were not aware the State must “pass down” suspension and debarment requirements to entities receiving federally funded sub awards.

Federal regulations²⁴ require that participants in covered transactions verify that the entity with which they intend to do business is not suspended or debarred. Furthermore, per 2 CFR 180.330, before entering into a covered transaction with a participant at the next lower tier, the State must require that participant to comply and “pass down” the requirement to comply to each entity with which that participant enters into a covered transaction.

Failing to notify LEAs of suspension and debarment requirements increases the risk LEAs may contract with or provide funds to suspended or debarred entities.

We recommend TLS' division director ensure LEAs are notified of federal suspension and debarment requirements.

CFDA: 84.027, 84.173
Questioned Costs: None

Federal Agency: USED
Noncompliance
Procurement, Suspension and Debarment

²³CFDA 84.027 Special Education – Grants to States (IDEA, PART B) and CFDA 84.173 Special Education – Preschool Grants (IDEA Preschool).

²⁴2 CFR 180.300.

Agency Response — Department of Education and Early Development

The department agrees with Recommendation No. 2016-020. The TLS director has already added language to the Statement of Assurances, which is included in the grant application, to notify LEAs of the suspension and debarment requirements.

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Recommendation No. 2016-021

DEED's School Finance (SF) division director should amend federal program administration procedures to ensure compliance with federal regulations.

Written procedures for calculating State Maintenance of Effort (MOE), LEA MOE, and allocating SEC funds to LEAs do not address all federal requirements. Specifically:

1. DEED's FY 16 methodology for calculating State MOE²⁵ was not formally documented in procedures. SF staff did not incorporate the FY 16 methodology, which was created based on findings of a recent federal review,²⁶ due to disagreement with the federal reviewers' interpretation of 34 CFR 300.163(a).
2. MOE procedures did not incorporate federal rules outlining LEA MOE calculations²⁷ and allocating SEC funds to LEAs.²⁸ SF staff were not aware of changes to federal regulations regarding how to calculate LEA MOE and allocate funds to LEAs, and therefore did not update their procedures.

Outdated MOE procedures could cause noncompliance with MOE requirements. For the State, not meeting the required MOE could result in reduced SEC funding in subsequent years. LEAs that do not meet the required MOE may be required to return some, or all, of the prior SEC award.²⁹ Furthermore, outdated allocation procedures may result in the misallocation of available funds to LEAs.

²⁵The calculation for certifying MOE in DEED's FFY 16 federal application for SEC funds and comparing SFY 15 actual SEC state expenditures to SFY 14 actual SEC state expenditures.

²⁶Fiscal monitoring review conducted by the U.S. Department of Education's Office of Special Education final report received by DEED November 2015.

²⁷34 CFR 300.203(a)-(b), 34 CFR 300.204, 34 CFR 208.

²⁸34 CFR 300.705 and 34 CFR 300.815-.817.

²⁹34 CFR 300.203(d).

We recommend the SF division director amend federal program administration procedures to ensure compliance with federal regulations.

CFDA: 84.027, 84.173
Questioned Costs: None

Federal Agency: USED
Significant Deficiency
Matching, Level of Effort, Earmarking

Agency Response — Department of Education and Early Development

The department agrees with Recommendation No. 2016-021. Federal program administration procedures have already been amended as noted below.

- 1) The School Finance director worked with the Office of Special Education Programs (OSEP) representative assigned to the State of Alaska to determine a sustainable Maintenance of Fiscal Support (MFS) calculation that meets federal requirements. The revised calculation was approved by the OSEP representative in May 2017. A closeout letter is expected once the last finding resolution is approved by OSEP.*
- 2) The LEA level Maintenance of Effort calculation procedures have been revised and were approved by the OSEP representative in May 2017. A closeout letter is expected once the last finding resolution is approved by OSEP.*
- 3) The Grant Administrator and Internal Auditor worked with the OSEP representative to determine the appropriate way to reallocate funding to districts with a zero base year. As of August 2017, DEED is waiting for OSEP's written approval on the recalculated allocations; districts will be notified once amounts are finalized.*

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Recommendation No. 2016-022

DEED's TLS division director should amend the standard grant agreement form to ensure LEAs are informed of required federal award information.

DEED did not provide the 54 LEAs receiving FY 16 SEC grants the following federal award information as required by 2 CFR 200.331(a)(1):

- federal award date;

- federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act;
- federal awarding agency, pass-through entity, and contact information for awarding official of the pass-through entity; and
- indirect cost rate for the federal award (including if the *de minimis* rate is charged per section 200.414 indirect fixed and administrative costs).

The standard grant award agreement form used in FY 16 did not include all required pre-award information because DEED staff did not update its grant award documents to comply with the additional requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) that were effective for FY 16. Failure to provide required federal award information may reduce LEAs' ability to accurately track and report activities by federal funding source.

We recommend TLS' division director amend the standard grant agreement form to ensure LEAs are informed of required federal award information.

CFDA: 84.027, 84.173
Questioned Costs: None

Federal Agency: USED
Noncompliance
Subrecipient Monitoring

Agency Response — Department of Education and Early Development

The department agrees with Recommendation No. 2016-022. The TLS division has already added the missing federal award information as required by 2 CFR 200.331(a)(1) to the standard grant agreement form. Starting with the FY2017 grant agreements, LEAs are being informed of all required federal award information.

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Recommendation No. 2016-023

DEED's TLS division director should establish procedures and perform risk assessments on LEAs as required by the Uniform Guidance.

Risk assessments were not performed on the 54 LEAs that received SEC funds in FY 16 as required by federal regulations newly effective in FY 16.

Per 2 CFR 200.331(b), to determine the appropriate level of subrecipient monitoring, the State is required to evaluate LEAs' risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward.

Due to competing priorities, DEED did not adopt risk assessment procedures for FY 16 grants. Without assessing risk, DEED may inadequately or inappropriately monitor LEAs.

We recommend the TLS division director establish procedures and perform risk assessments on LEAs as required by the Uniform Guidance.

CFDA: 84.027, 84.173
Questioned Costs: None

Federal Agency: USED
Significant Deficiency, Noncompliance
Subrecipient Monitoring

Agency Response — Department of Education and Early Development

The department agrees with Recommendation No. 2016-023. Risk assessment forms have been drafted and are in use. OSEP has reviewed the Special Education Program's risk assessment forms and made no additional recommendations. A closeout letter is expected once the last finding resolution is approved by OSEP.

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DEPARTMENT OF HEALTH AND SOCIAL SERVICES (DHSS)

Eleven recommendations were made to DHSS in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2015*. Prior year Recommendation Nos. 2015-018 and 2015-020 are resolved. Prior year Recommendation Nos. 2015-021, 2015-022, and 2015-024 through 2015-028 were not a significant issue in the current year and are not reiterated in this report. Prior year recommendation Nos. 2015-019 and 2015-023 are not resolved and are reiterated in this report as Recommendation Nos. 2016-024 and 2016-034 respectively. FY 16 Recommendation No. 2016-034 is from an auditor whose report was furnished to us.

Eleven new recommendations have been made during the FY 16 statewide single audit and are included as Recommendation Nos. 2016-025 through 2016-033, 2016-035 and 2016-036. Ten of these, Recommendation Nos. 2016-026 through 2016-033, 2016-035 and 2016-036, are from an auditor whose report was furnished to us. A complete copy of the other auditor report may be obtained directly from DHSS.

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Recommendation No. 2016-024

DHSS' commissioner should work with Conduent State Healthcare, LLC (formerly Xerox)³⁰ to correct defects in the Alaska Health Enterprise (AHE) system.

Prior Finding

On October 1, 2013, DHSS replaced its legacy Medicaid management information system that processed and paid Medicaid and Children's Health Insurance Program claims with the new AHE system. DHSS and its system development contractor were aware the AHE system contained 44 defects at the time it was implemented. Rather than delay implementation of the system until the defects were addressed, DHSS and the contractor developed work-around plans to manage the known system defects and proceeded with implementation. Once implemented, the number of defects climbed to 546. The number of defects continued to increase in FY 15.

The AHE system was not a fully operational or federally certified Medicaid system during FY 14 and FY 15. In FY 15, the fiscal agent Conduent State Healthcare, LLC developed a Corrective Action Plan (CAP) for Medicaid claim processing and DHSS Health Care Services (HCS) monitored the progress in implementing the CAP. As a result, improvements were made to the AHE system. However, the following issues were not fully resolved in FY 15: suspended claims backlog, payment issues, and check-write issues. Additionally, FY 15 testing identified a deficiency in the closed defect resolution process. Twenty closed defects were tested, and in three instances the underlying issue was not completely resolved when a defect was closed.

Information technology best practices dictate that systems should be tested and significant defects corrected prior to implementing a new system. Specifically, the State's Information Security Policy (ISP) requires management to test a new information system prior to putting it into production to ensure that the system is configured correctly.³¹ Furthermore, the National Institute of Standards and Technology special publication, *Security and Privacy Controls for Federal Information Systems*,³² commonly regarded as national best practices, requires organizations to conduct an assessment of the information system, system component, or information system service prior to acceptance and update. It states:

Organizations conduct assessments to uncover unintentional vulnerabilities and intentional vulnerabilities including, for example, malicious code, malicious processes, defective software, and counterfeits.

³⁰Effective January 3, 2017, Alaska Medicaid's fiscal agent Xerox State Healthcare, LLC is independent of its parent company, Xerox Corporation, and is now known as Conduent State Healthcare, LLC.

³¹State of Alaska ISP-162 - System Planning and Acceptance, 5.2.2.

³²National Institute of Standards and Technology Special Publication 800-53 Revision 4, *Security and Privacy Controls for Federal Information Systems and Organizations*, SA-12(7).

Legislative Audit's Current Position

During FY 16, DHSS HCS continued to work with its fiscal agent on correcting system defects in accordance with the CAP. As a result, more defects were resolved and a significant volume of medical claims was reprocessed or adjusted. The defect resolution process has improved. However, the system was not federally certified in FY 16 and the following prior year issues were not fully resolved:

- *Suspended Claims Backlog:* Between the end of FY 15 and the end of FY 16, the suspended claims backlog increased from 32,225 claims totaling \$87 million to 62,322 claims totaling \$133 million. The increase in the number of suspended claims was caused by reprocessing the prior year claims. It is not possible to accurately identify the number and amount of claims suspended as a result of system defects as opposed to other non-system related reasons. Furthermore, it is not possible to determine how many of these claims will be deemed eligible and the amount paid until the claims are successfully processed by the AHE system. Since claims are not determined eligible and priced until processed by the AHE system, suspended claims result in delayed payments to providers.
- *Payment Issues:* The AHE system continued to have payment-related deficiencies due to incorrect system logic. Testing of inpatient and outpatient rates identified several issues. Tribal hospitals were paid calendar year (CY) 15 instead of CY 16 inpatient and outpatient rates for a portion of FY 16, resulting in underpayment of \$798,528.³³ Ten claims were paid double rates without sufficient support, resulting in overpayment of \$6,010. AHE paid both all-inclusive encounter rate plus fee-for-service for tribal outpatient lab services claims, resulting in overpayment of \$133,161. HCS is working with tribes on a settlement process which will result in reprocessing claims with service dates prior to October 1, 2013, and recoupment of overpaid amounts.³⁴ The errors were not corrected in the FY 16 Comprehensive Annual Financial Report because the actual misstatement could not be calculated.
- *Check-write Issues:* Claims processed and paid through the AHE system (check-writes) should seamlessly interface with the state accounting system (IRIS). In FY 16, the interface files still required manual adjustments to ensure they correctly interfaced AHE system activity with IRIS. Manual adjustments increase the risk of misstatement and create inefficiencies.

³³The federal agency typically delays publishing regulations covering the calendar year rates. Once regulations are published, State Medicaid Agencies are required to reprocess claims based on the new rates. A portion of tribal inpatient claims were not reprocessed due to prioritization of system deficiencies, causing the understatement.

³⁴Per HCS management, the settlement process will occur in the last calendar quarter of 2017.

According to DHSS management, the above findings were not fully resolved due to lack of resources to address the large number of complex system defects and additional projects that required allocation of State and contractor's resources.³⁵

During FY 16, the AHE system processed approximately \$1.9 billion in general fund expenditures, which resulted in \$1.2 billion in federal grants-in-aid revenues. Because of the complexity of medical claims processing, we could not determine the actual amount of potential misreporting resulting from unresolved system defects, change requests, and mass adjustments. However, the testing provided sufficient assurance that financial activity processed through the AHE system did not result in a material misstatement to financial statements in FY 16.

We recommend DHSS' commissioner continue working with Conduent State Healthcare, LLC to correct the defects in the AHE system.

Agency Response — Department of Health and Social Services

DHSS concurs with the recommendation. The Division of Health Care Services (HCS) continues to facilitate corrective action plans (CAP) for its fiscal agent, Conduent and as defects are fixed errored service claims are re-processed. The Centers for Medicare and Medicaid Services (CMS) completed their on-site certification review of the AHE system during the week of September 19th, 2016 and the final results are pending.

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Recommendation No. 2016-025

DHSS' deputy director of the Division of Finance and Management Services (FMS) 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.

Six potential FY 16 shortfalls were identified:

³⁵For example, in FY 16, HCS implemented the Medicaid expansion program and the International Classification of Diseases, tenth edition, diagnostic codes.

<u>Appropriation</u>	<u>Appropriation Title</u>	<u>Amount</u>
H297	Mandatory Automated Child Welfare Information & Billing Systems Improvements	\$174,810
H264	Mental Health Housing - Home Modification & Upgrades to Retain Housing	\$8,824
HUBC	DHSS – Unbudgeted Capital RSAs – BFY15/FY16	\$300,311
H001	Alaska Pioneer Homes	\$483,596
H007	Public Health	\$1,221,865
H012	Medicaid Services	\$8,573,184

According to DHSS management, staff failed to bill for revenues as a result of redesigning processes for the new accounting system. Due to shortfalls, unauthorized general funds were expended.

We recommend that DHSS' deputy director of FMS collect any remaining revenue due, if possible, and request a supplemental appropriation if necessary. Additionally, we recommend the deputy director improve procedures over billing and monitoring revenue collections to prevent future revenue shortfalls.

Agency Response — Department of Health and Social Services

DHSS concurs with the recommendation. The department is strengthening its processes to ensure revenue and expenditures are properly reconciled. The revenue unit is preparing procedures to support functionality now available through the Integrated Resource Information System (IRIS) which replaced the Alaska State Accounting System (AKSAS) in FY 2016.

Of the six potential FY16 shortfalls reported, four may require ratification; these include the amounts reported for appropriations H297, H264, HUBC, and H001. At this time, it is anticipated that the short fall reported for appropriation H007 will be resolved once all of the federal revenue is collected and the shortfall reported for appropriation H012 is still under review. This shortfall was primarily the result of the reprocessing of prior year service claims by XEROX through their corrective action plan with DHSS and the older claims fell outside federal claiming regulations in FY16 but were approved through a CMS waiver for claiming in QE 03/31/17.

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Recommendation 2016-026

We recommend the Finance and Management Services (FMS) Assistant Commissioner should ensure that proper controls over tracking of reporting deadlines are in place and working effectively. Communication between the Division of Public Assistance (DPA) and the FMS Revenue Unit needs to be clear and concise to ensure proper financial data is being reported.

Program: U.S. Department of Health and Human Services, Low-Income Home Energy Assistance (LIHEAP), CFDA 93.568

Type: Noncompliance and Significant Deficiency in Internal Controls over Compliance – Reporting

Criteria: 2 CFR 200.327 requires that non-federal entities accurately report with the frequency required by the terms and conditions of the Federal award.

Condition: SF-425 annual report was not submitted during fiscal year 2016, and controls were not in place to ensure reports were timely and accurate.

Context: The FMS Revenue Unit failed to report their FFY15 SF-425, due December 2016, and was unaware of this until it was brought to their attention during the audit. This was followed by the submittal of an inaccurate report, which again was brought to their attention by the auditor.

Cause: The FMS Revenue Unit failed to properly track required reporting deadlines for LIHEAP. Additionally, there was not sufficient intra-division coordination between DPA and the FMS Revenue Unit to ensure that accurate and complete financial information is reported.

Effect: DHSS failed to comply with the grant terms and conditions for accurate and timely financial reporting. Accurate expenditure information was not available throughout fiscal year 2016 to assess program performance in a timely manner.

Questioned costs: No questioned costs were identified with this finding.

Repeat finding: This is not a repeat finding.

Agency Response — Department of Health and Social Services

DHSS concurs with the recommendation. The FMS revenue unit is developing a tracking tool to monitor federal reporting deadlines and collaborating with DPA to implement written procedures on the proper financial data required for federal reporting.

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Recommendation 2016-027

We recommend the Division of Public Assistance (DPA) Director should ensure that Low-Income Home Energy Assistance Program (LIHEAP) subawards are reviewed to ensure they are properly reported on the schedule of expenditures of Federal awards (SEFA).

Program: U.S. Department of Health and Human Services, Low-Income Home Energy Assistance (LIHEAP) – CFDA 93.568

Type: Noncompliance – Subrecipient Monitoring

Criteria: 2 CFR 200.502 requires that non-federal entities make determinations of federal awards expended, including the disbursement of funds to subrecipients. 2 CFR 200.507 requires that non-federal entities prepare financial statements for the Federal program including a schedule of expenditures of Federal awards in compliance with 2 CFR 200.502.

Condition and context: DPA passes funds to three non-profit entities to carry out the weatherization portion of LIHEAP. DPA has failed to identify and report the amount of subawards on their schedule of expenditures of Federal awards in compliance with 2 CFR 200.502 and 2 CFR 200.507.

Cause: Finance and Management Services (FMS) staff charged with creating the schedule of expenditures of Federal awards was unaware there were funds being disbursed to subrecipients.

Effect: DHSS may be reporting an incorrect amount on their schedule of expenditures of Federal awards, and the grantor could consider the State of Alaska Department of Health and Social Services noncompliant, and take corrective action.

Questioned costs: No questioned costs were identified with this finding.

Repeat finding: This is not a repeat finding.

Agency Response — Department of Health and Social Services

DHSS concurs with the recommendation. DPA is strengthening its processes by evaluating and performing sub recipient determinations on its LIHEAP reimbursable service agreements (RSA) transferring federal monies to other state agencies for sub awards.

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Recommendation 2016-028

We recommend the Office of Children's Services (OCS) Director should ensure that its Tribal Foster Care – Title IV-E provider agreements are evaluated for compliance with the provisions of 2 CFR 200.330 and .331 and implement requisite changes to its Agreements. DHSS should also perform its tribal monitoring activities as stipulated in its policies.

Program: U.S. Department of Health and Human Services, Foster Care – Title IV-E, CFDA 93.658

Type: Noncompliance and Significant Deficiency in Internal Controls over Compliance – Subrecipient Monitoring

Criteria: 2 CFR 200.330 requires that non-federal entities make determinations of whether pass-through funding constitutes subawards. 2 CFR 200.331 requires that pass-thru entities perform notification to and monitoring of activities of subrecipients.

Condition and context: OCS passes funds to eleven Alaska tribal entities through Provider Agreements with the tribes. OCS did not evaluate the Agreements against the criteria in 2 CFR 200.330 to determine whether the funding constituted subawards. The activities to be performed by the tribal entities appear to constitute subawards rather than contractor relationships. The subawards do not include the provisions required by 2 CFR 200.331 and OCS did not perform required pre-award, during-the- award and post-award monitoring activities. Further, OCS did not follow its internal policies for on-site reviews of the tribal entities during the period under review.

Cause: OCS staff charged with executing and monitoring these Agreements was not sufficiently familiar with the requirements of 2 CFR 200.

Effect: The grantor could consider the State of Alaska Department of Health and Social Services noncompliant, and take corrective action.

Questioned costs: No questioned costs were identified with this finding.

Repeat finding: This is not a repeat finding.

Agency Response — Department of Health and Social Services

DHSS partially concurs with the recommendation. OCS is strengthening its internal processes to ensure staff are evaluating and monitoring its federal awards including performing sub recipient determinations. In FY 2017 OCS evaluated and performed a sub recipient determination on its Tribal Title IV-E Foster Care provider agreements and determined a contractual relationship.

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Other Auditor's Additional Comments

We have reviewed DHSS's response and nothing in the response persuaded us to revise the recommendation.

Recommendation 2016-029

We recommend the Finance and Management Services (FMS) Assistant Commissioner and Division of Public Assistance (DPA) Director should continue to refine the accounting reports used to support the amounts in the SF-425. In addition, the preparation and review of the SF-425 be segregated between the FMS Revenue Unit and DPA.

Program: U.S. Department of Agriculture, Supplemental Nutrition Assistance Program (SNAP) Cluster, CFDA 10.551 and 10.561

Type: Noncompliance and Significant Deficiency in Internal Controls over Compliance – Reporting

Criteria: 7 CFR §277.11(c) requires SF-425 Financial Status Reports be used by State agencies to report program costs quarterly, with reports due by the 30th day following the end of each quarter.

Condition: SF-425 reports were submitted late during fiscal year 2016, and controls were not in place to ensure reports were always timely and accurate.

Context: Two of the four quarterly SF-425 reports for both the SNAP operating and SNAP education awards were tested. All four reports were submitted late. Total expenditures on one SF-425 agreed with the accounting records, however, there was not adequate support for

the breakout of expenditures by budget category. The report sample tested was statistically valid.

Cause: In fiscal year 2016, the implementation of new financial reporting systems (IRIS and CapPlus2) resulted in a more complex aggregation of SNAP expenditures for reporting. As a result, preparation and submission of the SF-425 reports was centralized in one employee, accurate expenditure information was not always available when reports were due, and multiple accounting reports were sometimes needed to support one SF-425.

Effect: Accurate expenditure information was not available throughout fiscal year 2016 to assess program performance in a timely manner.

Questioned costs: No questioned costs were identified with this finding.

Repeat finding: This is not a repeat finding.

Agency Response — Department of Health and Social Services

DHSS concurs with the recommendation. The FMS revenue unit is collaborating with DPA to develop written procedures including standardized forms of supporting documentation required for the Supplemental Nutrition Assistance Program (SNAP) cluster.

*Contact Person: Shawnda O'Brien, Assistant Commissioner
Finance and Management Services
(907) 465-1630*

Recommendation 2016-030

We recommend that the Program Integrity Unit review and adhere to their written procedures and Finance and Management Services (FMS) should strengthen its tracking tools to ensure accurate information is reported.

Program: U.S. Department of Health and Human Services, Medicaid, CFDA 93.778; Children's Health Insurance Program (CHIP), CFDA 93.767

Type: Noncompliance and Significant Deficiency in Internal Controls over Compliance – Allowable Costs/Cost Principles and Reporting

Criteria: 42 CFR 433.312 requires that State Medicaid agency refund the Federal share of overpayments at the end of the one year period following discovery, whether or not the State has recovered the overpayment from the provider.

42 CFR 433.320 requires that the agency must refund the Federal share of overpayments that are subject to recover to CMS through a credit on its Quarterly Statement of Expenditures (Form CMS-64). A credit on the form CMS-64 must be made whether or not the overpayment has been recovered by the State from the provider.

Condition: A portion of overpayments were not remitted back to the Federal government within one year following discovery during fiscal year 2016, and controls did not function as intended to ensure overpayment remittances reported on the CMS-64 were accurate.

Context: DHSS failed to remit all overpayments back to the Federal government within the required timeframe. There was an error within their tracking tool that was not identified until questioned during the audit.

Cause: The Program Integrity Unit failed to follow its written procedures and FMS failed to identify information being incorrectly reported on its tracking tool, resulting in incomplete Federal reporting. Therefore, not all overpayments were reported on the CMS-64 within the required one year period subsequent to discovery.

Effect: Overpayments were not reported on the CMS-64 as a remittance back to the Federal government within the required timeframe.

Questioned costs: Known questioned costs of \$125,490 for Medicaid, CFDA 93.778, and \$430 for CHIP, CFDA 93.767.

Repeat finding: This is not a repeat finding.

Agency Response — Department of Health and Social Services

DHSS concurs with the recommendation. The Program Integrity (PI) unit collaborated with FAMU to review its quarter end procedures and strengthen the FAMU evaluation processes by updating its tracking tool to ensure accurate federal reporting. The questioned costs were returned in QE 09/30/16.

*Contact Person: Shawnda O'Brien, Assistant Commissioner
Finance and Management Services
(907) 465-1630*

Recommendation 2016-031

We recommend that the Division of Public Assistance (DPA) should continue to leverage technology and update work processes to ensure timely processing of eligibility redeterminations.

Program: U.S. Department of Health and Human Services, Medicaid, CFDA 93.778; Children's Health Insurance Program (CHIP), CFDA 93.767

Type: Noncompliance and Significant Deficiency in Internal Controls over Compliance – Eligibility

Criteria: 1. 42 CFR 435.916 and the State of Alaska Family Medicaid Manual section 5005-7 requires that the Department of Public Assistance (DPA) must renew Medicaid Eligibility every twelve months.

2. 42 CFR 435.912 requires that the determination of eligibility for applicants other than those whom are disabled does not exceed 45 days. The State of Alaska Family Medicaid Manual section 5005-6(A) requires that the agency process initial applications within 30 days.

3. 42 CFR 935.913 requires that the agency must send each applicant a notice of the agency's decision on their application.

The State of Alaska Family Medicaid Manual section 5006-1 states that written notice of each action taken by a caseworker on any Family Medicaid related application or Family Medicaid related case must be given or sent to the applicant or recipient.

The State of Alaska Family Medicaid Manual section 5005-6(F) requires that if a household's eligibility has not been determined or benefits have not been authorized to an eligible household by the 30th day following the application filing date, the application is delayed. The caseworker will determine the cause for the delay and take the appropriate action:

- Agency-caused delays – includes cases where the application was not approved, denied, or pended within the allowable time limits. If an eligibility determination cannot be made by the 30th day from the application filing date because of action required by the agency, the case is left in a pending status. The household must be sent a pend notice by the 30th day.

4. 42 CFR 435.916 and the State of Alaska Family Medicaid Manual section 5005-7 requires that the eligibility of Medicaid beneficiaries whose financial eligibility is determined using MAGI-based income must be renewed once every 12 months, and no more frequently than once every 12 months.

Additionally, allowable cost principles also dictate that Federal funds should not be expended on individuals not yet determined to be eligible recipients.

Condition: 1. Recipients did not always have attempts made by DPA to perform a renewal during FY16.

2. Recipients did not always have an initial or renewal application determination performed by DPA within 30 days.

3. Due to a lack of renewal attempts or untimely application processing, applicants did not always have their status set to “pending” within the eligibility system, nor was a notice sent to the applicant within 30 days.

4. Also due to a lack of renewal attempts or untimely application processing, recipients were sometimes provided benefits during a period that exceeded the 12 month rolling period allowable for eligibility.

Context: 1. Each sample was reviewed for evidence of either renewal forms being sent or the electronic information verification being performed. Attributes that did not demonstrate either of those methods being utilized were included in the exception count for a 12 month eligibility review being performed by DPA. 3 of 60 Medicaid and 5 of 40 CHIP recipients tested did not have attempts made by DPA to perform a renewal during FY16. The sample tested was statistically valid.

2. Each sample was reviewed for evidence of a complete eligibility determination or redetermination, as applicable, being performed within the required time period. Applications (either initial or renewal) that were not fully processed in their entirety within the timeframe were included in the exception count. Partial processing was not accepted unless recipient was set to “pending” status within the system. 16 of 60 Medicaid recipients tested and 27 of 40 CHIP recipients tested did not have a complete initial or renewal application determination performed by DPA within 30 days. The sample tested was statistically valid.

3. Each sample where an FY16 attempt to renew was not performed or was performed untimely was also reviewed to verify they were appropriately changed to “pending” status within the eligibility system with a notice provided to the applicant within 30 days. 3 Medicaid and 5 CHIP recipients tested did not have their status set to “pending” within the eligibility system, nor was a notice sent to the applicant within 30 days. The sample tested was statistically valid.

4. Each sample where an FY16 attempt to renew was not performed or was performed untimely was reviewed for evidence that benefits were not provided during a period that exceeded the 12 month rolling period allowable for eligibility. 3 Medicaid and 5 CHIP recipients tested were provided benefits that exceeded the 12 month rolling period allowable for eligibility. The sample tested was statistically valid.

Cause: DPA is converting cases between eligibility systems and transitioning between work flow processes.

Effect: When applications or redeterminations are not initiated during the year or completed within the timelines required by Federal regulations, there is the potential that benefits will be provided to individuals or households whom are no longer eligible. Additionally, when recipients are not set to “pending” status or the household is not notified, it increases the possibility that applications will not be identified as requiring additional processing and benefits may be offered to households or recipients that should no longer be eligible. While it is noted that CFR 435.930(b) requires that the agency continue to furnish Medicaid regularly to all eligible individuals until they are found to be ineligible, this does not diminish the reasonable possibility that ineligible recipients are receiving benefits due to a lack of or untimely processing of renewal applications.

Questioned costs: Indeterminate.

Repeat finding: This is not a repeat finding.

Agency Response — Department of Health and Social Services

DHSS concurs with the recommendation. DPA updated its Medicaid manual and is providing agency wide training on updated work processes. The agency also continues to work towards integrating all programs into a single eligibility system and it anticipates timely processing will continue to be impacted until the conversion to one eligibility system is completed.

*Contact Person: Shawnda O’Brien, Assistant Commissioner
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(907) 465-1630*

Recommendation 2016-032

We recommend that the Division of Public Assistance (DPA) provide training on new processes highlighting the importance of utilizing case notes to document income verification.

Program: U.S. Department of Health and Human Services, Medicaid, CFDA 93.778; Children’s Health Insurance Program (CHIP), CFDA 93.767

Type: Noncompliance and Significant Deficiency in Internal Controls over Compliance – Eligibility

Criteria: The State of Alaska Family Medicaid Manual section 5005-5(B) states that several data systems and computer interfaces are available through the Internet and on-line EIS access. Some interfaces must be checked at each application and recertification as part of the verification process. Others only need to be checked if questionable or certain conditions apply.

Interfaces that must be checked:

- State of Alaska Department of Labor – must be checked at each application and recertification.
- EIS Interfaces Inquiry (ININ) which includes SDX, PFA, and WAG (DOL) - must be checked at each application and recertification.
- NSTAR or NFIN, State of Alaska Child Support Services Division – must be checked at each application and recertification.

Condition: 2 of 60 Medicaid and 1 of 40 CHIP recipients tested did not have attempts made by DPA to perform electronic data match system checks as required based on Department described practice. The sample tested was statistically valid.

The Medicaid Manual states that there are several interfaces that must be checked during application and renewal, however, there are provisions that allow for only client statement in the State of Alaska Family Medicaid Manual section 5720. As such, it is unclear which circumstances require interface checks and which allow for acceptance of client statement based on the manual.

Context: Current processes by DPA staff since the implementation of the new ARIES eligibility system allows that income verification can be corroborated in (broad scope) three ways:

- Interface - using any number of electronic interfaces or online resources to validate income. This can include interfaces such as the Department of Labor, SSI/SSA, or any other online wage/other income reporting system the Department has access to.
- Hard copy – hard copy documentation received which would include no less than 2 pay stubs (to allow for average wages to be calculated) or a statement of wages earned from an employer. This would not require an interface check.
- Client statement (Medicaid Manual 5720-2(B)) – client-reported wages. Client statement must be compared to an interface to verify the validity of reported income and would then be subject to the 10% reasonable compatibility test noted in the Medicaid Manual section 5720-3.

Cause: DPA is converting cases between eligibility systems and transitioning between work flow processes. Procedures were not followed or errors were made by staff when working cases and/or moving cases between two eligibility systems.

Effect: When the required income verification processes are not completed in accordance with the guidelines required by Federal or State regulations, there is the potential that benefits will be provided to individuals or households whom are not initially or are no longer eligible.

Questioned costs: No questioned costs were identified with this finding.

Repeat finding: This is not a repeat finding.

Agency Response — Department of Health and Social Services

DHSS concurs with the recommendation. DPA is providing agency wide training on updated work processes. However, the agency anticipates work processes will continue to be impacted until the conversion to one eligibility system is completed.

*Contact Person: Shawnda O'Brien, Assistant Commissioner
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(907) 465-1630*

Recommendation 2016-033

We recommend that the Division of Public Assistance (DPA) provide training on system changes and how to create audit trails for income verification.

Program: U.S. Department of Health and Human Services, Medicaid, CFDA 93.778; Children's Health Insurance Program (CHIP), CFDA 93.767

Type: Noncompliance and Significant Deficiency in Internal Controls over Compliance – Eligibility

Criteria: The State of Alaska Family Medicaid Manual section 5720-3 details that in order for client statement to be accepted for income verification, it must match electronic data for earned income. If electronic verification and client statement of income are reasonably compatible, there is no need to pursue further verification. To be considered reasonably compatible, the client stated income must be within 10% of the income electronically reported by the DOL on the WAGE screen.

Also, the State of Alaska Family Medicaid Manual section 5000-4(A) requires documentation of what elements are verified and how, and why certain decisions are made that relate to the determination of eligibility for Medicaid.

Condition: 2 of 60 Medicaid recipients did not have a satisfactory 10% compatibility check when relying on an interface check to verify client statement. 1 of 60 Medicaid recipients did

not have income verified prior to providing benefits and 1 of 60 Medicaid did not have required documentation of what elements of income were verified retained.

Context: Each of the 60 samples tested for Medicaid and the 40 samples tested for CHIP were reviewed for documentation of elements verified, if applicable, as well as that required income verification processes were followed which included income verification being performed and a 10% compatibility check as necessary. The sample tested was statistically valid.

Cause: DPA is converting cases between eligibility information systems and transitioning between work flow processes. Procedures were not followed or errors made by staff when working cases and/or moving cases between two eligibility systems.

Effect: When the required income verification processes are not completed in accordance with the guidelines required by Federal or State regulations there is the potential that benefits will be provided to individuals or households whom are not eligible.

Questioned costs: Indeterminate.

Repeat finding: This is not a repeat finding.

Agency Response — Department of Health and Social Services

DHSS concurs with the recommendation. DPA is providing agency wide training on updated work processes. However, the agency anticipates work processes will continue to be impacted until the conversion to one eligibility system is completed.

*Contact Person: Shawnda O'Brien, Assistant Commissioner
Finance and Management Services
(907) 465-1630*

Recommendation 2016-034

We recommend the Finance and Management Services (FMS) Deputy Director continue to develop, test, and implement procedures that would allow for the accurate preparation and reconciliation of the amounts to be reported on the SEFA.

Program: U.S. Department of Health and Human Services, Medicaid, CFDA 93.778; Children's Health Insurance Program (CHIP), CFDA 93.767; Foster Care – Title IV-E, CFDA 93.658; LIHEAP, CFDA 93.568; and Immunization Cooperative Agreements, CFDA 93.268; and U.S. Department of Agriculture Supplemental Nutrition Assistance Program (SNAP) Cluster, CFDA 10.551 and 10.561.

Type: Significant Deficiency in Internal Controls over Compliance – Reporting

Criteria: 2 CFR §200.510(b) requires grantees that have a federal single audit to “prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended.”

Condition: The State of Alaska implemented a new accounting system (IRIS) in fiscal year 2016 along with revisions to its related reporting system, Alder. DHSS began developing procedures and ALDER reports to prepare the SEFA utilizing the new systems; however the procedures were not adequate to enable an accurate reconciliation of IRIS expenditures to the amounts reported on the preliminary SEFA presented to the auditors.

Context: All of DHSS’s federal major programs had differences between expenditures in IRIS and on the preliminary SEFA. This deficiency in controls over SEFA reporting appears systemic. Sampling was not performed.

Cause: The implementation of IRIS in fiscal year 2016 and necessary development of ALDER reports prevented the Department from being able to reconcile IRIS expenditures to the amounts reported on the preliminary SEFA presented to the auditors.

Effect: Inaccurate expenditures on the SEFA could impact the selection of major programs for the federal single audit.

Questioned costs: No questioned costs were identified with this finding.

Repeat finding: Repeat finding of 2015-023 reported in FY15.

Agency Response — Department of Health and Social Services

DHSS concurs with the recommendation. The department changed its SEFA preparation from reporting revenues to expenditures in FY 2016 due to new reporting functionality that became available through the implementation of the new state accounting system, Integrated Resource Information System (IRIS).

FMS continues to develop reconciling procedures and strengthen its ALDER reports.

*Contact Person: Shawnda O’Brien, Assistant Commissioner
Finance and Management Services
(907) 465-1630*

Recommendation No. 2016-035

We recommend that the Department of Administration, Division of Finance (DOF) and the Department of Health and Human Services (DHSS) work together to improve information system change management controls.

Program: U.S. Department of Health and Human Services, Medicaid, CFDA 93.778; Children's Health Insurance Program (CHIP), CFDA 93.767; Foster Care – Title IV-E, CFDA 93.658; LIHEAP, CFDA 93.568; and Immunization Cooperative Agreements, CFDA 93.268; and U.S. Department of Agriculture Supplemental Nutrition Assistance Program (SNAP) Cluster, CFDA 10.551 and 10.561.

Type: Significant Deficiency of Internal Controls – Information Systems, Program Change Management

Criteria: Control Objectives for Information and Related Technologies (COBIT) PO4.11 outlines that best practice is to implement a division of roles and responsibilities that reduces the possibility for a single individual to compromise a critical process. Make sure that personnel are performing only authorized duties relevant to their respective jobs and positions.

Condition and context: DOA developers have inappropriate authority to migrate program changes to the production environment and system changes are inadequately documented.

Cause: Indeterminate.

Effect: The risk is that unauthorized/inappropriate changes could be made to the production environment code or configuration changes. This could lead to a host of issues around the system (i.e. incorrect calculations, incorrect data, automated application controls not operating as intended, reports being inaccurate, etc.).

Questioned costs: No questioned costs were identified with this finding.

Repeat finding: This is not a repeat finding.

Auditor's Note

The details related to this control weakness are being withheld from this report to prevent the weakness from being exploited. Pertinent details have been communicated to agency management in a separate document.

Agency Response — Department of Health and Social Services

The Department of Administration will respond directly to this recommendation as DHSS has no authorization or oversight responsibilities with AKPAY; ALDER; or IRIS.

*Contact Person: Shawnda O'Brien, Assistant Commissioner
Finance and Management Services
(907) 465-1630*

Agency Response — Department of Administration

DOF concurs with this recommendation. It is important that DOF review existing change management procedures and strengthen consistency across administrative systems to ensure management approval is being obtained for every type of system change. Specifically, every system change will be documented in a migration packet with backup support and approved/signed by a member of the management team not engaged in the activity.

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

Recommendation No. 2016-036

We recommend that the Department of Health and Human Services (DHSS) improve information system change management controls.

Program: U.S. Department of Health and Human Services, Medicaid, CFDA 93.778; Children's Health Insurance Program (CHIP), CFDA 93.767; Foster Care – Title IV-E, CFDA 93.658; LIHEAP, CFDA 93.568; and Immunization Cooperative Agreements, CFDA 93.268; and U.S. Department of Agriculture Supplemental Nutrition Assistance Program (SNAP) Cluster, CFDA 10.551 and 10.561.

Type: Significant Deficiency of Internal Controls – Information Systems, Program Change Management

Criteria: Control Objectives for Information and Related Technologies (COBIT) PO4.11 outlines that best practice is to implement a division of roles and responsibilities that reduces the possibility for a single individual to compromise a critical process. Make sure that personnel are performing only authorized duties relevant to their respective jobs and positions.

COBIT AI6.1 also details setting up formal change management procedures to handle all requests in a standardized manner (including maintenance and patches) for changes to

applications, procedures, processes, system and service parameters, and the underlying platforms as a best practice.

Condition and context: DHSS developers have inappropriate authority to migrate program changes to the production environment and system changes are inadequately documented.

Cause: Indeterminate.

Effect: The risk is that unauthorized/inappropriate changes could be made to the production environment code or configuration changes. This could lead to a host of issues around the system (i.e. incorrect calculations, incorrect data, automated application controls not operating as intended, reports being inaccurate, etc.).

Questioned costs: No questioned costs were identified with this finding.

Repeat finding: This is not a repeat finding.

Auditor's Note

The details related to this control weakness are being withheld from this report to prevent the weakness from being exploited. Pertinent details have been communicated to agency management in a separate document.

Agency Response — Department of Health and Social Services

The Department of Administration will respond directly to this recommendation in regards to AKPAY; ALDER and IRIS as DHSS has no authorization or oversight responsibilities with those systems.

DHSS partially concurs with the recommendation. DHSS concurs with the best practices as referenced by COBIT PO4.11 and A16.1. The agency does not concur with the recommendation as it applies to ORCA and EIS. FMS IT has demonstrated compliance with both ORCA and EIS through written standardized procedures for production migrations; Standard Operating Procedures (SOP) on separation of duties; a signed waiver requiring management's approval to changes to be made in production by specific staff and additional internal controls specific to systems (i.e. only specific computer(s) may access production). Additionally, the department has other existing internal controls to adequately mitigate risk associated with both ORCA and EIS. FMS IT logs activities on all hosts to provide forensic information about account usage on DHSS resources. This logging process occurs at multiple levels within the hosted environment including firewall logging to insure tracking information on account usage is accurate. Another (SOP) requires that the firewall logs be reviewed on a periodic basis to verify that access control rules are in place and accurate.

*Contact Person: Shawnda O'Brien, Assistant Commissioner
Finance and Management Services
(907) 465-1630*

Agency Response — Department of Administration

The Department of Administration responded directly to this recommendation as it relates to AKPAY, ALDER and IRIS as DHSS has no authorization or oversight responsibilities with those systems. See Recommendation No. 2016-35.

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

Other Auditor's Additional Comments

We have reviewed DHSS's response and nothing in the response persuaded us to revise the recommendation.

(Intentionally left blank)

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT (DLWD)

Two recommendations were made to DLWD in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2015*. Prior year Recommendation Nos. 2015-029 and 2015-030 are not resolved and are reiterated in this report as Recommendation Nos. 2016-037 and 2016-38 respectively.

Four new recommendations have been made during the FY 16 statewide single audit and are included as Recommendation Nos. 2016-039 through 2016-042.

(Intentionally left blank)

Recommendation No. 2016-037

The Division of Administrative Services' (DAS) director should ensure uncollectible accounts receivable in the Unemployment Compensation Fund (UCF) are reported in accordance with generally accepted accounting principles.

Prior Finding

DLWD staff failed to record uncollectible accounts receivable from FY 09 through FY 14. A lack of understanding of accounting principles contributed to the error. In FY 15, DLWD staff attempted to recognize an allowance for uncollectible accounts receivable; however, the methodology was flawed and the allowance was removed via an audit adjustment.

DLWD management is responsible for ensuring internal controls over financial accounting are adequate for proper reporting. Generally accepted accounting principles require that losses (accounts receivable that will not be recovered) be recognized and reported³⁶ in the same period that the asset is recognized.

Legislative Audit's Current Position

DLWD staff did not make progress in addressing this finding in FY 16. Rather than establish an allowance for uncollectible accounts, uncollectible accounts were written off when determined uncollectible. The failure to establish an allowance for doubtful accounts resulted in overstating accounts receivable as of June 30, 2016, and misstating revenues and expenditures by unknown amounts.

According to DLWD management, a lack of available resources prevented DLWD from conducting the analysis needed to estimate uncollectible accounts. An attempt was made to hire staff to help analyze accounts receivable, but the recruitment was not successful.

We again recommend DAS' director ensure UCF uncollectible accounts receivable are reported in accordance with generally accepted accounting principles.

Agency Response — Department of Labor and Workforce Development

DLWD concurs with the recommendation. The department adopted a policy and procedure for purposes of recording an allowance for uncollectible accounts receivable in the UCF in FY 15 based on information available in the system. The department shared the policy with the United States Department of Labor and they accepted the corrective actions as sufficient to address this finding. However, during the FY 15 audit DLA raised concerns that the policy should be updated to incorporate account aging.

³⁶Codification of Governmental Accounting and Financial Reporting Standards N50.113.

Due to staff turnover, the department had a lack of available resources to address this internally. Therefore, in spring 2016, DLWD established a nonpermanent Accountant position to review the policy and all UCF accounting activity to identify improvements and ensure compliance with generally accepted accounting principles. Multiple attempts to fill the position were not successful.

DLWD has recently filled its lead Accountant positions and these staff along with the department's finance officer will take over this project. DLWD estimates that UCF system reconfiguration necessary to incorporate recommended improvements may take in excess of nine months to implement, so completion is not anticipated prior to August 31, 2018.

*Contact Person: Paloma Harbour, Director
Division of Administrative Services
(907) 465-5984*

Recommendation No. 2016-038

DLWD DAS' director should work with the department's finance office to improve accounting for UCF activity.

Prior Finding

Several deficiencies in accounting for UCF activity were identified FY 15. Specifically:

- Fraud penalties assessed for the year were recorded as a reduction to expenses rather than revenues. Additionally, the portion of fraud penalties assessed but not collected attributable to the UCF were reported as accounts receivable but not recognized as revenue. This is inconsistent with generally accepted accounting principles.³⁷

A statutory change effective FY 14 eliminated the requirement that all fraud penalties assessed on UCF contributions be paid to the State's general fund. Rather, revised statutes stipulated that a minimum of 30 percent of the penalties received be deposited in the UCF. DLWD accounting staff was aware that 30 percent of the fraud penalties received remained in the UCF and appropriately transferred 70 percent of fraud penalty receipts to the general fund in FY 15. The UCF subsystem was not changed to ensure that 30 percent of the fraud penalties assessed on UCF contributions is recognized as revenues and retained in the UCF. DLWD accounting staff also removed the entire fraud penalty receivable as a year-end adjustment rather than allocating 70 percent to the general fund as required by statute. This resulted in an understatement of revenues, expenses, and accounts receivable, which was corrected via an audit adjustment.

³⁷Codification of Governmental Accounting and Financial Reporting Standards N50.104(b), N50.114, and N50 115.

- No year-end transaction was processed to allocate \$375,000 of activity recorded in the UCF Suspense Receipts liability account to the correct accounts. This caused the liability account to be overstated and misstated other accounts by unknown amounts. DLWD staff was unable to provide support to allow for a correcting audit adjustment, and as a result, the activity was inaccurately reported in the FY 15 Comprehensive Annual Financial Report (CAFR). Management is required to properly account for the financial activity of the UCF.

Legislative Audit's Current Position

During FY 16, assessed fraud penalties continued to be recorded as reductions to expenses rather than revenue of the fund. Additionally, the fraud penalties receivable account had a negative balance of <\$87,224> as of June 30, 2016, due to DLWD's method of accounting for collections and write-offs. The misstated amounts could not be determined due to differences in accounting for this activity in the State's accounting system versus the UCF subsystem and a lack of information regarding the age of receivables that were written off or collected.

DLWD did not process the FY 16 year-end transaction to clear the UCF suspense receipts liability account. The FY 16 year-end balance of the suspense account was \$1,136,952 and represents amounts that likely should be allocated to revenue or expense accounts. The error causes an overstatement of liabilities and unknown misstatements to other accounts. DLWD was unable to provide support for a correcting audit adjustment to properly report the activity in the FY 16 CAFR. This error was not addressed by DLWD staff due to competing priorities.

We again recommend DAS' director work with the finance office to improve accounting for UCF activity.

Agency Response — Department of Labor and Workforce Development

DLWD concurs with the recommendation. Due to staff turnover, the department had a lack of available resources to address this internally. Therefore, in spring 2016, DLWD established a nonpermanent Accountant position to review all UCF accounting activity to identify improvements and ensure compliance with generally accepted accounting principles. Multiple attempts to fill the position were unsuccessful.

DLWD has recently filled its lead Accountant positions and these staff along with the department's finance officer will take over this project. DLWD estimates that UCF system reconfiguration necessary to incorporate recommended improvements may take in excess of nine months to implement, so completion is not anticipated prior to August 31, 2018.

*Contact Person: Paloma Harbour, Director
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(907) 465-5984*

Recommendation No. 2016-039

DLWD's ASD director should ensure expenditures are charged to federal grant awards in accordance with the specified period of performance.

Unemployment Insurance program (UI) expenditures totaling \$27,694 charged to the UI administrative grants were incurred outside of the applicable period of performance. Specifically:

1. Expenditures totaling \$26,937 charged to the FFY 16 administrative grant³⁸ were incurred prior to the period of performance start date specified in the grant agreement from United States Department of Labor (USDOL). Per 2 CFR 200.309, costs incurred before the federal award date must be authorized by the federal awarding agency. DLWD staff believed authorization was granted to expend prior to the federal award date. However, staff could not provide documentation supporting authorization was obtained from USDOL.
2. Expenditures totaling \$757 were obligated and charged to the FFY 15 administrative grant³⁹ after the period of performance end date. According to 29 CFR 97.23, costs may be charged to an award only if the costs were obligated during the funding period specified unless carryover of unobligated balances is permitted. The \$757 of expenditures were incurred after the allowable carryover period and were not eligible for the extended period of performance.⁴⁰ These errors were due to staff turnover and inadequate review by accounting staff.

The expenditures charged to the FFY 15 and FFY 16 UI administrative grants were not incurred within the allowable period enumerated on the grant agreements, thereby creating noncompliance with the federal period of performance requirements and questioned costs totaling \$27,694.

³⁸Grant number UI-27962-16-55-A-2 available October 1, 2015.

³⁹Grant number UI-26520-15-55-A-2 available until March 31, 2016. This includes carryover period of one quarter January 1, 2016, through March 31, 2016.

⁴⁰Period of performance is extended to September 30, 2017, for expenditures related to: (1) automation acquisitions, (2) competitive grant awards for improved operations, (3) reemployment and eligibility assessments, or (4) improper payments.

We recommend DLWD's ASD director ensure grant award expenditures are charged to the proper federal grant awards in accordance with the specified period of performance.

CFDA: 17.225

Questioned Costs: \$27,694

Federal Agency: USDOL

Noncompliance

Period of Performance

Agency Response — Department of Labor and Workforce Development

DLWD concurs with the recommendation. The department acknowledges that documentation to allow expenditures to be charged outside the period of performance as authorized by USDOL could not be produced likely due to staff turnover. Change of personnel, along with new chart-of-account structures in the state's new accounting system, the Integrated Resource Information System (IRIS), contributed to the posting of expenditures outside the federal grant award period of performance. In November 2016, DLWD provided ASD fiscal staff with training on 2 CFR 200, which included period of performance. DLWD's ASD director will ensure new ASD fiscal staff are trained on the requirements of 2 CFR 200.

The department considers this finding corrected.

*Contact Person: Paloma Harbour, Director
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(907) 465-5984*

Recommendation No. 2016-040

DLWD's Employment and Training Services division (DET) director should strengthen procedures to ensure that Employment and Training Administration (ETA) 227 quarterly reports are accurate and fully supported by the accounting records.

DLWD staff was unable to provide adequate supporting records for two of two tested UI ETA 227 reports (Overpayments Detection and Recovery). Numerous line items in the ETA 227 reports submitted to USDOL for quarters ended December 31, 2015, and March 31, 2016, were not supported by financial data maintained in DLWD's DB2 mainframe system.⁴¹ The tested sample was statistically valid.

⁴¹For the quarter ended December 31, 2015, the following items were not adequately supported by accounting records: line 208, columns 9 and 10; line 209, columns 9 and 10; line 301, all columns; line 304, column 23; line 307, column 23; lines 310-313, all columns; line 501, all columns; and lines 506-507, all columns.

For the quarter ended March 31, 2016, the following items were not adequately supported by accounting records: line 301, all columns; line 309, columns 11, 22, 13, and 23; line 310, all columns; line 311, columns 11, 22, and 13; line 312, columns 11, 12, 22, 13, and 14; line 313, all columns; line 501, columns 18 and 19; and lines 506-507, all columns.

According to DLWD staff, some of the unsupported amounts were due to differences between how USDOL and DLWD account for receivables. However, insufficient documentation was provided supporting this assertion. According to DLWD Data Processing Liaison staff, the unsupported amounts were caused by manual adjustments that were necessary for the federal reporting system to accept the reports. These manual adjustments were not reviewed prior to the reports being submitted. There are inadequate internal controls in place over the ETA 227 reports.

Per 29 CFR 97.20(b)(1), financial reports must be accurate and current. Furthermore, 29 CFR 97.20(b)(2) requires that grantees maintain records which adequately identify the source and application of funds provided for financially-assisted activities. Additionally, 2 CFR 200.303 requires non-federal entities to establish and maintain internal control over federal awards to ensure the entity's management of the award is in compliance with all federal requirements.

Without supporting data, the accuracy of the ETA 227 reports could not be determined. Inadequate data may impair the federal agency's ability to properly oversee the program.

We recommend DLWD's DET director strengthen procedures to ensure that ETA 227 reports are accurate and fully supported by the accounting records.

CFDA: 17.225

Questioned Costs: None

Federal Agency: USDOL
Significant Deficiency, Noncompliance
Reporting

Agency Response — Department of Labor and Workforce Development

DLWD concurs with the recommendation. Effective May 1, 2017, prior to submittal of the ETA 227 report the submitter will reconcile the recoveries reported in the period to the financial data maintained in DLWD's DB2 mainframe system with the Distribution of Charges report and document any necessary adjustments. The reconciliation and any adjustments will be reviewed by the submitter's supervisor or the Data Processing Liaison manager for approval prior to submitting the ETA 227 report. Documentation of the reconciliation and adjustments will be maintained electronically on the department's servers.

The department considers this finding corrected.

*Contact Person: Paloma Harbour, Director
Division of Administrative Services
(907) 465-5984*

Recommendation No. 2016-041

DLWD's ASD director should strengthen procedures to ensure that the ETA 9130 quarterly reports are accurate and fully supported by the accounting records.

DLWD staff was unable to provide adequate supporting records for three of four tested ETA 9130 reports (US DOL Financial Report for UI State Administration). More specifically, there was inadequate support for line e "Federal share of expenditures" for the FFY 15 administrative grant reports for quarters ended December 31, 2015, and March 31, 2016, and the FFY 16 administrative grant report for quarter ended December 31, 2015. Additionally, line g "Federal share of unliquidated obligations" for the FFY 15 grant report for quarter ended March 31, 2016, did not tie to accounting records. The tested sample was statistically valid.

According to DLWD ASD staff, there was difficulty in preparing the reports due to the implementation of the State's new accounting system, IRIS. There were also delays in payroll data being processed that caused DLWD staff to perform additional procedures for determining the federal share of expenditures. Furthermore, due to lack of written procedures for preparing the report, DLWD staff did not retain adequate documentation supporting the reported amounts.

Per 29 CFR 97.20(b)(1), financial reports must be accurate and current. Furthermore, 29 CFR 97.20(b)(2) requires that grantees maintain records which adequately identify the source and application of funds provided for financially-assisted activities. Additionally, 2 CFR 200.303 requires non-Federal entities to establish and maintain internal control over Federal awards to ensure the entity's management of the award is in compliance with all Federal requirements.

Due to the lack of supporting data for ETA 9130 reports, the accuracy of the data could not be determined, which limits transparency and may impair the federal agency's ability to properly oversee the program.

We recommend DLWD's ASD director strengthen procedures to ensure that the ETA 9130 reports are accurate and fully supported by the accounting records.

CFDA: 17.225

Questioned Costs: None

Federal Agency: USDOL
Significant Deficiency, Noncompliance
Reporting

Agency Response — Department of Labor and Workforce Development

DLWD concurs with the recommendation. DLWD has written procedures for preparing the ETA 9130 quarterly reports. Early in FY 16, DLWD staff tried to follow these procedures but they referenced the state's old accounting system and proved difficult to follow at the start of

the fiscal year with the state's new accounting system. Staff were required to use multiple sources of information from multiple state systems to populate the reports. Many of the issues with report preparation were resolved toward the end of the fiscal year, which allowed staff to more closely follow existing procedures and produce more fully supported reports. The DLA auditor noted the ETA 9130 reporting improvements in a meeting with DLWD.

ASD fiscal staff also participated in USDOL training on preparation of ETA 9130 reports in September 2016. DLWD's finance officer updated the existing procedures to reflect the new accounting system in May 2017.

The department considers this finding corrected.

*Contact Person: Paloma Harbour, Director
Division of Administrative Services
(907) 465-5984*

Recommendation No. 2016-042

DLWD's DET director should ensure that policies and procedures for verifying eligibility are followed.

During testing of a statistically valid sample of claimants that received UI benefits in FY 16, one of 40 individuals tested did not meet the requirements to receive benefits. More specifically, DLWD UI Technical Unit call center staff did not perform recommended procedures to determine if the applicant was authorized to work in the United States.

DLWD UI Technical Unit staff use the U.S. Department of Homeland Security's Systematic Alien Verification for Entitlements (SAVE) program to verify an applicant's immigration or citizenship status. The SAVE program provided a response to DLWD that additional verification was needed to determine the applicant's immigration status. In this case, DLWD call center staff is trained to red flag the case in DLWD's DB2 mainframe system, which prevents benefits from being paid while additional documentation is requested from the applicant. Due to an oversight, DLWD staff did not flag the case.

Per 42 USC §1320b-7(d)(1)(A), the State shall require a declaration in writing stating whether the individual is a citizen of the U.S. or is in a satisfactory immigration status to be eligible to receive benefits. Furthermore, 42 USC §1320b-7(d)(5) states that if an applicant is not in a satisfactory immigration status, the State should deny benefits to the individual.

In this case, DLWD staff did not perform additional procedures to verify the applicant's immigration status and paid the applicant UI benefits. The individual was granted benefits for 16 weeks during the benefit years falling under FY 16. For the week tested, the applicant

received \$576 of benefit payments. Projecting this error to the FY 16 population of benefit payments results in likely questioned costs exceeding \$25,000.

We recommend DLWD's DET director ensure that policies and procedures for verifying eligibility are followed.

CFDA: 17.225

Questioned Costs: \$576

Federal Agency: USDOL
Noncompliance
Eligibility

Agency Response — Department of Labor and Workforce Development

DLWD concurs with the recommendation. Detailed instructions for performing the Systematic Alien Verification for Entitlements (SAVE) are included in DET's Unemployment Insurance Processing Manual and in new hire training curriculum. In June 2017, DET conducted subject specific training to claim center staff to ensure policies and procedures for verifying eligibility for non-citizens are followed.

The department considers this finding corrected.

*Contact Person: Paloma Harbour, Director
Division of Administrative Services
(907) 465-5984*

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DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT
(DCCED)

Two recommendations were made to DCCED in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2015*. Prior year Recommendation No. 2015-032 is resolved. Prior year Recommendation No. 2015-031 was not a significant issue in the current year and is not reiterated in this report.

Two new recommendations have been made during the FY 16 statewide single audit and are included as Recommendation Nos. 2016-043 and 2016-044.

(Intentionally left blank)

Recommendation No. 2016-043

DCCED's Division of Community and Regional Development (DCRA) director should remove eligibility requirements from state regulations that conflict with federal law.

State regulatory language for administration of the Payment in Lieu of Taxes (PILT) federal program contains specific eligibility requirements, which are contrary to applicable federal laws. State program regulations (3 AAC 152.100 (3) through (6)) were implemented based on a State-established community revenue sharing program which stipulates eligibility requirements for State funds. Those requirements are more restrictive than federal law.

PILT funds are required by federal law to be distributed to boroughs whose boundaries are, in whole or in part, located on federal land. The program provides funding to communities that otherwise would have little or no method to obtain revenues to support local government, as federal lands are not taxable.

United States code 31 USC Chapter 69, Section 6907 (b) states, in part:

It shall be the responsibility of such State to make any further distribution of the payment pursuant to subsection (a). Such redistribution shall be made within 30 days after receipt of such payment.

DCRA withheld the FY 16 distribution of \$99,864 in federal PILT funds for one of 95 eligible communities because of noncompliance with State program regulations; these funds have not been distributed as of the date of this letter. Additionally, nine other communities received funds totaling \$409,285 at least three months after the federal PILT funds should have been distributed because of noncompliance with State program regulations.

We recommend DCCED's DCRA director remove regulations that place inappropriate eligibility restrictions on PILT recipients and distribute the funds being withheld based on not meeting these regulations.

CFDA: 15.226

Questioned Costs: \$99,864

Federal Agency: USDOJ

Noncompliance

Allowable Costs

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

The Department concurs with this recommendation and is taking corrective action. DCRA withheld distribution of Payment in Lieu of Taxes (PILT) funds in accordance with state regulations that contain specific eligibility requirements. The department understands those state regulations are contrary to applicable federal laws governing PILT and has ceased applying requirements that are more restrictive than federal law to PILT distribution. DCRA

director Katherine Eldemar is presently working to revise the state regulations to make them consistent with federal law. This corrective action is anticipated to be completed by the end of FY18.

DCRA has now distributed all PILT funds withheld from the FY16 distribution. FY18 PILT funds were distributed to all applicants within thirty days, with the exception of three communities which had issues holding council meetings prior to July 31st.

*Contact Person: Catherine Reardon, Director
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Recommendation No. 2016-044

DCCED's DCRA director should take appropriate action against subrecipients that are unable or unwilling to have a single audit as required by the federal Single Audit Act.

DCCED staff have not taken appropriate action against the one of six FY 16 National Petroleum Reserve (NPR) impact mitigation grant program⁴² subrecipients that is unable or unwilling to have a single audit.

Uniform Guidance 2 CFR 200.505 requires the department to take appropriate action in cases of continued inability or unwillingness of a subrecipient to have the required single audit. If department staff determines that noncompliance cannot be remedied by imposing additional conditions,⁴³ the department may take one or more of the following actions:⁴⁴

- (a) Temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity or more severe enforcement action by the Federal awarding agency or pass-through entity.*
- (b) Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.*
- (c) Wholly or partly suspend or terminate the Federal award.*

⁴²CFDA 15.227 - Distribution of Receipts to State and Local Governments.

⁴³The department may impose additional federal conditions as described in 2 CFR 200.207 when a subrecipient has a history of failure to comply with the general or specific terms and conditions of a federal award. Additional conditions may include requiring payments as reimbursements other than advanced payments; withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given period of performance; requiring additional, more detailed financial reports; requiring additional project monitoring; requiring the non-Federal entity to obtain technical or management assistance; or establishing additional prior approvals.

⁴⁴2 CFR 200.338 Remedies for noncompliance.

(d) Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and Federal awarding agency regulations (or in the case of a pass-through entity, recommend such a proceeding be initiated by a Federal awarding agency).

(e) Withhold further Federal awards for the project or program.

(f) Take other remedies that may be legally available.

The lack of a single audit increases the risk that a subrecipient is not complying with federal and state laws and/or not using federal funds for authorized purposes. State single audit coordinator staff issued noncompliance notifications to the noncompliant subrecipient each year FY 12 through FY 15 for failing to submit a federal single audit report. Due to confusion by DCRA grant staff as to whether the NPR grants should be treated as federal grants using federal compliance criteria, no sanctions were considered.

We recommend DCCED's DCRA director take appropriate action against subrecipients that are unable or unwilling to have a single audit.

CFDA: 15.227

Questioned Costs: None

Federal Agency: USDOJ

Significant Deficiency, Noncompliance

Subrecipient Monitoring

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

The Department concurs with this recommendation and has taken corrective action. DCRA withheld further payments to the subrecipient of the National Petroleum Reserve (NPR) impact mitigations grant program pending correction of the deficiency. As a result, the subrecipient has submitted all but one of the missing audits. When the final audit is provided, DCRA will release the appropriate funds. DCRA now checks for audit compliance before finalizing grants awards and monitors compliance through the life of the grant.

*Contact Person: Catherine Reardon, Director
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(907) 465-2506*

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DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS (DMVA)

One recommendation was made to DMVA in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2015*. Prior year Recommendation No. 2015-033 was not a significant issue in the current year and is not reiterated in this report.

One new recommendation has been made during the FY 16 statewide single audit and is included as Recommendation No. 2016-045.

(Intentionally left blank)

Recommendation No. 2016-045

DMVA's Division of Administrative Services (DAS) director should take measures to resolve revenue shortfalls.

The *State Budget Act* provides that if actual collections fall short of appropriated program receipts, an agency is required to reduce its budget by the estimated reduction in collections.

Two potential FY 16 shortfalls were identified:

<u>Appropriation</u>	<u>Appropriation Title</u>	<u>Amount</u>
MAAC	Alaska Aerospace Corporation	\$63,266
35090-15	Military Veterans Affairs	\$126,697

According to DMVA management, the revenue shortfalls were caused by problems with recording revenues in the new state accounting system; however, management could not provide further explanation on what specific problems were encountered. As a result of the shortfalls, unauthorized general funds were expended.

We recommend DMVA's DAS director collect any remaining revenue due, if possible, and request a supplemental appropriation if necessary. Additionally, we recommend the DAS director improve procedures over billing and monitoring revenue collections to prevent future revenue shortfalls.

Agency Response — Department of Military and Veterans' Affairs

The Department of Military and Veterans' Affairs (DMVA) agrees with Recommendation No. 2016-045 that DMVA's Division of Administrative Services (DAS) Director should take measures to resolve revenue shortfalls as contained in the State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2016. The following actions were taken to resolve revenue shortfalls:

<u>Appropriation</u>	<u>Appropriation Title</u>	<u>Amount</u>
MAAC	Alaska Aerospace Corporation	\$63,266

Corrective Action: Alaska Aerospace Corporation paid the outstanding transactional amount and their expenditures of \$2,869,780.25 have the associated revenue collected of \$2,869,780.25 with the related IRIS transactions (CR2 #170012650 and CR1 170031303). In fiscal year 2018, a Memorandum of Agreement (with expected pay times) executed between DMVA and AAC to resolve posting and payment of financial transactions in the future clarifying roles and responsibilities for both entities.

<u>Appropriation</u>	<u>Appropriation Title</u>	<u>Amount</u>
35090-15	Military and Veterans' Affairs	\$126,697

Corrective Action: DMVA made significant progress identifying duplicative transactions during the financial system transition from AKSAS to IRIS on July 1, 2015. The current balance for open receivables in 2016 is \$4,286.68. The process to review and research the remaining amount will include reaching out to the IRIS financial team to assist with resolving Reimbursable Services Agreements related to conversion of expenditures; with this additional guidance, we expect to resolve outstanding amounts by October 31, 2017.

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DEPARTMENT OF NATURAL RESOURCES (DNR)

No recommendations were made to DNR in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2015*.

Four new recommendations have been made during the FY 16 statewide single audit and are included as Recommendation Nos. 2016-046 through 2016-049.

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Recommendation No. 2016-046

DNR's Division of Oil and Gas director should improve controls over changes to the Division of Oil and Gas management information systems.

Two significant control deficiencies were identified in system change controls. Change controls for organizational information systems involve the systematic proposal, justification, implementation, testing, review, and disposition of changes to the systems, including system upgrades and modifications.

FY 16 deficiencies included:

- Inadequate segregation of duties. According to DNR management, the lack of segregation of duties was due to a high workload relative to the number of available programming staff. Inadequate segregation of duties increases the risk that information may be intentionally or unintentionally altered.

State security policy ISP-165 section 5.1.3 states that executive management must segregate duties and responsibilities of personnel consistent with the sensitivity of information in order to prevent intentional or unintentional disruption or exposure of information assets.

- Inadequate documentation supporting system changes due to weak policies. The lack of documentation may allow unauthorized changes to be made which may jeopardize the integrity of system data.

State of Alaska Information Security Policy ISP-165 section 5.1.2 requires managers to maintain documentation of changes to information systems. Furthermore, industry best practice guidance for information systems, published by the National Institute of Standards and Technology (NIST),⁴⁵ recommends change controls include a systematic process for reviewing and approving changes. An organization should test, validate, and document changes to the information system before implementing the changes on the operational system.

We recommend DNR's Division of Oil and Gas director improve controls over changes to the management information systems.

Auditor's Note

The details related to this control weakness are being withheld from this report to prevent the weakness from being exploited. Pertinent details have been communicated to agency management in a separate, confidential document.

⁴⁵NIST Special Publication 800-53 Revision 4, section CM-3: Configuration Change Control.

Agency Response — Department of Natural Resources

DNR concurs with this recommendation. The division implemented an approval workflow with Royalty Accounting SharePoint Tasks. This workflow routes requests made by the Royalty Accounting section to an approval team who must approve the request before any development or changes are made to the system. Upon approval of the request, a tester is assigned within the request who later checks off completion of testing and enters the date it was completed. The development team captures all communications for programming requests (usually e-mail) that were made outside of the SharePoint system by exporting the final e-mail string containing the breadth of the communication into a PDF document and then attach the document to the SharePoint request. These changes satisfy requirements for approval, testing and improving the documentation of changes being made to the DOGMA system. A review of the changes made to DOGMA did not reveal any modifications that would have been disapproved by the section chief and all modifications were necessary for proper accounting activities. Matt Powers, the division Data Processing Manager, is responsible for this process.

*Contact Person: Fabienne Peter-Contesse, Director
Support Services Division
(907) 465-2422*

Recommendation No 2016-047

DNR's Division of Oil and Gas director should address management system backup and recovery deficiencies.

Review of DNR's management system found a significant deficiency related to backup and recovery.

Per State of Alaska Information Security Policy and NIST Special Publication 800-53 Revision 4, IT internal control deficiencies should be addressed timely.

According to DNR management, backup and recovery deficiencies have not been addressed due to budget constraints. Failure to address the deficiencies increases the risk that critical system information may be unrecoverable in the event of system failure.

We recommend DNR's Division of Oil and Gas director address management system backup and recovery deficiencies.

Auditor's Note

The details related to this control weakness and relevant audit criteria are being withheld from this report to prevent the weakness from being exploited. Pertinent details have been communicated to agency management in a separate, confidential document.

Agency Response — Department of Natural Resources

DNR concurs in part with this recommendation. The division regularly backs up DOGMA data and has a disaster recovery plan. While not stored off site, DOGMA was systematically backed up and the data is stored separately and available to reconstitute the data should a system failure occur. A significant destructive event rather than a “system failure” would have to occur to result in complete loss of data. The division has since relocated their backup system to the Anchorage Data Center which has redundant power and cooling. The DOGMA database is backed up daily with additional 15 minute incremental synchronizations to ensure protection and integrity should a disaster occur. Matt Powers, the division Data Processing Manager, is responsible for this process.

*Contact Person: Fabienne Peter-Contesse, Director
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Recommendation No. 2016-048

DNR’s Division of Oil and Gas director should ensure eligible receipts are deposited into the constitutional budget reserve fund (CBRF) timely.

In FY 16, \$14.7 million in settlement receipts were not transferred from the general fund to the CBRF. According to DNR staff, the funds were not transferred because related settlements were appealed. However, appeal does not change the CBRF designation. Once identified by the audit team, DNR staff worked with Department of Administration (DOA) staff to process the FY 16 corrections to properly record the receipts in the CBRF. If not identified by the auditors, the error would have resulted in CBRF receipts being reported as general fund revenues.

The Alaska Constitution, Article IX, Section 17 established the CBRF to deposit all money received by the State 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. Untimely CBRF transfers result in a distorted representation of funds available for legislative appropriation.

We recommend DNR’s Division of Oil and Gas director ensure CBRF receipts are recorded timely.

Agency Response — Department of Natural Resources

DNR concurs in part with this recommendation. Since this was not a failure of a systematic process requiring correction, a corrective plan is not required. We agree that funds must be deposited to the CBRF timely but also that these deposits must be correct as far as possible and not knowingly incorrect. In November 2016, the division identified to legislative auditors three CY2016 payments that were not made to the CBRF in CY2016. The lessees made these payments in June and July, 2016 because of a Federal Energy Regulatory Commission ordered reduction in the Trans-Alaska Pipeline System tariff rate for 2009 – 2011. The general fund portion of these payments were not transferred to the CBRF because the lessees used incorrect monthly tariff rates which were later corrected in CY2017. The division knew the reports were incorrect and did not desire to knowingly post an incorrect balance to the CBRF. The division delayed the transfer to the CBRF until after the lessees refiled using the correct tariff rates and a correct posting could be made. The effect of delay is in CY2016 \$14.7 million in general fund revenue was overstated and revenue in CBRF was understated by \$14.7 million. For CY2017 the opposite condition existed; general fund revenue is understated by \$14.7 million and revenue in the CBRF is overstated by \$14.7 million. Jim Stouffer, Royalty Accounting Section Chief, is responsible for this process.

*Contact Person: Fabienne Peter-Contesse, Director
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(907) 465-2422*

Recommendation No. 2016-049

DNR's finance officer should work with DOA Division of Finance (DOF) management to resolve overspent appropriations and request ratification if necessary.

Expenditures for two DNR appropriations exceeded the authorized limit by the following amounts:

<u>Appropriation</u>	<u>Appropriation Title</u>	<u>Amount</u>
NN03	Characterization of Conventional and Unconventional Oil & Gas Resources	\$10,558
NO04	Boreal Alaska — Learning, Adaptation, and Production: Upgrade Forest Research Installations Wood Biomass	\$549

Article IX, Section 13 of the state constitution requires that “no money shall be withdrawn from the treasury except in accordance with appropriations made by law.” Overspent appropriations were caused by DOF accountants processing expenditure transactions in

excess of the budget by overriding the accounting system error messages.⁴⁶ Lack of monitoring appropriation balances prevented DNR management from timely identifying and correcting the expenditures. As a result, unauthorized general funds were expended.

We recommend DNR's finance officer work with DOF management to resolve the overspent appropriations and request ratification if necessary.

Agency Response — Department of Natural Resources

DNR concurs with this recommendation. To reduce the risk of overspending, DNR's Finance Officer will review operating and capital appropriation balances monthly. The responsibility of this internal control will be the Accountant IV Steve Schmitz and Finance Officer Luke Canady, within DNR's Support Services Division.

*Contact Person: Fabienne Peter-Contesse, Director
Support Services Division
(907) 465-2422*

⁴⁶DOF accountants have special IRIS overriding permissions to conduct business.

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DEPARTMENT OF FISH AND GAME (DFG)

No recommendations were made to DFG in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2015*.

One new recommendation has been made during the FY 16 statewide single audit and is included as Recommendation No. 2016-050.

(Intentionally left blank)

Recommendation No. 2016-050

DFG's commissioner should obtain an attorney general opinion to support the proper financial accounting and reporting of the fish and game fund.

Monies received during FY 16 from the federal government for fish and game purposes were not deposited and accounted for in the fish and game fund, as ostensibly required by statute. Alaska Statute 16.05.110 concerns the composition of the fish and game fund and states, in part:

- (a) *The fish and game fund **shall be made up of the following money and other money the legislature appropriates, which shall be deposited and retained in the fund until expended:*** [emphasis added]
- (1) *money received from the sale of state sport fishing, hunting, and trapping licenses, tags, and special permits, waterfowl conservation tags purchased by hunters, and anadromous salmon tags purchased by fishermen;*
- (2) *proceeds received from the sale of furs, skins, and specimens taken by predator hunters and other employees;*
- (3) *money received in settlement of a claim or loss caused by damage to the fish and game resources of the state;*
- (4) *money received from federal, state, or other governmental unit, or from a private donor for fish and game purposes* [emphasis added]

The implementation of the State's new accounting system (IRIS) caused DFG management to reevaluate how to account for federal receipts in IRIS. DFG management contends that because the federal funding reimbursed State expenditures, the funds are not subject to the above statutes and may be accounted for in the general fund. Furthermore, management received written approval from the federal oversight agency that allowed for the accounting in the general fund. Historically, the department receives approximately \$30 to \$40 million annually for fish and game purposes, the majority of which was recorded and reported in the general fund in FY 16.

A strict reading of the statutes concludes that all fish and game fund federal funding should be recorded and reported in the fish and game fund. From a State compliance perspective, the confirmation received from the federal oversight agency is irrelevant when evaluating whether the department complied with State law. Without an attorney general opinion that addresses legislative intent to support the department's actions, it appears the accounting and reporting of FY 16 federal fish and game monies did not comply with State law, which may

restrict the ability of the department to provide comparable financial information for legislators and other interested persons.

We recommend DFG's commissioner obtain an attorney general opinion that considers the legislative intent of the fish and game fund statutes and relevant case law to ensure the federal monies for fish and game purposes are being accounted for in compliance with State law.

Agency Response — Department of Fish and Game

Alaska Department of Fish and Game (ADFG) is in receipt of your letter dated July 25, 2017, requesting “an attorney general opinion that addresses legislative intent” regarding AS 16.05.110 and ADFG’s accounting of federal funds received pursuant to the Federal Aid in Wildlife Restoration Act of September 2, 1937, 16 U.S.C. §§ 669-669k, commonly known as the Pittman-Robertson Act, and the Federal Aid in Sport Fish Restoration Act of August 9, 1950, 16 U.S.C. §§ 777-777l, commonly known as the Dingell-Johnson Act. In response to the recommendation, ADFG does not agree with Legislative Audit’s assessment of Alaska Statute 16.05.110(a). ADFG confirms that a corrective active plan is not required since we are not in violation of statute. Please let us know after reviewing this letter if you still believe a formal attorney general opinion is needed to resolve the interpretation of the statute.

Under AS 16.05.110, the fish and game fund is comprised of various moneys that are to be “deposited and retained in the fund until expended.” Under the Pittman-Robertson and Dingell-Johnson Acts, ADFG receives federal funds as reimbursement for expenditures already made and never in advance. Thus, these federal funds are not of the kind to be deposited in the fish and game fund “until expended.”

In your recommendation letter a claim is made that the State’s new accounting system caused DFG management to reevaluate how to account for federal receipts in IRIS. This is not the case. An annual analysis of the fund has been requested by the legislature for several years. In past years, consistent with AS 16.05.110, ADFG has manually eliminated these federal funds from the annual fish and game fund analysis presentation provided to legislators and other interested persons; the State’s new IRIS accounting system allows these funds to be accurately recorded as reimbursements in the general fund without further action by ADFG. Reporting reimbursed federal aid under the general fund increases the transparency and consistency in reporting to isolate and report the true activity of the fund.

Subsection (b) of the AS 16.05.110 makes a clear distinction between funds in the fish and game fund, on the one hand, and federal funds received under the Pittman-Robertson and Dingell-Johnson Acts, on the other:

... [A]ppropriations of money from the fish and game fund and of money received by the state under the federal aid acts described under AS 16.05.140

shall be made to the division of wildlife conservation or the division of sport fish.

Seth Beausang, Assistant Attorney General reviewed the legislative history for the relevant parts of AS 16.05.110, and note that the relevant bill review letter makes the same distinction:

Section 3 of the bill generally requires that appropriations of money from the state fish and game fund, or derived from the Federal Aid to Wildlife Restoration Act of September 2, 1937 (16 U.S.C. 669-669j) and amendments, the Federal Aid in Fish Restoration Act of August 9, 1950 (16 U.S. C. 777-777k) and its amendments, and from similar federal fish and wildlife management funding sources, be channeled through the division of wildlife conservation or the division of sport fish.⁴⁷

In summary, there is not a violation of statute or ability to provide comparable financial data to legislators and other interested persons; as a result, a corrective action plan is not required. For all of these reasons, federal funds received by ADFG pursuant to the Pittman-Robertson and Dingell-Johnson Acts are not required to be deposited in the fish and game fund established by AS 16.05.110.

*Contact Person: Carol Petraborg, Director
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(907) 465-6077*

Legislative Auditor's Additional Comments

We have reviewed the Department of Fish and Game's (DFG) response, and nothing in the response persuaded us to revise the recommendation. In their response, the agency disagrees that the State's new accounting system caused DFG management to reevaluate how to account for federal receipts in IRIS. We note that our understanding of DFG's reason for changing the accounting for these federal receipts was based on assertions made to us by DFG fiscal staff during the audit. We reiterate a formal attorney general opinion should be obtained to support the proper financial accounting and reporting of the fish and game fund.

⁴⁷ Bill review letter for HCS CSSB 250(FIN) dated May 20, 1998, from Bruce M. Botelho, Attorney General, to the Honorable Tony Knowles, Governor, at 2.

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DEPARTMENT OF PUBLIC SAFETY (DPS)

No recommendations were made to DPS in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2015*.

One new recommendation has been made during the FY 16 statewide single audit and is included as Recommendation No. 2016-051.

(Intentionally left blank)

Recommendation No. 2016-051

DPS' finance officer should take measures to resolve revenue shortfalls.

The *State Budget Act* provides that if actual collections fall short of appropriated program receipts, an agency is required to reduce its budget by the estimated reduction in collections.

One shortfall identified in FY 13 was outstanding in FY 16 in the following amount:

<u>Appropriation</u>	<u>Appropriation Title</u>	<u>Amount</u>
47863-13	Bureau of Highway Patrol - Special Project – RSA	\$4,304,930

This revenue shortfall is due to the federal agency declining reimbursement for unallowable state expenditures. Specifically, under an agreement between DPS and the Department of Transportation and Public Facilities (DOTPF), DPS conducted driving under the influence enforcement activities. The agreement was funded by federal grants from the National Highway Traffic Safety Administration (NHTSA). DPS activities conducted in 2009 through 2011 were subject to the NHTSA management review, which found lack of documentation and questionable activities. NHTSA declined reimbursement for the activities. DOTPF subsequently informed DPS that no alternate funding was available.

As a result of the shortfall, unauthorized general funds were expended.

We recommend that DPS' finance officer request a supplemental appropriation to address the shortfall.

Agency Response – Department of Public Safety

DPS agrees with this recommendation.

DPS' Administrative Services Director, Kelly Howell, is responsible for the corrective action which is to request a supplemental appropriation to address the shortfall. The request would be made when the Legislature convenes in January 2018.

*Contact Person: Kelly Howell, Director
Division of Administrative Services
(907) 269-5591*

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DEPARTMENT OF ENVIRONMENTAL CONSERVATION (DEC)

No recommendations were made to DEC in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2015*.

One new recommendation has been made during the FY 16 statewide single audit and is included as Recommendation No. 2016-052.

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Recommendation No. 2016-052

DEC's finance officer should take measures to resolve a revenue shortfall.

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.

One potential FY 16 shortfall was identified:

<u>Appropriation</u>	<u>Appropriation Title</u>	<u>Amount</u>
VUBC (2009)	DEC Unbudgeted Capital RSAs	\$2,058

The revenue shortfall is due to uncollected revenue related to expenditures that processed August 30, 2016. According to management, expenditures were processed too late to complete the revenue billing. As a result of the shortfall, unauthorized general funds were expended.

We recommend DEC's finance officer collect any remaining revenue due if possible and request a supplemental appropriation if necessary.

Agency Response – Department of Environmental Conservation

In response to your recommendation regarding the \$2,058.00 shortfall in the Appropriation VUBC (2009) DEC Unbudgeted Capital RSA, on April 26, 2017, we have taken action and with the assistance of the Division of Finance (DOF) removed the excess expenditures into a different appropriation using its available lapse funds. This action brought the shortfall to an acceptable amount of \$78.52 previously approved by you in our ongoing correspondence.

*Contact Person: Thomas Cherian, Director
Division of Administrative Services
(907) 465-5256*

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DEPARTMENT OF CORRECTIONS (DOC)

No recommendations were made to DOC in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2015*.

No new recommendations have been made during the FY 16 statewide single audit.

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DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES (DOTPF)

Nine recommendations were made to DOTPF in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2015*. Prior year Recommendation Nos. 2015-037 through 2015-039, and 2015-042 are resolved. Prior year Recommendation Nos. 2015-036 and 2015-040 are not a significant issue in the current year and are not reiterated in this report. Prior year Recommendation Nos. 2015-034, 2015-035, and 2015-041 are not resolved and are reiterated in this report as Recommendation Nos. 2016-053, 2016-054, and 2016-060, respectively.

Seven new recommendations have been made during the FY 16 statewide single audit and are included as Recommendation Nos. 2016-055 through 2016-059, 2016-061, and 2016-062.

(Intentionally left blank)

Recommendation No. 2016-053

DOTPF's Administrative Services Division (ASD) director should ensure financial transactions are properly coded to the correct fiscal year in the accounting system.

Prior Finding

From mid-July through August of 2015, DOTPF staff erroneously recorded all FY 15 capital appropriation expenditures to FY 16. This resulted in understated general fund expenditures of \$34.7 million and \$5.9 million in capital project funds, and associated revenue earned but unbilled of \$21.6 million. The error was ultimately corrected via an audit adjustment and properly reported in the FY 15 Comprehensive Annual Financial Report (CAFR).

On July 6, 2015, the State of Alaska replaced the legacy state accounting system with a new accounting system (IRIS). Capital appropriations were converted to IRIS on July 16, 2015. After conversion, transactions relating to capital appropriations could only be processed in IRIS. Special coding was made available in IRIS to ensure FY 15 transactions could be tracked and reported in the appropriate fiscal year. According to DOTPF management, instructions concerning the use of special coding were initially unclear. After DOTPF management obtained clarification, a determination was made that resources were not available to adjust previously recorded transactions and that any remaining FY 15 expenditures input into IRIS as FY 16 would be immaterial.

According to governmental accounting standards,⁴⁸ most expenditures are measurable and should be reported when the liability is incurred. All transactions identified as being in error were for goods or services received (liability incurred) during FY 15.

Legislative Audit's Current Position

DOTPF staff continued to record expenditures to the incorrect fiscal year. A selection of 20 FY 17 documents processed during July and August 2016 (reappropriation period) identified four that should have been recorded to FY 16, the fiscal year in which the liability occurred. An expanded selection of 50 FY 17 reappropriation period transactions identified an additional 41 that should have been recorded to FY 16. Errors were caused by DOTPF staffs' lack of detailed review and understanding of the fiscal year effect on financial reporting.

The errors resulted in an understatement of FY 16 expenditures of \$24.5 million, associated revenues of \$9.9 million, and associated unavailable revenue of \$8.6 million in the general fund. These errors were ultimately corrected and properly reported in the FY 16 CAFR.

We again recommend DOTPF's ASD director ensure financial transactions are properly coded to the correct fiscal year in the accounting system.

⁴⁸*Codification of Governmental Accounting and Financial Reporting Standards 1600.116.*

Agency Response — Department of Transportation and Public Facilities

The department concurs with this recommendation. The department participated in a statewide training held by the Division of Finance for the Re-appropriation period Handy Guide. The department will continue to monitor and providing additional training to staff.

*Contact Person: Amanda Holland, Director
Division of Administrative Services
(907) 465-3911*

Recommendation No. 2016-054

DOTPF's ASD director should ensure necessary revenue accruals are correctly recorded at fiscal year-end.

Prior Finding

DOTPF accounting staff did not perform the FY 15 year-end accounting entry to record earned but unbilled revenues. This understated unavailable revenue and receivables in FY 15 by \$152.9 million. The error was ultimately corrected via an adjustment and properly reported in the FY 15 CAFR.

On July 6, 2015, the State of Alaska implemented a new accounting system, IRIS. The implementation of IRIS resulted in additional work for DOTPF accounting staff to ensure information was properly converted from the previous accounting system. According to DOTPF, instructions relating to the conversion of capital appropriations were unclear. Additionally, accounting staff did not understand the impact on the CAFR of not performing the year-end revenue accrual, and instead focused efforts on IRIS conversion.

Governmental accounting standards⁴⁹ state that on either basis of accounting (modified accrual or full accrual), recognition of non-exchange transactions in the financial statements is required unless the transactions are not measurable or are not probable of collection.

Legislative Audit's Current Position

DOTPF accounting staff continued to struggle with accruing revenue. Multiple errors were identified relating to received and accrued revenues for the FY 16 CAFR. The significant errors were as follows:

- DOTPF accounting staff did not record a revenue accrual of \$7.0 million relating to unprocessed expenditure allocations at fiscal year-end. The expenditure allocations

⁴⁹ Codification of Governmental Accounting and Financial Reporting Standards N50.108.

were not processed by fiscal year end due to the associated funding profiles not being validated in the accounting system.

- DOTPF accounting staff posted the FY 16 year-end accounting entry to record \$212.5 million of earned but unbilled general fund revenues (unavailable revenues) to the incorrect account. Additionally, the year-end accrual understated general fund unavailable revenues by \$30.3 million. These errors were due to mistakes by DOTPF staff in the selection of the proper balance sheet account code for the accrual, and the use of incorrect parameters in the financial reports supporting the year-end revenue accrual calculation.
- FY 16 general fund billed revenues of \$64.3 million were erroneously coded to FY 17. During the reappropriation period, IRIS defaults to recording revenue in the current fiscal year; agency staff must modify the IRIS receivable document to properly record the correct fiscal year. DOTPF did not identify and properly change the fiscal year to FY 16 for all applicable IRIS documents which had automatically defaulted to FY 17.

Department of Administration (DOA) Division of Finance (DOF) staff identified this issue and proposed an adjustment, which was reviewed and edited by DOTPF revenue staff, to record the \$64.3 million of erroneously recorded FY 17 general fund revenue as FY 16 unavailable general fund revenue. However, neither DOF nor DOTPF accountants identified that the \$64.3 million had already been included in DOTPF's FY 16 year-end revenue accrual. Furthermore, \$58.1 million of the \$64.3 million booked as unavailable revenue should have been reported as FY 16 general fund revenues since the revenues were received within 60 days of fiscal year end.⁵⁰

The errors were caused by DOTPF staff failing to modify IRIS receivable documents to the correct fiscal year during the reappropriation period and not considering the cumulative effect and the methodology used for determining revenue adjustments to the FY 16 CAFR.

Each of the noted errors was ultimately corrected via an audit adjustment or series of adjustments and properly reported in the FY 16 CAFR.

We again recommend DOTPF's administrative services director ensure necessary revenue accruals are correctly recorded at fiscal year-end to ensure all revenues are reported in the appropriate fiscal year.

⁵⁰For fund financial reporting – *Codification of Governmental Accounting and Financial Reporting Standards 1600.106*: "Revenues and other governmental fund financial resource increments...are recognized in the accounting period in which they become susceptible to accrual – that is, when they become both *measurable* and *available* to finance expenditures of the fiscal period. *Available* has been defined by DOF as being received within 60 days of fiscal year end."

Agency Response — Department of Transportation and Public Facilities

The department concurs with this recommendation. The department will continue to monitor and provide additional training to staff.

*Contact Person: Amanda Holland, Director
 Division of Administrative Services
 (907) 465-3911*

Recommendation No. 2016-055

DOTPF's ASD director should improve internal controls to ensure expenditures are supported and properly recorded in the financial system.

Testing of 109 general fund FY 16 non-personal services transactions processed by DOTPF staff identified the following errors:

- 2 payments totaling \$73.2 thousand were not fully supported by an invoice, therefore the amount paid did not match supporting documents. This was due to DOTPF accounting staff not ensuring supporting documentation was complete and properly retained.
- 2 payments totaling \$619 thousand lacked evidence of approval by an authorized person in accordance with Alaska Administrative Manual (AAM) 35.060. Again, this relates to DOTPF accounting staff not ensuring supporting documentation was complete and properly retained.
- 10 payments totaling \$11.7 million in expenditures were coded to incorrect appropriations or funds based on supporting documentation. Nine of the ten errors totaling \$11.6 million were the result of DOTPF's cost allocation structures not being finalized in IRIS when the system went live July 2015. DOTPF staff used temporary coding with the intention of reclassifying transactions to the correct appropriations before the end of the fiscal year. DOTPF's plan to reclassify temporary coded transactions was not fully completed before the end of FY 16. Therefore, it was not possible to determine if these transactions had been reclassified to the correct appropriations or funds. The remaining error totaling \$55 thousand was caused by a lack of detailed review of supporting documentation.
- DOTPF accounting staff did not complete the reconciliation of FY 16 temporary coded transactions before fiscal year end. An analysis of the appropriations used by DOTPF for temporary coding identified an estimated \$9.2 million of temporary coded transactions that were not reclassified by the end of FY 16. An estimated \$1.9 million of the \$9.2 million temporarily recorded to the general fund should have been

recorded to other funds. The errors were the result of competing priorities caused by the implementation of a new accounting system.

DOTPF's internal controls over expenditures did not adequately ensure expenditure transactions were fully supported, approved, and correctly coded in the accounting system. The errors noted above were not adjusted in the FY 16 CAFR, however additional fieldwork was completed on material funds and accounts to ensure financial statements were materially correct.

Governmental accounting standards state⁵¹ that most expenditures are measurable and should be reported when the related liability is incurred. The DOF Procedure Manual⁵² states that agencies that record transactions to specific funds should have policies and procedures in place to make certain activity is properly recorded in accordance with generally accepted accounting principles as they pertain to fund accounting.

We recommend DOTPF's ASD director improve internal controls to ensure expenditures are supported and properly recorded in the financial system.

Agency Response — Department of Transportation and Public Facilities

The department concurs with this recommendation. The department had input all adjustment documents to properly code the temporarily coded transactions. The only ones remaining were pending additional project funding before being processed. The department has provided staff additional training on cutoff procedures and other elements contained in this recommendation.

*Contact Person: Amanda Holland, Director
Division of Administrative Services
(907) 465-3911*

Recommendation No. 2016-056

DOTPF's ASD director should improve procedures to accurately report capital assets.

DOTPF's FY 16 infrastructure (IF) and construction in progress (CIP) listings submitted to DOF contained significant errors. Specifically, errors included:

⁵¹Codification of Governmental Accounting and Financial Reporting Standards 1600.116.

⁵²DOF Accounting Procedures Manual Section 13 Fund Accounting, Agency Responsibilities.

- 42 of 69 projects added by DOTPF to their FY 16 IF listing did not meet the capitalization criteria and should have been expensed. This resulted in a net overstatement to DOTPF's reported IF of \$208.6 million.
- 23 of 146 projects tested on DOTPF's FY 16 CIP listing did not meet the capitalization criteria and should have been expensed. This resulted in an overstatement to DOTPF's reported CIP of \$64.5 million.
- 5 of 69 projects added by DOTPF to their FY 16 IF listing were added at the incorrect amount. This resulted in an understatement to DOTPF's IF listing of \$7.5 million.
- 5 of 146 projects tested on DOTPF's FY 16 CIP listing were recorded with an incorrect capitalizable amount. This understated DOTPF's CIP listing by \$20.4 million.
- 8 of 69 projects added by DOTPF to their IF listing were already previously recorded to infrastructure. The double recording of these projects overstated DOTPF reported IF listing by \$102.8 million.
- 15 of 146 projects tested on DOTPF's reported FY 16 CIP listing should have been moved to DOTPF's FY 16 IF listing. This resulted in an overstatement to DOTPF's CIP listing of \$139.2 million, net understatement to DOTPF's IF listing of \$127.9 million, and understatement of transportation depreciation expense of \$11.3 million.

Each of the noted errors was ultimately corrected via adjustments and properly reported in FY 16 CAFR.

Errors in DOTPF's IF and CIP listings were due to insufficient training for DOTPF staff preparing the listings and a lack of review of the listings before submission to DOF staff. Additionally, the effect of prior year audit adjustments was not considered when compiling the current year information.

According to governmental accounting standards,⁵³ capital assets should be reported at historical cost and include all tangible or intangible assets used in operations that have initial useful lives extending beyond a single reporting period. The AAM⁵⁴ stipulates that repair and maintenance costs are expenditures and should not be capitalized.

We recommend DOTPF's ASD director improve procedures to accurately report capital assets to DOF.

⁵³*Codification of Governmental Accounting and Financial Reporting Standards* 1400.102-103.

⁵⁴AAM 55.040 Capital Assets Repairs, Improvements, Betterments, and Additions.

Agency Response — Department of Transportation and Public Facilities

The department concurs with this recommendation. The department is exploring the available fixed asset tools in IRIS to assist in the timely and accurate record of the department's fixed assets.

*Contact Person: Amanda Holland, Director
Division of Administrative Services
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Recommendation No. 2016-057

The Alaska International Airport System (AIAS) controller should ensure AIAS' financial statement audit is performed timely.

The AIAS FY 16 financial statement audit, performed by other auditors (OA), was not completed by the October 3, 2016, deadline established by DOA DOF. As a result, AIAS financial activity was not included in the draft CAFR prepared by DOF for audit.

AIAS' financial activity is reported in the CAFR as a major proprietary fund and constitutes a significant component of the State's financial statements. State law⁵⁵ requires DOF to issue the audited CAFR for the preceding fiscal year by December 15. Due to the implementation of IRIS, and various issues encountered by AIAS staff, AIAS' draft audited financial statements were provided to DOF on February 22, 2017. The final OA opinion and audited financial statements were provided to DOF on April 28, 2017 – over six months after DOF's October 3rd deadline.

Incomplete and untimely draft CAFR information delayed the issuance of the CAFR and Statewide Single Audit report which negatively impacted decision-making by report users. Furthermore, the delay decreased audit efficiency.

We recommend AIAS' controller takes steps to ensure AIAS' financial statement audit is performed by the deadline established by DOF.

Agency Response — Department of Transportation and Public Facilities

The department concurs with this recommendation. This FY2016 issue primarily resulted from several problems arising with the State's conversion to its new IRIS accounting system. Materially accurate capital expenditure and pension accounting information which AIAS depends upon receiving from other Departments/Divisions was not available to AIAS sufficiently timely for AIAS to meet its financial statement audit deadline. Additionally, with

⁵⁵Alaska Statute 37.05.210.

conversion to the new IRIS accounting system, AIAS encountered other issues which in themselves precluded timely completion of its FY2016 audit, such as the system not having been converted to include beginning FY16 account balances that agreed with ending FY2015 balances as required by AIAS external auditors.

AIAS believes these issues to have been subsequently resolved sufficiently to not impede timely performance of FY2017 and future AIAS financial statement audits.

*Contact Person: Amanda Holland, Director
Division of Administrative Services
(907) 465-3911*

Recommendation No. 2016-058

DOTPF's ASD director should ensure requests for federal reimbursement of expenditures and the clearing of cash receipts are processed timely.

ASD staff did not consistently draw down federal Highway Planning and Construction Cluster (HPCC) funds in a timely manner. Six of 36 of drawdowns (17 percent) were performed greater than 10 days after the preceding drawdown. This includes two lengthy periods between draws, one period of 86 and another period of 33 days. Additionally, 11 of 42 documents (26 percent) that cleared federal cash receipts and recorded program revenues were processed at least 30 days after the cash was received. Delays in drawing down funds and processing cash receipts were due, in part, to competing priorities and the implementation of the State's new accounting system which required development of new cash management processes.

Alaska Administrative Manual 45.060 stipulates all receivables must be billed and recorded as soon as possible after billing information is available. Per AAM 50.115, cash receipts (CR) must be liquidated timely. Any CRs remaining in the general ledger 30 days after the deposit date of the receipt is deemed delinquent.

Untimely billing of federal expenditures reduces the State's ability to maximize interest earnings on general funds. Untimely processing of cash receipts increases the risk of errors in federal and financial reporting.

We recommend DOTPF's ASD director ensure requests for federal reimbursement of expenditures and the clearing of cash receipts are processed timely.

Agency Response — Department of Transportation and Public Facilities

The department concurs with this recommendation. This issue for FY16 is related to the IRIS conversion. During the first three months of IRIS implementation, a tremendous amount of

time was devoted to validating converted projects. This validation effort resulted in an 86 day delay between federal draws. Additionally, during a four-week period in September-October FHWA was not accepting draw requests due to the change in federal fiscal year and the implementation of the new Fiscal Management Information System (FMIS) 5.0. This resulted in a 33 day delay. The department will work to ensure that future draws are performed timely.

Additionally, cash receipts were not cleared timely when the Receivables (REs) needed to be reduced through Recycle jobs. The DOT&PF requests a recycle job be created through the Department of Administration (DOA). DOT&PF will monitor the requests more closely in the future and work with DOA to ensure more timely processing of the recycle request.

*Contact Person: Amanda Holland, Director
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(907) 465-3911*

Recommendation No. 2016-059

DOTPF's finance officer and Marine Transportation Services manager should improve controls over issuing and recouping employee advances.

DOTPF staff issued over \$2 million in payroll advances to marine highway employees over the course of approximately four years. Of this amount, \$289,350 has not been recouped as of the end of FY 16 and represents unauthorized use of State funds. Marine Highway management reported that advances were made as an employee convenience and were allowable under union contracts. However, upon review, advances were allowable for only one of three union contracts applicable to employees who received advances. Furthermore, there was no evidence that controls existed to verify union membership prior to issuing advances. Additionally, the union contract limited advances to \$500; however, 44 of 81 advances issued in FY 16 exceeded \$500.

The advances were issued inappropriately and not recouped because internal controls over advances were weak or nonexistent. Specifically:

- Employees were not required to sign an agreement to repay an advance and there was no process in place to recoup funds from separated employees.
- No reconciliation was completed between issued advances and payroll recoupments.
- There was no process in place to evaluate or report the tax consequences of unrecovered advances.

Article IX, Section 13, of the state constitution says, "No money shall be withdrawn from the Treasury except in accordance with appropriations made by law." Furthermore, AAM 05.020

requires each State agency to “adopt methods to periodically assess risk and to develop, implement, and review its system of internal controls.”

We recommend DOTPF’s finance officer and Marine Transportation Services manager improve controls over issuing and recouping employee advances. Advances should be recouped to the greatest extent possible and practical.

Agency Response — Department of Transportation and Public Facilities

The department concurs with this recommendation. On April 27, 2017 an updated P&P was signed and posted for Emergency Draws for IBU Members only. DOA-Payroll is performing a review to identify which draws have not been recovered and will start recouping the advances.

*Contact Person: Amanda Holland, Director
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(907) 465-3911*

Recommendation No. 2016-060

DOTPF’s ASD director should ensure personal service expenditures charged to federal programs comply with federal cost principles.

Prior Finding

In FY 15, personal service testing identified one of 26 timesheets incorrectly charged \$488 of unallowable expenditures to a federally reimbursable project. DOTPF staff inadvertently used incorrect coding when entering timesheet information and the processing procedures did not prevent or detect the error. Projection of the error identified likely questioned costs greater than \$10,000 for the HPCC program.

Legislative Audit’s Current Position

FY 16 personal service testing identified one⁵⁶ of 60 timesheets overcharged \$1,219 to the HPCC program. DOTPF staff miscoded hours in the accounting system, which was not prevented or detected by DOTPF personal service procedures. Projecting the error identified likely questioned costs greater than \$25,000 for the HPCC program. The tested sample was statistically valid.

Per OMB Uniform Guidance §200.430 (i)(1) Standards of Documentation for Personnel Expenses:

⁵⁶FAIN 2000042.

Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed and the records must: (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.

We again recommend DOTPF's ASD director ensures personal service expenditures charged to federal programs comply with federal cost principles.

CFDA: 20.205

Questioned Costs: \$1,219

Federal Agency: USDOT

Noncompliance

Allowable Costs

Agency Response — Department of Transportation and Public Facilities

The department concurs with this recommendation. DOT&PF has input a correcting transaction to properly charge to the correct federal program. DOT&PF holds bi-weekly meetings with the departmental staff who input and approve the transactions, and additional approval training is being provided during these sessions.

*Contact Person: Amanda Holland, Director
Division of Administrative Services
(907) 465-3911*

Recommendation No. 2016-061

DOTPF's Statewide Design and Engineering chief should strengthen procedures to ensure the annual Federal Highway Administration (FHWA) value engineering (VE) report accurately represents the VE studies performed.

FHWA requires the State to submit an annual VE summary report for HPCC projects that meet specific criteria. In FY 16, DOTPF staff completed VE studies on four projects.⁵⁷ The estimated costs included in the summary report were not based on the estimated costs developed during the individual VE studies. As a result, the FY 16 VE summary report overstated total estimated projected costs by approximately \$12 million.

According to FHWA project approval and oversight requirements,⁵⁸ the State shall develop and carry out a VE program that monitors, evaluates and annually submits to the secretary a report that describes the results of the value analyses that are conducted for each project completed by the State. To meet this requirement, DOTPF's annual report to FHWA

⁵⁷FAIN: 0A3105, 0A15025, 0001548, and 0A33014.

⁵⁸23 USC § 106 (e)(4)(A)(iv).

summarizes the results of the VE studies performed on applicable projects. This report identifies annual costs savings by documenting estimated total project costs, monetary value of VE recommendations, and the total value of VE recommendations approved.

DOTPF's VE procedures do not specify how to document the estimated project costs. Due to incomplete procedures, department staff compiling the project reports did not consistently follow a similar methodology, which resulted in the \$12 million overstated estimate of project costs. Therefore, the annual report did not accurately represent the value engineering studies performed which may impact federal decision-making.

We recommend DOTPF's Statewide Design and Engineering chief strengthen procedures to ensure the annual FHWA VE summary report accurately represents the VE studies performed.

CFDA: 20.205

Questioned Costs: None

Federal Agency: USDOT
Significant Deficiency, Noncompliance
Special Tests and Provisions

Agency Response — Department of Transportation and Public Facilities

The department concurs with this recommendation. DOT&PF will revise the Value Engineering Program P&P (05.01.030) to require the VE process written report include and formally document the initial project costs, and the estimated savings. The revised P&P will clarify that the Regional VE Coordinators will report the values documented in the written reports to the Statewide Value Engineer for their use in preparing the Annual VE Report to FHWA. These revisions are expected to be completed and in effect by June 30, 2017.

*Contact Person: Amanda Holland, Director
Division of Administrative Services
(907) 465-3911*

Recommendation No. 2016-062

DOTPF's chief contracts officer should improve procedures to verify all subcontractors meet suspension and debarment requirements.

Two⁵⁹ of 12 tested FY 16 HPCC procurements did not have documentation verifying subcontractors added after the initial contract was signed were not suspended or debarred. The tested sample was statistically valid.

⁵⁹One professional service agreement FAIN 0002(344) and one public facility contract FAIN AK09002.

Federal regulation, 2 CFR 180.300, requires that participants in covered transactions verify that the entity with which they intend to do business is not suspended or debarred. Verification may be accomplished by:

- Checking the System of Award Management exclusions; or
- Collecting a certification from that person/entity; or
- Adding a clause or condition to the covered transaction with that person/entity.

DOTPF lacks a procedure for checking suspension and debarment when there is a change in subcontractors for public facility construction contracts and design professional service agreements. DOTPF's subcontractor certification form for these contracts did not include a self-certification regarding suspension and debarment. Failing to comply with suspension and debarment requirements increases the risk of doing business with subcontractors who have been suspended or debarred.

We recommend DOTPF's chief contracts officer improve procedures to verify all subcontractors meet suspension and debarment requirements.

CFDA: 20.205

Questioned Costs: None

Federal Agency: USDOT
Significant Deficiency, Noncompliance
Procurement, Suspension and Debarment

Agency Response — Department of Transportation and Public Facilities

The department concurs with this recommendation. The following procedural changes were implemented for the administration of construction-related professional services agreements (PSA) and Public Facilities construction contracting.

The department updated its PSA form Appendix E, Certification of Compliance, Alaska Licenses/Registrations, Insurance, and Debarment, and its Public Facilities contract form contractor self-certification for subcontractors and lower tier subcontractors. These forms now include a requirement for "the Contractor to certify that firms or individuals Debarred or Suspended by the Department, FAA or FHWA are not employed or subcontracted under this" (Professional Services Agreement or under this construction project).

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ALASKA COURT SYSTEM (ACS)

No recommendations were made to ACS in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2015*.

No new recommendations have been made during the FY 16 statewide single audit.

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COMPONENT UNITS

Two recommendations were made to Component Units in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2015*. Prior year Recommendation Nos. 2015-043, directed to the Alaska Housing Finance Corporation, and 2015-044, directed to the University of Alaska, are resolved.

One new recommendation has been made during the FY 16 statewide single audit and is included as Recommendation No. 2016-063, directed to the Alaska Mental Health Trust Authority (AMHTA).

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Recommendation No. 2016-063

AMHTA's chief financial officer (CFO) should ensure AMHTA's financial statement audit is performed timely.

The AMHTA FY 16 financial statement audit, performed by other auditors (OA), was not completed by the October 3, 2016, deadline established by the Department of Administration Division of Finance (DOF). As a result, AMHTA financial activity was not included in the draft Comprehensive Annual Financial Report (CAFR) prepared by DOF for audit.

AMHTA's financial activity is reported in the CAFR as a discretely presented component unit and constitutes a significant component of the State's financial statements. State law (AS 37.05.210) requires DOF to issue the audited CAFR for the preceding fiscal year by December 15th. Due to high turnover within AMHTA accounting department and difficulty producing a trial balance report, AMHTA's draft audited financial statements were provided to DOF on February 28, 2017. The final OA opinion and audited financial statements were provided to DOF on March 24, 2017 – over five months after DOF's October 3rd deadline.

Incomplete and untimely draft CAFR information delayed the issuance of the CAFR and statewide single audit report, which negatively impacted decision-making by report users. Furthermore, the delay decreased audit efficiency.

We recommend AMHTA's CFO takes steps to ensure AMHTA's financial statement audit is performed by the deadline established by DOF.

Agency Response — Alaska Mental Health Trust Authority

1. The AMHTA agrees with Recommendation No. 2016-063

Audited financial information from our agency, as with all other agencies within the State of Alaska, must be complete and accurate, and timely delivered to the Division of Finance (DoF). For FY 2016 a number of state agencies/departments were significantly late and at least one agency submitted after the AMHTA did. There was one overarching common reason for these delays: implementation of new accounting software for the State commonly referred to as IRIS. At its most basic, the problems with IRIS revolved around its inability to provide the fundamental information necessary to assemble a trial balance – the foundation of an audited financial statement. This issue was broadly, but not uniformly, encountered across state departments. Smaller “non-core” departments had the most difficult time getting the required information from IRIS.

Working with the Department of Administration and the Department of Revenue, our administrative staff was finally able to get the appropriate information and assemble

the trial balances, although much later than any of us would have preferred. The resulting audited financials showed no corrections or exceptions.

It should also be noted that the AMHTA's CFO resigned with no notice on December 16, 2016. This significantly reduced our capacity to address the accounting issues created by IRIS. We have conducted a search and have identified a qualified replacement for the CFO position. We anticipate that person being on board at the Trust on September 11.

2. Corrective Action Plan

a. Responsible Person;

- i. Once here, the new AMHTA Chief Financial Officer will ultimately be responsible for implementing the Corrective Action Plan (CAP). Until then, the responsibility will remain with the CEO.*

b. Corrective Action

- i. The first step of the CAP will be to assure that the CFO makes it their number one priority to assure that the trial balances are submitted to the agency's auditor by the established deadline.*
- ii. The AMHTA's accounting staff, including the new CFO, will review the issues that caused the delays in getting the appropriate information from IRIS last year and assure that they are resolved. That review is currently underway. Test balances should be run to determine if the information is available. The test balances should be reviewed by the AMHTA's outside auditor to determine their adequacy. Those tests will be run at least 30 days in advance of the submittal deadline.*
- iii. If the required information is not available from IRIS at the time of the tests, the AMHTA will escalate the issue to the DoF, the Information Technology staff for assistance in resolving the issues.*

c. Completion Date

- i. The CAP should be complete by October 3, 2017, the date that financials are due to be submitted for the annual audit.*

Contact Person: *Greg Jones, Interim Chief Executive Officer
Alaska Mental Health Trust Authority
(907) 334-5909*

State of Alaska Division of Legislative Audit
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2016

Part I – Summary of Auditor’s Results

- a) An unmodified opinion was issued on the basic financial statements of the State of Alaska.
- b) Significant deficiencies and material weaknesses in internal controls over financial reporting were disclosed by the audit of the basic financial statements.
- c) There were no instances of noncompliance which were material to the basic financial statements.
- d) 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 unmodified opinion on all programs.
- f) There were several audit findings that were required to be reported under 2 CFR 200.516(a). These are summarized in Part III of this Schedule of Findings and Questioned Costs. The detail findings and recommendations can be read in Section II – Recommendations and Questioned Costs of this report.
- g) The State of Alaska has 25 major federal programs for the fiscal year ended June 30, 2016 as follows:

<u>CFDA or Other Identifying Number</u>	<u>Federal Program Title</u>
10.551, 10.561	SNAP Cluster
10.665	Schools and Roads – Grants to States
14.117	Mortgage Insurance_Homes
14.865	Public and Indian Housing_Indian Loan Guarantee Program
14.871	Housing Voucher Cluster – Section 8 Housing Choice Vouchers
15.226	Payments in Lieu of Taxes
15.227	Distribution of Receipts to State and Local Governments
17.225	Unemployment Insurance
17.282	Trade Adjustment Assistance Community College and Career Training Grants

State of Alaska Division of Legislative Audit
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended June 30, 2016

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

<u>CFDA or Other Identifying Number</u>	<u>Federal Program Title</u>
20.205, 20.219	Highway Planning and Construction Cluster
20.500, 20.507, 20.525	Federal Transit Cluster
66.458	Clean Water State Revolving Funds Cluster
66.468	Drinking Water State Revolving Funds Cluster
84.027, 84.173	Special Education Cluster (IDEA)
84.031	Higher Education_Institutional Aid
84.032L	Federal Family Education Loans – Lenders
84.041	Impact Aid (Title VIII of ESEA)
84.356	Alaska Native Educational Programs
90.100	Denali Commission Program
93.268	Immunization Cooperative Agreements
93.568	Low-Income Home Energy Assistance
93.658	Foster Care – Title IV-E
93.767	Children’s Health Insurance Program (CHIP)
93.775, 93.777, 93.778	Medicaid Cluster
Various	Student Financial Assistance Programs Cluster

- h) A threshold of \$12,439,145 was used to distinguish between Type A and Type B programs.
- i) The State of Alaska does not qualify as a low-risk auditee.

Part II – Findings related to the Basic Financial Statements

Material Weaknesses

<u>State Department</u>	<u>Recommendation Number</u>
Administration	2016-003
Revenue	2016-018

State of Alaska Division of Legislative Audit
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended June 30, 2016

Significant Deficiencies

<u>State Department</u>	<u>Recommendation Number</u>
Administration	2016-002, 2016-005, 2016-006, 2015-007, 2016-012, 2016-013, 2016-014, 2016-015, 2016-016, 2016-017
Health and Social Services	2016-024
Labor and Workforce Development	2016-037, 2016-038
Transportation and Public Facilities	2016-053, 2016-054, 2016-055, 2016-056, 2016-057
Component Units	2016-063

Irregularities and Illegal Acts

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

Part III – Federal Findings and Questioned Costs

<u>Federal Agency/ Recommendation Number</u>	<u>Questioned Costs</u>	<u>Comments</u>
USDA		
2016-029	None	Significant Deficiency, Noncompliance
2016-034	None	Significant Deficiency
2016-035	None	Significant Deficiency
2016-036	None	Significant Deficiency
USED		
2016-020	None	Noncompliance
2016-021	None	Significant Deficiency
2016-022	None	Noncompliance
2016-023	None	Significant Deficiency, Noncompliance
USDHHS		
2016-026	None	Significant Deficiency, Noncompliance

State of Alaska Division of Legislative Audit
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended June 30, 2016

<u>Federal Agency/ Recommendation Number</u>	<u>Questioned Costs</u>	<u>Comments</u>
USDHHS cont.		
2016-027	None	Noncompliance
2016-028	None	Significant Deficiency, Noncompliance
2016-030	\$125,920	Significant Deficiency, Noncompliance
2016-031	Indeterminate	Significant Deficiency, Noncompliance
2016-032	None	Significant Deficiency, Noncompliance
2016-033	Indeterminate	Significant Deficiency, Noncompliance
2016-034	None	Significant Deficiency
2016-035	None	Significant Deficiency
2016-036	None	Significant Deficiency
USDOJ		
2016-043	\$99,864	Noncompliance
2016-044	None	Significant Deficiency, Noncompliance
USDOL		
2016-039	\$27,694	Noncompliance
2016-040	None	Significant Deficiency, Noncompliance
2016-041	None	Significant Deficiency, Noncompliance
2016-042	\$576	Noncompliance
USDOT		
2016-060	\$1,219	Noncompliance
2016-061	None	Significant Deficiency, Noncompliance
2016-062	None	Significant Deficiency, Noncompliance

SECTION III – INTERNAL CONTROL AND COMPLIANCE REPORTS
AND SUPPLEMENTARY INFORMATION

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance With *Government Auditing
Standards*

Independent Auditor's Report

Members of the Legislative Budget
and Audit Committee:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information of the State of Alaska as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the State of Alaska's basic financial statements, and have issued our report thereon dated May 26, 2017.

Our report includes a reference to other auditors who audited the financial statements of the: Alaska Permanent Fund, International Airports Fund, University of Alaska, Alaska Housing Finance Corporation, Alaska Industrial Development and Export Authority, Alaska Railroad Corporation, Alaska Energy Authority, Alaska Municipal Bond Bank Authority, Alaska Gasline Development Corporation, Alaska Clean Water Fund, Alaska Drinking Water Fund, Pension and Other Employee Benefit Trust Funds, and Invested Assets Under the Investment Authority of the Commissioner of the Department of Revenue as described in our report on the State of Alaska's financial statements in Section I. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Certain entities of the State of Alaska were not audited in accordance with *Government Auditing Standards*. These entities include: the Alaska Municipal Bond Bank Authority (a discretely presented component unit), the Alaska Gasline Development Corporation (a

discretely presented component unit), the Pension and Other Employee Benefit Trust Funds (fiduciary funds) and Invested Assets Under the Investment Authority of the Commissioner of the Department of Revenue (certain cash and investment accounts).

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Alaska's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Alaska's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Alaska's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in Section II – Recommendations and Questions Costs, Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the preceding Section II - Recommendations and Questioned Costs, in Recommendations Nos. 2016-003 and 2016-018 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the preceding Section II – Recommendations and Questioned Costs, in Recommendations Nos. 2016-002, 2016-005, 2016-006, 2016-007, 2016-012, 2016-013, 2016-014, 2016-015, 2016-016, 2016-017, 2016-024, 2016-037, 2016-038, 2016-053, 2016-054, 2016-055, 2016-056, 2016-057, and 2016-063 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Alaska's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the basic financial statement amounts. However, providing an opinion on compliance with those provisions was

not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain other matters which are described in the preceding Section II – Recommendations and Questioned Costs. Our recommendations for these instances are identified in the Summary of Recommendations table under *Other State Issues*.

State of Alaska’s Response to Findings

The state agencies’ responses to the findings identified in our audit are included in the preceding Section II – Recommendations and Questioned Costs as well as in the succeeding Section IV – Corrective Action Plan. The state agencies’ responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kris Curtis, CPA, CISA
Legislative Auditor

Juneau, Alaska
May 26, 2017

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ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance

Independent Auditor's Report

Members of the Legislative Budget
and Audit Committee:

Report on Compliance for Each Major Federal Program

We have audited the State of Alaska's compliance with the types of compliance requirements described in the *United States Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2016. The State of Alaska's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the State of Alaska's major federal programs based on our audit of the types of compliance requirements referred to above. We did not audit the federal programs of the Department of Health and Social Services, University of Alaska, Alaska Housing Finance Corporation, Alaska Railroad Corporation, Alaska Energy Authority, Alaska Clean Water Fund, Alaska Drinking Water Fund, and Alaska Student Loan Corporation. As shown in the table on the following page, the audits of those entities and funds reflect the following percent of major federal program expenditures.

CFDA	Federal Program Title	Percent of Major Federal Program Expenditures
14.117	Mortgage Insurance_Homes	100%
14.865	Public and Indian Housing_Indian Loan Guarantee Program	100%
14.871	Housing Voucher Cluster – Section 8 Housing Choice Vouchers	100%
17.282	Trade Adjustment Assistance Community College and Career Training Grants	100%
66.458	Clean Water State Revolving Funds Cluster	100%
66.468	Drinking Water State Revolving Funds Cluster	100%
84.031	Higher Education_Institutional Aid	100%
84.032L	Federal Family Education Loans -Lenders	100%
84.356	Alaska Native Educational Programs	100%
90.100	Denali Commission	99%
93.268	Immunization Cooperative Agreements	100%
93.568	Low-Income Home Energy Assistance	97%
93.658	Foster Care – Title IV-E	100%
93.767	Children’s Health Insurance Program	100%
Various	Medicaid Cluster	100%
Various	SNAP Cluster	99%
Various	Federal Transit Cluster	98%
Various	Student Financial Assistance Programs Cluster	99%

The above federal programs were audited by other auditors whose reports were furnished to us, and our opinion, insofar as it relates to the compliance requirements applicable to those programs, is based solely on the report of the other auditors.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial audits contained in *Government Auditing Standards*,¹ issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State of Alaska’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

¹The standards applicable to financial audits are in chapters 1-4 of *Government Auditing Standards*.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the State of Alaska's compliance.

Opinion on Each Major Federal Program

In our opinion, the State of Alaska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance. These instances are listed in the accompanying Summary of Recommendations table and Schedule of Findings and Questioned Costs and described in detail in Section II – Recommendations and Questioned Costs. Our opinion on each major federal program is not modified with respect to these matters.

State agencies' responses to the noncompliance findings identified in our audit are included in Section II – Recommendations and Questioned Costs as well as in Section IV – Corrective Action Plan. State agencies' responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the State of Alaska is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State of Alaska's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Alaska's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency or combination of deficiencies in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a type of

compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in Part III of the accompanying Schedule of Findings and Questioned Costs and described in detail in Section II – Recommendations and Questioned Costs as items 2016-021, 2016-023, 2016-026, 2016-028 through 2016-036, 2016-040, 2016-041, 2016-044, 2016-061 and 2016-062, that we consider to be significant deficiencies.

State agencies' responses to the internal control over compliance findings identified in our audit are included in Section II – Recommendations and Questioned Costs as well as Section IV – Corrective Action Plan. State agencies' responses were not subject to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Kris Curtis, CPA, CISA
Legislative Auditor

Juneau, Alaska
May 26, 2017

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2016
By Federal Agency
Prepared by DOF

Federal Program Title	Name of External Pass-Through Organization (as applicable)	State Agency	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
U.S. DEPARTMENT OF AGRICULTURE						
Community Facilities Loans and Grants Cluster						
Community Facilities Loans and Grants		DCCED	10.766	Rural Broadband Internet Access Grant	748	-
Total for Community Facilities Loans and Grants Cluster					748	-
Child Nutrition Cluster						
School Breakfast Program		DEED	10.553	17131/CHILDN	12,052,314	11,684,081
National School Lunch Program		DEED	10.555	17132/CHILDN	35,466,673	34,656,178
National School Lunch Program (Food Commodities)		DEED	10.555	17132/CHILDN	2,668,257	2,668,257
Special Milk Program for Children		DEED	10.556	17133/CHILDN	2,036	2,036
Summer Food Service Program for Children		DEED	10.559	17137/CHILDN	2,099,411	1,858,509
Summer Food Service Program for Children (Food Commodities)		DEED	10.559	17137/CHILDN	5,416	5,416
Total for Child Nutrition Cluster					52,294,107	50,874,477
Food Distribution Cluster						
Commodity Supplemental Food Program		DHSS	10.565		163,081	130,576
Commodity Supplemental Food Program (Food Commodities)		DHSS	10.565		425,267	425,267
Emergency Food Assistance Program (Administrative Costs)		DEED	10.568	17138/TEAFAP	150,151	133,258
Emergency Food Assistance Program (Food Commodities)		DEED	10.569		1,568,448	1,568,448
Total for Food Distribution Cluster					2,306,947	2,257,549
Forest Service Schools and Roads Cluster						
Schools and Roads - Grants to States		DCCED	10.665	National Forest Receipts	9,871,344	9,871,344
Total for Forest Service Schools and Roads Cluster					9,871,344	9,871,344
Supplemental Nutrition Assistance Program (SNAP) Cluster						
Supplemental Nutrition Assistance Program		DHSS	10.551		172,365,015	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		UofA	10.561	G00010308	299,947	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		DHSS	10.561		10,490,861	14,811
Total for Supplemental Nutrition Assistance Program (SNAP) Cluster					183,155,823	14,811
Water and Waste Program Cluster						
Water and Waste Disposal Systems for Rural Communities		DEC	10.760		6,395,345	163,380
Total for Water and Waste Program Cluster					6,395,345	163,380
Plant and Animal Disease, Pest Control, and Animal Care		DEC	10.025		192,105	-
Plant and Animal Disease, Pest Control, and Animal Care		DNR	10.025		93,620	-
Wildlife Services		DFG	10.028	15-7440-1188-CA	9,956	-
Market Protection and Promotion		DNR	10.163		32,417	-
Specialty Crop Block Grant Program - Farm Bill		DNR	10.170		179,969	15,883
Organic Certification Cost Share Programs		DNR	10.171	15NOCCSAK0002	12,542	-
Higher Education - Institution Challenge Grants Program	University of Missouri	UofA	10.217	2013-70003-20921	28,527	-
Homeland Security_Agricultural	University of California-Davis	UofA	10.304	2012-37620-19626	13,738	-
Crop Protection and Pest Management Competitive Grants Program		UofA	10.329	G00009765	146,769	-
Very Low to Moderate Income Housing Loans		AHFC	10.410		135,911,852	-
Outreach and Assistance for Socially Disadvantaged and Veteran Farmers and Ranchers		UofA	10.443	G00010390	38,876	-
Cooperative Extension Service	Kansas State University	UofA	10.500	2010-48661-21868	2,088,698	-
Professional Standards for School Nutrition Employees		DEED	10.547	PROFSG	15,699	1,294
Special Supplemental Nutrition Program for Women, Infants, and Children		DHSS	10.557		18,975,833	4,512,282
Child and Adult Care Food Program		DEED	10.558	17134/CAACFP & CHILDN	9,995,273	9,548,639
Child and Adult Care Food Program (Food Commodities)		DEED	10.558	17134	26,160	26,160
State Administrative Expenses for Child Nutrition		DEED	10.560	17135/CNMEAL & SAESAE	1,108,593	-
WIC Farmers' Market Nutrition Program (FMNP)		DHSS	10.572		114,993	-
Team Nutrition Grants		DEED	10.574	17400/TEAMGR	106,479	9,702
Senior Farmers Market Nutrition Program		DHSS	10.576		79,710	73,174
SNAP Partnership Grant	Oklahoma State Dept. of Hea	UofA	10.577	12-3505-0-1-605	13,800	-
ARRA-WIC Grants To States (WGS)		DHSS	10.578	WISA-09-AK-01	3,787	-
Child Nutrition Discretionary Grants Limited Availability		DEED	10.579	17169/ART2AR, CERTGR,CNPEQU	239,035	68,705

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2016
By Federal Agency
Prepared by DOF

Federal Program Title	Name of External Pass-Through Organization (as applicable)	State Agency	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Fresh Fruit and Vegetable Program		DEED	10.582	17166/FRESHF	1,587,779	1,545,126
Market Access Program		ASMI	10.601		4,164,572	-
Cooperative Forestry Assistance		DNR	10.664		3,707,940	396,598
Wood Utilization Assistance		AEA	10.674	DG 11100106	64,519	-
Forest Legacy Program		DNR	10.676		3,240	-
Forest Health Protection		DNR	10.680		67,923	-
National Fish and Wildlife Foundation	Nat'l Fish & Wildlife Foundation	UofA	10.683	U.S. Forest Svc (FC A037)	(50,000)	-
Rural Cooperative Development Grants		UofA	10.771	G00010519	86,968	-
Plant Materials for Conservation		DNR	10.905		66,604	-
ACRC Director Support		UofA	10.Unknown	G00008142	22,608	-
Biomass System Performance Grant		AEA	10.Unknown	JV 11261975 061	87	-
Forest Inventory Analysis		DNR	10.Unknown	2016JV11261919028	85,861	-
GIS Library & SEAK Hydro		UofA	10.Unknown	G00007725	49,298	-
Hotshot Crew		DNR	10.Unknown	12PA11100100009	162,355	-
Interior Reindeer Herding		UofA	10.Unknown	G00010394	50,526	-
Ketchikan Airport Bridge and Geotech		DOTPF	10.Unknown	06RO-11100100-129	50,086	-
Miscellaneous US Forest Service-Fisheries Research		DFG	10.Unknown	11-CS-11100400-021	4,748	-
Miscellaneous US Forest Service-Fisheries Research		DFG	10.Unknown	AG-0109-C-14-0002	92,318	-
Miscellaneous US Forest Service-Wildlife Research		DFG	10.Unknown	AG-0109-C-14-0013	5,791	-
Miscellaneous US Forest Service-Wildlife Research		DFG	10.Unknown	AG-0116-P-149-0012	1,195	-
Miscellaneous US Forest Service-Wildlife Research		DFG	10.Unknown	AG-0120-P-13-0053	30	-
Plant ID Chugach USDA FS		UofA	10.Unknown	G00010406	2,500	-
Renewable Wood Energy		DNR	10.Unknown	14-JV-11261935-070	15,339	-
Tanana Valley FIA Inventory		DNR	10.Unknown	15JV11261939053	124,972	-
USFS Contract - Fish passageways on Mitkof, Hydaburg, and Yakutat Highways		DOTPF	10.Unknown	USFS 07-RO-11100100-076	54,316	-
USFS Fire Suppression (AKDF070002)		DNR	10.Unknown	10FI11100100040	8,469,745	-
Young Growth for SE		DNR	10.Unknown	15CS11100106809	362,568	-
Total for U.S. DEPARTMENT OF AGRICULTURE					442,706,633	79,379,124
U.S. DEPARTMENT OF COMMERCE						
Economic Development Cluster						
Economic Adjustment Assistance		DCCED	11.307	SBED	7,224,434	-
Total for Economic Development Cluster					7,224,434	-
Economic Development_Technical Assistance		UofA	11.303	G00008357	120,916	-
Interjurisdictional Fisheries Act of 1986		DFG	11.407	NA13NMF4070190	140,405	-
Coastal Zone Management Estuarine Research Reserves		DFG	11.420		16,774	-
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program		DFG	11.427	Multiple Awards	308,308	-
Pacific Fisheries Data Program	Pacific States Marine Fisheries Commission	DFG	11.437	15-50G	2,067,876	-
Pacific Fisheries Data Program		DFG	11.437	Multiple Awards	2,930,435	-
Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program		DFG	11.438	Multiple Awards	9,024,412	1,434,988
Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program		DCCED	11.438	NA10NMF4380355, NA13NMF4070190	-	80,808
Marine Mammal Data Program		DFG	11.439	NA11NMF4390200, NA15NMF4390170	1,968,538	-

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2016
By Federal Agency
Prepared by DOF

Federal Program Title	Name of External Pass-Through Organization (as applicable)	State Agency	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Regional Fishery Management Councils	North Pacific Fishery Management Council	DFG	11.441	IHP 15-008	27,960	-
Regional Fishery Management Councils		DFG	11.441	Multiple Awards	56,719	-
Meteorologic and Hydrologic Modernization Development	North Pacific Research Board	DMVA	11.467	20NOAA	341,645	-
Unallied Science Program		DFG	11.472	15-011 Grant 43366	80,891	-
Unallied Science Program	Yukon River Drainage Fisheries	DFG	11.472	F14ACO1314 (16-045)	26,675	-
Unallied Science Program	North Pacific Research Board	DFG	11.472	Multiple Awards	187,307	-
Unallied Science Program	ESC Federal	DFG	11.472	Multiple Awards	460,319	-
State and Local Implementation Grant Program		DPS	11.549		56,704	-
Facilitating a Workshop		UofA	11.Unknown	0209465	8,945	-
Japanese Tsunami Marine Debris		DEC	11.Unknown	MOA-2013-005-8626	1,179,082	-
Miscellaneous NOAA-Fisheries Research		DFG	11.Unknown	RA-133F-15-SE-1438	51,497	-
Miscellaneous NOAA-Fisheries Research		DFG	11.Unknown	WE-133F-14-SE-2811	6,482	-
Miscellaneous NOAA-Marine Mammal Research		DFG	11.Unknown	WE-133F-14-SE-3963	1,218	-
Miscellaneous NOAA-Marine Mammal Research		DFG	11.Unknown	WE-133F-14-SE-4018	1,484	-
Miscellaneous NOAA-Marine Mammal Research		DFG	11.Unknown	WE-133R-15-SE-1025	32,142	-
National Marine Fisheries Joint Enforcement Agreement		DPS	11.Unknown	11.04 and NMFS-JEA	1,199,063	-
NOAA NMFS Inspections		DEC	11.Unknown	45ABNA0BO252	1,203	-
Total for U.S. DEPARTMENT OF COMMERCE					27,521,434	1,515,796
U.S. DEPARTMENT OF DEFENSE						
Procurement Technical Assistance For Business Firms		UofA	12.002	G00010137	457,645	-
State Memorandum of Agreement Program for the Reimbursement of Technical Services		DEC	12.113		2,497,497	-
National Guard Military Operations and Maintenance (O&M) Projects		DMVA	12.401		9,953,731	-
National Guard Military Operations and Maintenance (O&M) Projects		DOTPF	12.401		3,900,576	-
National Guard ChalleNGe Program		DMVA	12.404	50AMYA	3,205,739	-
Language Grant Program		UofA	12.900	G00010880	2,740	-
Information Security Grants		UofA	12.902	G00009698	198,981	-
Arctic Collaborative Workshop 2016		UofA	12.Unknown	G00010756	20,107	-
Miscellaneous Army-Wildlife Research		DFG	12.Unknown	W911KB-11-P-0037	79,601	-
Miscellaneous Army-Wildlife Research		DFG	12.Unknown	W9DO-11-D-003	68,866	-
OHA Wake Island		DNR	12.Unknown	F1W6CC3262M001	121	-
Total for U.S. DEPARTMENT OF DEFENSE					20,385,604	-
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT						
Housing Voucher Cluster						
Section 8 Housing Choice Vouchers		AHFC	14.871		1,913,123	-
Total for Housing Voucher Cluster					1,913,123	-
Section 8 Project-Based Cluster						
Section 8 Housing Assistance Payments Program		AHFC	14.195		2,141,185	-
Section 8 Moderate Rehabilitation Single Room Occupancy		AHFC	14.249		508,757	426,689
Total for Section 8 Project-Based Cluster					2,649,942	426,689
Mortgage Insurance_Homes		AHFC	14.117		293,943,061	-
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii		DCCED	14.228	B13DC020001, B12DC020001, B11DC020001, B10DC020001	4,314,790	4,107,758
Emergency Solutions Grant Program		AHFC	14.231		214,010	197,803

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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Federal Program Title	Name of External Pass-Through Organization (as applicable)	State Agency	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Home Investment Partnerships Program		AHFC	14.239		2,096,072	1,882,259
Housing Opportunities for Persons with AIDS		AHFC	14.241		638,103	557,518
Continuum of Care Program		AHFC	14.267		874,057	859,742
Public and Indian Housing_Indian Loan Guarantee Program		AHFC	14.865		140,244,767	-
Moving to Work Demonstration Program		AHFC	14.881		45,264,785	-
Family Self-Sufficiency Program		AHFC	14.896		306,322	-
Partners in Growth		UofA	14.Unknown	G00008210	20,724	-
Total for U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT					492,479,756	8,031,769
U.S. DEPARTMENT OF THE INTERIOR						
Fish and Wildlife Cluster						
Sport Fish Restoration		DFG	15.605		18,383,226	809,089
Wildlife Restoration and Basic Hunter Education		UofA	15.611	G00010262	21,800	-
Wildlife Restoration and Basic Hunter Education		DFG	15.611		21,995,181	-
Total for Fish and Wildlife Cluster					40,400,207	809,089
Cultural and Paleontological Resources Management		UofA	15.224	G00006717	1,373,185	-
Cultural and Paleontological Resources Management		DNR	15.224		18,879	-
Recreation Resource Management		DFG	15.225	L12AC20056 WC ID: IHP-13-020	6,687	-
Payments in Lieu of Taxes		DCCED	15.226	Payments in Lieu of Taxes	10,384,715	10,384,715
Distribution of Receipts to State and Local Governments		DCCED	15.227	NPR-A Impact Mitigation	4,899,277	4,899,277
Fish, Wildlife and Plant Conservation Resource Management		DNR	15.231		33,856	-
Fish, Wildlife and Plant Conservation Resource Management		DFG	15.231	Multiple Awards	214,407	-
Environmental Quality and Protection Resource Management		DEC	15.236		15,449	-
Environmental Quality and Protection Resource Management		DNR	15.236		55,446	-
Challenge Cost Share		UofA	15.238	G00009440	63,171	-
Challenge Cost Share		DFG	15.238	L14AC00329	18,572	-
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining		DNR	15.250		371,732	-
Abandoned Mine Land Reclamation (AMLR) Program		DNR	15.252		3,138,164	-
Federal Oil and Gas Royalty Management State and Tribal Coordination		DNR	15.427		90,098	-
Fish and Wildlife Management Assistance		DFG	15.608		554,313	-
Cooperative Endangered Species Conservation Fund		DFG	15.615	Multiple Awards	90,584	-
Clean Vessel Act		DFG	15.616	F04AP00020	76,110	69,723
Enhanced Hunter Education and Safety		DFG	15.626	AKW-8 F15AF00571	77,352	-
Multistate Conservation Grant	National Fish Habitat Partnership	DFG	15.628	COOP-13-084	11,232	-
Coastal		DNR	15.630	F15AC01170	46,331	-
State Wildlife Grants		DFG	15.634		2,329,546	-
Alaska Subsistence Management		DFG	15.636		1,180,387	-
Alaska Migratory Bird Co-Management Council		DFG	15.643	F12AC00653	70,547	-
Service Training and Technical Assistance (Generic Training)		DFG	15.649	F14AC01314	13,569	-
National Fish and Wildlife Foundation	Nat'l Fish & Wildlife Foundation	DFG	15.663	0801.13.041134	56,295	-
Coastal Impact Assistance		DFG	15.668	Multiple Awards	762,565	-
Coastal Impact Assistance		DCCED	15.668	Various	5,098,999	4,434,086
Coastal Impact Assistance		DNR	15.668		1,643,097	-
Adaptive Science		DFG	15.670	COOP-15-110	3,712	-
U.S. Geological Survey_ Research and Data Collection		DFG	15.808	G15AC00197	11,441	-
U.S. Geological Survey_Research and Data Collection		DNR	15.808		1,017,369	-
National Cooperative Geologic Mapping		DNR	15.810		227,026	-
National Geological and Geophysical Data Preservation		DNR	15.814	G13AP00073	37,596	-
ARRA-Volcano Hazards Program Research and Monitoring		DNR	15.818		426,617	-
Energy Cooperatives to Support the National Coal Resources Data System (NCRDS)		DNR	15.819		2,810	-
Historic Preservation Fund Grants-In-Aid		DNR	15.904		1,253,281	173,586
Outdoor Recreation_Acquisition, Development and Planning		DNR	15.916		185,924	43,600
Rivers, Trails and Conservation Assistance		DFG	15.921	P15AC01761	6,981	-
Native American Graves Protection and Repatriation Act		UofA	15.922	G00009965	12,300	-
National Maritime Heritage Grants		DNR	15.925	P15AP00100	1,516	-
Cooperative Research and Training Programs-Resources of the National Park System		DFG	15.945	Multiple Awards	96,596	-

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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Federal Program Title	Name of External Pass-Through Organization (as applicable)	State Agency	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Cooperative Research and Training Programs--Resources of the National Park System		DNR	15.945	P15AC01879	37,479	-
Cultural Resources Management		DNR	15.946	P15AC01500	12,898	-
National Park Service Conservation, Protection, Outreach, and Education		UofA	15.954	G00010191	49,991	-
BLM Fire Suppression		DNR	15.Unknown	AK-2010-0001	15,830,851	-
Bureau of Land Management Oversight		DEC	15.Unknown	L11PA00032	25,593	-
Irwin Project MP398280		DNR	15.Unknown	Irwin Project	49,026	-
Miscellaneous Bureau of Safety and Environmental Enforcement-Marine Mammal Research - Seal		DFG	15.Unknown	M13PC00015	287,884	-
Miscellaneous Bureau of Safety and Environmental Enforcement-Marine Mammal Research - Whale		DFG	15.Unknown	M12PC00005	330,517	-
Miscellaneous Fish & Wildlife Service		DFG	15.Unknown	F16PX00352	9,187	-
Miscellaneous Fish & Wildlife Service -Kodiak Goat Capture		DFG	15.Unknown	F15PX01731	27,639	-
Miscellaneous Fish & Wildlife Service-Alaska Peninsula Moose Collaring		DFG	15.Unknown	F15PX00764	18,805	-
Miscellaneous Minerals Management Service-Marine Mammal Research - Walrus		DFG	15.Unknown	M09PC00027	17,446	-
Miscellaneous Minerals Management Service-Marine Mammal Research - Walrus		DFG	15.Unknown	P15PX03313	13,695	-
Miscellaneous United State Geological Survey		DFG	15.Unknown	G15AC00012	66,395	-
Total for U.S. DEPARTMENT OF THE INTERIOR					93,155,347	20,814,076
U.S. DEPARTMENT OF JUSTICE						
Sexual Assault Services Formula Program		DPS	16.017		288,685	278,925
Justice Systems Response to Families		DPS	16.021		82,100	73,358
Juvenile Accountability Block Grants		DHSS	16.523		130,966	-
Supervised Visitation, Safe Havens for Children		DPS	16.527		71,582	52,691
Juvenile Justice and Delinquency Prevention_Allocation to States		DHSS	16.540		498,552	352,046
Missing Children's Assistance		DOA	16.543	AK10900-14-1014S	10,300	-
Missing Children's Assistance	Municipality of Anchorage, Police Department	DPS	16.543		51,877	-
National Criminal History Improvement Program (NCHIP)		DPS	16.554		377,983	-
Crime Victim Assistance		DPS	16.575		1,677,224	1,599,751
Crime Victim Compensation		DOA	16.576	2014VCGX0030, 2015VCGX0007	523,831	-
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program		DPS	16.580		58,850	-
Crime Victim Assistance/Discretionary Grants		DPS	16.582		22,345	-
Violence Against Women Formula Grants		DPS	16.588		901,753	349,597
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program		DPS	16.590		256,555	249,300
Residential Substance Abuse Treatment for State Prisoners		DOC	16.593	2014-R-BX-0021	49,325	-
State Criminal Alien Assistance Program		DOC	16.606	2015-H1169-AK-AP	94,847	-
Juvenile Mentoring Program	National 4H Council	UofA	16.726	4H NMP 5 - Letter 12/18/14	201,636	-
Juvenile Mentoring Program		DOA	16.726	AK10900-13-0615-F2	21,100	-
Edward Byrne Memorial Justice Assistance Grant Program		DPS	16.738		708,004	212,609
DNA Backlog Reduction Program		DPS	16.741		281,220	-
Paul Coverdell Forensic Sciences Improvement Grant Program		DPS	16.742		60,971	-
Support for Adam Walsh Act Implementation Grant Program		DPS	16.750		4	-
Swift, Certain, and Fair (SCF) Sanctions Program: Replicating the Concepts behind Project HOPE		DOC	16.828	2014-MU-BX-K007	126,211	-
Equitable Sharing Program		DPS	16.922		116,490	-
Federal Equitable Sharing UAFPD		UofA	16.Unknown	G00006407	85,467	-
Total for U.S. DEPARTMENT OF JUSTICE					6,697,878	3,168,277

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Federal Program Title	Name of External Pass-Through Organization (as applicable)	State Agency	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
U.S. DEPARTMENT OF LABOR						
Employment Service Cluster						
Employment Service/Wagner-Peyser Funded Activities		DLWD	17.207	ONESTP, WAGPEY, DEI0ES	8,132,999	-
Disabled Veterans' Outreach Program (DVOP)		DLWD	17.801	DVOP00	482,977	-
Local Veterans' Employment Representative Program		DLWD	17.804	LVER00	145,093	-
Total for Employment Service Cluster					8,761,069	-
WIA/WIOA Cluster						
WIA/WIOA Adult Program		DLWD	17.258	WIAADT, WIOAAD	2,362,512	-
WIA/WIOA Youth Activities		DLWD	17.259	WIAYTH, WIOAYO, RS766104, RS766104	1,976,053	1,000,219
WIA/WIOA Dislocated Worker Formula Grants		DLWD	17.278	WIA0DW, WIOADW	2,089,493	-
Total for WIA/WIOA Cluster					6,428,058	1,000,219
Labor Force Statistics		DLWD	17.002	LSTATS	606,436	-
Compensation and Working Conditions		DLWD	17.005	WRKCON	90,798	-
Unemployment Insurance		DLWD	17.225	UI000	176,060,570	-
Senior Community Service Employment Program		UofA	17.235	G00010339	22,931	-
Senior Community Service Employment Program		DLWD	17.235	SCSEP0, RS765000	1,711,874	884,956
Trade Adjustment Assistance		DLWD	17.245	TAA000	24,449	-
WIA Pilots, Demonstrations, and Research Projects		DLWD	17.261	WIAPDR	238,060	-
H-1B Job Training Grants		DLWD	17.268	WIAAME	178,834	-
Work Opportunity Tax Credit Program (WOTC)		DLWD	17.271	WOTC00	62,070	-
Temporary Labor Certification for Foreign Workers		DLWD	17.273	LABCER	79,653	-
WIOA National Dislocated Worker Grants / WIA National Emergency Grants		UofA	17.277	G00010757	30,114	-
WIOA National Dislocated Worker Grants / WIA National Emergency Grants		DLWD	17.277	WIANEG	632,827	24,963
WIA/WIOA Dislocated Worker National Reserve Technical Assist and Training		DLWD	17.281	WIATAT	40,073	-
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants		UofA	17.282	G00009100	3,807,453	-
Occupational Safety and Health_State Program		DLWD	17.503	23G000	1,404,089	-
Consultation Agreements		DLWD	17.504	21D000	633,024	-
Mine Health and Safety Grants		UofA	17.600	G00009793	218,370	-
Total for U.S. DEPARTMENT OF LABOR					201,030,752	1,910,138
U.S. DEPARTMENT OF STATE						
Arctic Council SAO Meetings		UofA	19.Unknown	G00010632	22,541	-
Fulbright Arctic Initiative	Institute of International Education	UofA	19.Unknown	S-ECAGD-14-CA-1032	12,307	-
Total for U.S. DEPARTMENT OF STATE					34,848	-
U.S. DEPARTMENT OF TRANSPORTATION						
Federal Transit Cluster						
Federal Transit_Capital Investment Grants		AIDEA	20.500	AK-04-0009	10,201	-
Federal Transit_Capital Investment Grants		AIDEA	20.500	AK-04-0012	10,226	-
Federal Transit_Capital Investment Grants		AIDEA	20.500	AK-55-0001	113,003	-
Federal Transit_Capital Investment Grants	Federal Transit Administration	ARRC	20.500	AK-55-0003	358,115	-
Federal Transit_Capital Investment Grants		DOTPF	20.500		504,232	192,856
Federal Transit-Formula Grants		ARRC	20.507	AK-90-X068-00	89,376	-
Federal Transit-Formula Grants		ARRC	20.507	AK-90-X072-00	114,909	-
Federal Transit-Formula Grants		ARRC	20.507	AK-90-X075-00	1,319,072	-
Federal Transit-Formula Grants		ARRC	20.507	AK-90-X077-00	4,480,000	-
Federal Transit-Formula Grants		ARRC	20.507	AK-90-X080-00	3,347,299	-
State of Good Repair Grants Program		ARRC	20.525	AK-54-0004	381,297	-
State of Good Repair Grants Program		ARRC	20.525	AK-54-0005	8,820,580	-
State of Good Repair Grants Program		ARRC	20.525	AK-54-0006	9,417,266	-
Total for Federal Transit Cluster					28,965,576	192,856

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Highway Planning and Construction Cluster						
Highway Planning and Construction		UofA	20.205	G00009996	118,182	-
Highway Planning and Construction		DOTPF	20.205		647,268,855	3,491,078
Recreational Trails Program		DNR	20.219		1,237,874	589,389
Total for Highway Planning and Construction Cluster					648,624,911	4,080,467
Highway Safety Cluster						
State and Community Highway Safety		DOTPF	20.600		927,465	307,706
State Traffic Safety Information System Improvement Grants		DOTPF	20.610		120,644	-
Incentive Grant Program to Increase Motorcyclist Safety		DOTPF	20.612		17,850	17,850
National Priority Safety Programs		DOTPF	20.616		751,085	380,753
Total for Highway Safety Cluster					1,817,044	706,309
Transit Services Programs Cluster						
Enhanced Mobility of Seniors and Individuals with Disabilities		DOTPF	20.513		361,083	256,562
Job Access and Reverse Commute Program		DOTPF	20.516		116,781	-
New Freedom Program		DOTPF	20.521		20,292	19,435
Total for Transit Services Programs Cluster					498,156	275,997
U.S. DEPARTMENT OF TRANSPORTATION						
Airport Improvement Program		DOTPF	20.106		137,962,713	-
Highway Research and Development Program		DOTPF	20.200		911,835	-
Highway Training and Education		DOTPF	20.215		224,950	-
National Motor Carrier Safety		DOTPF	20.218		922,110	-
Performance and Registration Information Systems Management		DOTPF	20.231		69,439	-
Border Enforcement Grants		DOTPF	20.233		224,795	-
Safety Data Improvement Program		DOTPF	20.234		89,444	-
Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements		DOTPF	20.237		413,495	-
Fuel Tax Evasion-Intergovernmental Enforcement Effort		DOTPF	20.240		95,428	-
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research		DOTPF	20.505		353,166	180,650
Formula Grants for Rural Areas		DOTPF	20.509		6,406,656	5,398,375
Minimum Penalties for Repeat Offenders for Driving While Intoxicated		DOTPF	20.608		2,552,170	162,546
National Highway Traffic Safety Administration (NHTSA)		DOTPF	20.614		39,207	-
Discretionary Safety Grants						
Interagency Hazardous Materials Public Sector Training and Planning Grants		DMVA	20.703	20HMEP	54,828	-
National Infrastructure Investments		ARRC	20.933	DTMA91G150007	502,848	-
Clean-up Contaminated Sites in Alaska		DEC	20.Unknown	DTFAWN-15-A-80000	117,528	-
Glen Highway Cultural Resource Survey		DNR	20.Unknown	DTHF70-13-E-00026	52,207	-
Snug Harbor Road		DOTPF	20.Unknown	DTFH70-13-E-00018	354,239	-
Total for U.S. DEPARTMENT OF TRANSPORTATION					831,252,745	10,997,200
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION						
Employment Discrimination - State and Local Fair		OG	30.002		201,000	-
Employment Practices Agency Contracts						
Total for EQUAL EMPLOYMENT OPPORTUNITY COMMISSION					201,000	-
GENERAL SERVICES ADMINISTRATION						
Donation of Federal Surplus Personal Property		DOA	39.003		1,619,592	-
Total for GENERAL SERVICES ADMINISTRATION					1,619,592	-
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION						
Space Operations		UofA	43.007	G00008389	55,521	-
Total for NATIONAL AERONAUTICS AND SPACE ADMINISTRATION					55,521	-

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INSTITUTE OF MUSEUM AND LIBRARY SERVICES						
Museums for America		DEED	45.301	17357/MFACOL	7,584	-
Grants to States		DEED	45.310	17336/LSTAGR	999,099	858,642
Total for INSTITUTE OF MUSEUM AND LIBRARY SERVICES					1,006,683	858,642
NATIONAL ENDOWMENT FOR THE ARTS						
Promotion of the Arts_Grants to Organizations and Individuals		UofA	45.024	G00010828	15,002	-
Promotion of the Arts_Partnership Agreements		DEED	45.025	17335/NEAART	751,542	311,354
Total for NATIONAL ENDOWMENT FOR THE ARTS					766,544	311,354
NATIONAL ENDOWMENT FOR THE HUMANITIES						
Promotion of the Humanities_Federal/State Partnership	Alaska Humanities Forum	UofA	45.129	SO-5057914	774	-
Promotion of the Humanities_Division of Preservation and Access		UofA	45.149	G00010744	477	-
Total for NATIONAL ENDOWMENT FOR THE HUMANITIES					1,251	-
SMALL BUSINESS ADMINISTRATION						
Small Business Development Centers		UofA	59.037	G00009733	751,157	-
Federal and State Technology Partnership Program		UofA	59.058	G00009704	28,599	-
Total for SMALL BUSINESS ADMINISTRATION					779,756	-
U.S. DEPARTMENT OF VETERANS AFFAIRS						
Veterans Transportation Project		DMVA	64.035	6TRANS	214,190	187,345
Veterans Housing_Guaranteed and Insured Loans		AHFC	64.114		60,943,505	-
Total for U.S. DEPARTMENT OF VETERANS AFFAIRS					61,157,695	187,345
ENVIRONMENTAL PROTECTION AGENCY						
Clean Water State Revolving Fund Cluster						
Capitalization Grants for Clean Water State Revolving Funds		DEC	66.458	CS-02000110	513,243	513,243
Capitalization Grants for Clean Water State Revolving Funds		DEC	66.458	CS-02000111	437,385	437,385
Capitalization Grants for Clean Water State Revolving Funds		DEC	66.458	CS-02000112	202,324	202,324
Capitalization Grants for Clean Water State Revolving Funds		DEC	66.458	CS-02000114	871,964	871,964
Capitalization Grants for Clean Water State Revolving Funds		DEC	66.458	CS-02000115	8,040,319	7,926,463
Total for Clean Water State Revolving Fund Cluster					10,065,235	9,951,379
Drinking Water State Revolving Fund Cluster						
Capitalization Grants for Drinking Water State Revolving Funds		DEC	66.468	FS-98005810	1,190,014	1,190,014
Capitalization Grants for Drinking Water State Revolving Funds		DEC	66.468	FS-98005811	1,675,900	1,675,900
Capitalization Grants for Drinking Water State Revolving Funds		DEC	66.468	FS-98005812	446,207	446,207
Capitalization Grants for Drinking Water State Revolving Funds		DEC	66.468	FS-98005813	503,665	503,665
Capitalization Grants for Drinking Water State Revolving Funds		DEC	66.468	FS-98005814	2,458,598	1,028,774
Capitalization Grants for Drinking Water State Revolving Funds		DEC	66.468	FS-98005815	6,632,844	5,010,799
Total for Drinking Water State Revolving Fund Cluster					12,907,228	9,855,359
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act		DEC	66.034		408,133	-
ARRA-State Clean Diesel Grant Program		AEA	66.040	DS-01J08001-0	221,728	-
State Clean Diesel Grant Program		DEC	66.040		222,181	-
Congressionally Mandated Projects		DCCED	66.202	XP00J76501	1,399,446	103,958
Congressionally Mandated Projects		DEC	66.202		9,720,649	920,785
Water Pollution Control State, Interstate, and Tribal Program Support		DEC	66.419		402,333	-
State Public Water System Supervision		DEC	66.432		2,383,724	-
State Underground Water Source Protection		DOA	66.433	G00J693030	122,000	-
Water Quality Management Planning		DEC	66.454		78,665	-
Beach Monitoring and Notification Program Implementation Grants		DEC	66.472		135,845	76,248
Performance Partnership Grants		DEC	66.605		4,331,734	180,942
Environmental Information Exchange Network Grant Program and Related Assistance		DEC	66.608		144,131	-
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements		DEC	66.802		131,670	-

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Federal Program Title	Name of External Pass-Through Organization (as applicable)	State Agency	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Underground Storage Tank Prevention, Detection and Compliance Program		DEC	66.804		279,617	-
Leaking Underground Storage Tank Trust Fund Corrective Action Program		DEC	66.805		450,427	-
Superfund State and Indian Tribe Core Program Cooperative Agreements		DEC	66.809		109,793	-
State and Tribal Response Program Grants		DEC	66.817		864,677	-
LUST Trust Cost Recovery		DEC	66.Unknown	LUST Trust Cost Recovery	178,971	-
Total for ENVIRONMENTAL PROTECTION AGENCY					44,558,187	21,088,671
U.S. DEPARTMENT OF ENERGY						
State Energy Program		AEA	81.041	DE-EE0004057	254,603	-
State Energy Program		AHFC	81.041		147,334	-
Weatherization Assistance for Low-Income Persons	Washington State University	AHFC	81.042		1,577,830	1,465,890
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance		AEA	81.117	DE-EE0006283	25,467	-
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance		AEA	81.117	DE-EE0007352	153,135	-
State Energy Program Special Projects		AHFC	81.119		165,349	-
Long-Term Surveillance and Maintenance		DEC	81.136		97,849	-
Total for U.S. DEPARTMENT OF ENERGY					2,421,567	1,465,890
U.S. DEPARTMENT OF EDUCATION						
Special Education Cluster (IDEA)						
Special Education_Grants to States		DEED	84.027	17232/SPEVIB	35,267,410	32,581,632
Special Education_Grants to States		UofA	84.027	G00010532	87,963	-
Special Education_Grants to States		DLWD	84.027	RS560012 Braille from DEED	-	95,000
Special Education_Preschool Grants		DEED	84.173	17242/SPEDPR	1,231,387	1,097,279
Total for Special Education Cluster (IDEA)					36,586,760	33,773,911
Student Financial Assistance Programs Cluster						
Federal Supplemental Educational Opportunity Grants		UofA	84.007	G00009467	576,284	-
Federal Work-Study Program		UofA	84.033	G00009469	424,781	-
Federal Pell Grant Program		UofA	84.063	G00009494	21,522,539	-
Federal Pell Grant Program		DLWD	84.063	PELLGR	323,545	-
Federal Direct Student Loans		DLWD	84.268	DRLON	200,334	-
Federal Direct Student Loans		UofA	84.268		55,892,631	-
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)		UofA	84.379	G00010173	54,309	-
Postsecondary Education Scholarships for Veteran's Dependents		UofA	84.408	G00009325	(1,701)	-
Total for Student Financial Assistance Programs Cluster					78,992,722	-
TRIO Cluster						
TRIO_Student Support Services		UofA	84.042	G00006626	456,885	-
TRIO_Talent Search		UofA	84.044	G00007393	332,909	-
TRIO_Upward Bound		UofA	84.047	G00007982	840,814	163,964
TRIO_Educational Opportunity Centers		UofA	84.066	G00007570	382,746	-
Total for TRIO Cluster					2,013,354	163,964
Adult Education - Basic Grants to States		DLWD	84.002	ABE000, RS765000, RS765601, RS765600	1,169,881	748,491
Adult Education - Basic Grants to States		UofA	84.002	G00010290	131,227	-
Title I Grants to Local Educational Agencies		DEED	84.010	17126/TITLE1	32,329,459	31,534,989
Migrant Education_State Grant Program		DEED	84.011	17127/MIGRNT	6,544,678	5,841,455
Title I State Agency Program for Neglected and Delinquent Children and Youth		DEED	84.013	17129/TITL1D	322,445	320,752
Higher Education_Institutional Aid		UofA	84.031	G00006887	6,406,462	-
Impact Aid		DEED	84.041	17238	42,269,737	-
Impact Aid		UofA	84.041	G00010761	8,799	-
Career and Technical Education - Basic Grants to States		DEED	84.048	17244/VOCAED	4,270,327	3,642,855

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Federal Program Title	Name of External Pass-Through Organization (as applicable)	State Agency	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Career and Technical Education - Basic Grants to States		UofA	84.048	G00010196	510,496	-
Indian Education_Grants to Local Educational Agencies		DEED	84.060	17372/INDEDU	32,708	-
Career and Technical Education - Grants to Native Americans and Alaska Natives	Cook Inlet Tribal Council	UofA	84.101	V101A130014	24,718	-
Rehabilitation Services_Vocational Rehabilitation Grants to States		DLWD	84.126	BASSUP	10,499,793	137,997
Rehabilitation Services_Client Assistance Program		DEED	84.161	17152/CLASSP	98,938	-
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind		DLWD	84.177	ILOBLN	227,195	212,700
Special Education-Grants for Infants and Families		DHSS	84.181		2,324,899	1,633,031
School Safety National Activities		DEED	84.184	17220/EMERGE	83,555	28,870
Supported Employment Services for Individuals with the Most Significant Disabilities		DLWD	84.187	SUPEMP	232,782	-
Education for Homeless Children and Youth		DEED	84.196	17257/HMLESS	120,674	109,290
Twenty-First Century Community Learning Centers		DEED	84.287	17271/21STCE	5,604,283	5,457,965
Special Education - State Personnel Development		DEED	84.323	17159/GAINSP	255,059	74,498
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)		DEED	84.330	17122/ADVPLC	21,665	1,862
Alaska Native Educational Programs		UofA	84.356	G00009677	3,511,267	184,000
Rural Education		DEED	84.358	17373/RURLOW & RURSMA	37,166	14,961
English Language Acquisition State Grants		DEED	84.365	17175/TITLE3	1,134,126	937,627
English Language Acquisition State Grants		UofA	84.365	G00008005	270,486	-
Mathematics and Science Partnerships		DEED	84.366	17252/MATHSC	650,314	612,972
Supporting Effective Instruction State Grant		DEED	84.367	17172/TITL2A	9,945,137	9,915,557
Supporting Effective Instruction State Grant	National Writing Project Corp.	UofA	84.367	Agreement 14-AK01-SEED2014	16,424	-
Grants for State Assessments and Related Activities		DEED	84.369	17171/STATEA	2,957,569	-
Statewide Longitudinal Data Systems		DEED	84.372	17274/LONGDS	563,020	-
College Access Challenge Grant Program		UofA	84.378	G00010796	2,400	-
Strengthening Minority-Serving Institutions		UofA	84.382	G00007571	347,022	-
Transition Programs for Students with Intellectual Disabilities into Higher Education		UofA	84.407	G00006807	337,078	-
Investing in Innovation (i3) Fund		UofA	84.411	G00007733	2,745,803	1,379,848
Federal Family Education Loans (Lenders)		ASLC	84.032L		99,651,285	-
College Access Challenge Grant Program		ACPE	84.378A		1,497,938	-
Total for U.S. DEPARTMENT OF EDUCATION					354,749,651	96,727,595
NATIONAL ARCHIVES AND RECORDS ADMINISTRATION						
National Historical Publications and Records Grants		DEED	89.003	17141/NHPRCG	15,812	-
Total for NATIONAL ARCHIVES AND RECORDS ADMINISTRATION					15,812	-
DENALI COMMISSION						
Denali Commission Program		AEA	90.100	366	3,637,923	2,969,649
Denali Commission Program		DLWD	90.100	Denali	14,411	-
Total for DENALI COMMISSION					3,652,334	2,969,649
ELECTION ASSISTANCE COMMISSION						
Help America Vote Act Requirements Payments		OG	90.401		872,051	-
Total for ELECTION ASSISTANCE COMMISSION					872,051	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Aging Cluster						
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers		DHSS	93.044		2,200,947	1,586,291
Special Programs for the Aging_Title III, Part C_Nutrition Services		DHSS	93.045		2,733,255	2,633,398
Nutrition Services Incentive Program		DHSS	93.053		391,810	-
Total for Aging Cluster					5,326,012	4,219,689
Child Care and Development Fund (CCDF) Cluster						
Child Care and Development Block Grant		DHSS	93.575		12,537,830	2,585,835

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Child Care Mandatory and Matching Funds of the Child Care and Development Fund		DHSS	93.596		8,030,521	4,209,495
Total for Child Care and Development Fund (CCDF) Cluster					20,568,351	6,795,330
Medicaid Cluster						
State Medicaid Fraud Control Units		LAW	93.775		1,052,425	-
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare		DHSS	93.777		389,982	-
Medical Assistance Program		DHSS	93.778		1,185,203,398	-
Total for Medicaid Cluster					1,186,645,805	-
TANF Cluster						
Temporary Assistance for Needy Families	Association of Village Council Presidents	UofA	93.558	Contract DTD 3/25/16	25,089	-
Temporary Assistance for Needy Families		DHSS	93.558		36,489,449	166,904
Total for TANF Cluster					36,514,538	166,904
Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation		DHSS	93.041		47,503	-
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals		DHSS	93.042		79,350	-
Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services		DHSS	93.043		110,210	110,210
Special Programs for the Aging_Title IV and Title II_Discretionary Projects		DHSS	93.048		186,509	70,967
National Family Caregiver Support, Title III, Part E		DHSS	93.052		722,480	722,480
Public Health Emergency Preparedness		DHSS	93.069		4,171,594	785,071
Medicare Enrollment Assistance Program		DHSS	93.071		31,085	10,000
Birth Defects and Developmental Disabilities - Prevention and Surveillance		UofA	93.073	G00007510	360,329	-
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance		DHSS	93.079		58,412	-
Guardianship Assistance		DHSS	93.090		555,707	-
Affordable Care Act (ACA) Personal Responsibility Education Program		DHSS	93.092		256,639	-
Food and Drug Administration_Research		DEC	93.103		796,730	-
Area Health Education Centers Point of Service Maintenance and Enhancement Awards		UofA	93.107	G00007653	658,667	529,950
Maternal and Child Health Federal Consolidated Programs		UofA	93.110	G00006655	496,033	30,320
Maternal and Child Health Federal Consolidated Programs		DHSS	93.110		548,718	2,000
Environmental Health		UofA	93.113	G00006222	414,437	41,679
Project Grants and Cooperative Agreements for Tuberculosis Control Programs		DHSS	93.116		588,108	-
Emergency Medical Services for Children		DHSS	93.127		262,363	-
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices		DHSS	93.130		227,667	-
Injury Prevention and Control Research and State and Community Based Programs		DHSS	93.136		352,363	105,000
Projects for Assistance in Transition from Homelessness (PATH)		DHSS	93.150		225,073	225,000
Grants to States for Loan Repayment Program		DHSS	93.165		361,405	-
Disabilities Prevention		DHSS	93.184		293,695	-
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	Alaska Native Tribal Health Consortium	DEC	93.210	MOU dated 05/09/2006-W47000	945,334	-
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	Alaska Native Tribal Health Consortium	DEC	93.210	MOU dated 05/09/2006-W47002	906,878	-
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	Alaska Native Tribal Health Consortium	DEC	93.210	MOU dated 05/09/2006-W47003	199,364	-
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	Alaska Native Tribal Health Consortium	DEC	93.210	MOU dated 05/09/2006-W47004	414,671	-
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	Alaska Native Tribal Health Consortium	DEC	93.210	MOU dated 05/09/2006-W47005	100,219	-
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	Alaska Native Tribal Health Consortium	DEC	93.210	MOU dated 05/09/2006-W47006	476,555	-
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	Alaska Native Tribal Health Consortium	DEC	93.210	MOU dated 05/09/2006-W47007	353,887	-

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Tribal Self-Governance Program: IHS Compacts/Funding Agreements	Alaska Native Tribal Health Consortium	DEC	93.210	MOU dated 05/09/2006-W47008	347,014	-
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	Alaska Native Tribal Health Consortium	DEC	93.210	MOU dated 05/09/2006-W47009	8,855	-
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	Alaska Native Tribal Health Consortium	DEC	93.210	MOU dated 05/09/2006-W47010	9,652	-
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	Alaska Native Tribal Health Consortium	DEC	93.210	MOU dated 05/09/2006-W47012	186,058	-
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	Alaska Native Tribal Health Consortium	DEC	93.210	MOU dated 05/09/2006-W47013	987,970	-
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	Alaska Native Tribal Health Consortium	DEC	93.210	MOU dated 05/09/2006-W47014	8,132	-
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	Alaska Native Tribal Health Consortium	DEC	93.210	MOU dated 05/09/2006-W47015	119,894	-
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	Alaska Native Tribal Health Consortium	DEC	93.210	MOU dated 05/09/2006-W47016	1,682,202	-
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	Alaska Native Tribal Health Consortium	DEC	93.210	MOU dated 05/09/2006-W47018	6,952	-
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	Alaska Native Tribal Health Consortium	DEC	93.210	MOU dated 05/09/2006-W47019	8,220	-
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	Alaska Native Tribal Health Consortium	DEC	93.210	MOU dated 05/09/2006-W47020	52,116	-
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	Alaska Native Tribal Health Consortium	DEC	93.210	MOU dated 05/09/2006-W47029	10,933	-
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	Alaska Native Tribal Health Consortium	DEC	93.210	MOU dated 05/09/2006-W47034	203,858	-
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	Alaska Native Tribal Health Consortium	DEC	93.210	MOU dated 05/09/2006-W47036	4,494	-
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	Alaska Native Tribal Health Consortium	DEC	93.210	MOU dated 05/09/2006-W47037	7,964	-
Family Planning_Services		DHSS	93.217		434,770	90,000
Traumatic Brain Injury State Demonstration Grant Program		UofA	93.234	G00010352	54,002	-
Traumatic Brain Injury State Demonstration Grant Program		DHSS	93.234		215,968	152,235
Grants to States to Support Oral Health Workforce Activities		DHSS	93.236		68,954	-
State Capacity Building		DHSS	93.240		342,542	-
State Rural Hospital Flexibility Program		UofA	93.241	G00010223	8,186	-
State Rural Hospital Flexibility Program		DHSS	93.241		789,252	186,976
Substance Abuse and Mental Health Services_Projects of Regional and National Significance		DEED	93.243	17370/AKAWAR	1,351,205	890,427
Substance Abuse and Mental Health Services_Projects of Regional and National Significance		UofA	93.243	G00008925	1,031,898	-
Substance Abuse and Mental Health Services_Projects of Regional and National Significance		DHSS	93.243		1,765,274	1,057,537
Universal Newborn Hearing Screening		DHSS	93.251		272,273	35,000
Immunization Cooperative Agreements (Admin Costs)		DHSS	93.268		2,098,174	-
Immunization Cooperative Agreements (Immunizations)		DHSS	93.268		11,254,096	-
Adult Viral Hepatitis Prevention and Control		DHSS	93.270		93,982	-
Centers for Disease Control and Prevention_Investigations and Technical Assistance		DHSS	93.283		2,855,893	-
Teenage Pregnancy Prevention Program		DHSS	93.297		60,827	-
Small Rural Hospital Improvement Grant Program		DHSS	93.301		131,771	-
National State Based Tobacco Control Programs		DHSS	93.305		633,663	-
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)		DHSS	93.323		646,968	-
State Health Insurance Assistance Program		DHSS	93.324		251,328	27,327
Behavioral Risk Factor Surveillance System		DHSS	93.336		251,050	-
Advanced Education Nursing Traineeships		UofA	93.358	G00009531	365,527	-
ACL Independent Living State Grants		DLWD	93.369	ILPRTB	298,850	294,315
ACL Assistive Technology		DLWD	93.464	ASTECH	413,636	407,300
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program		UofA	93.505	G00010212	133,066	-
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program		DHSS	93.505		1,770,900	-
ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers		DHSS	93.506		1,358	-

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Affordable Care Act (ACA) Public Health Training Centers Program	University of Washington	UofA	93.516	UWSC8209	59,642	-
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreement: PPHF		DHSS	93.521		879,980	-
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds		DHSS	93.539		268,027	-
Promoting Safe and Stable Families		DHSS	93.556		255,895	287,116
Child Support Enforcement		DOR	93.563		18,843,460	-
Low-Income Home Energy Assistance		AHFC	93.568		300,000	259,624
Low-Income Home Energy Assistance		DHSS	93.568		10,159,777	-
Community Services Block Grant		DCCED	93.569	G13B1AKCOSR, G14B1AKCOSR,	2,313,302	2,150,197
State Court Improvement Program		COURT	93.586	1401AKSCID	39,490	-
State Court Improvement Program		COURT	93.586	1401AKSCIP	34,715	-
State Court Improvement Program		COURT	93.586	1401AKSCIT	32,102	-
State Court Improvement Program		COURT	93.586	1501AKSCID	95,954	-
State Court Improvement Program		COURT	93.586	1501AKSCIP	43,021	-
State Court Improvement Program		COURT	93.586	1501AKSCIT	90,336	-
Community-Based Child Abuse Prevention Grants		DHSS	93.590		487,620	437,060
Grants to States for Access and Visitation Programs		COURT	93.597	1402AKSAVP	49,106	-
Grants to States for Access and Visitation Programs		COURT	93.597	1502AKSAVP	57,103	-
Chafee Education and Training Vouchers Program (ETV)		DHSS	93.599		167,560	-
Head Start		DEED	93.600	17330/HEADCO	79,234	-
Adoption and Legal Guardianship Incentive Payments		DHSS	93.603		784,807	-
Voting Access for Individuals with Disabilities_Grants to States		OG	93.617		11,116	-
Developmental Disabilities Basic Support and Advocacy Grants		DHSS	93.630		356,932	-
Developmental Disabilities Projects of National Significance		UofA	93.631	G00010260	129,111	-
Developmental Disabilities Projects of National Significance		DHSS	93.631		376,128	-
Children's Justice Grants to States		DHSS	93.643		92,271	-
Stephanie Tubbs Jones Child Welfare Services Program		DHSS	93.645		154,725	97,321
Foster Care_Title IV-E		DHSS	93.658		18,542,713	-
Adoption Assistance		DHSS	93.659		16,933,392	-
Social Services Block Grant		DHSS	93.667		7,705,740	670,546
Child Abuse and Neglect State Grants		UofA	93.669	G00010488	38,205	-
Child Abuse and Neglect State Grants		DHSS	93.669		79,756	-
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services		DPS	93.671		549,500	515,078
Chafee Foster Care Independence Program		DHSS	93.674		741,663	98,701
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – financed in part by the Prevention and Public Health Fund (PPHF)	National AHEC Organization	UofA	93.733	AWD DTD 9/10/15 / ALF NCE 10/2	8,000	-
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by the Prevention and Public Health Fund (PPHF)		DHSS	93.733		1,322,219	-
State Public Health Approaches for Ensuring Quitline Capacity Funded in part by Prevention and Public Health		DHSS	93.735		49,349	-
Elder Abuse Prevention Interventions Program		DHSS	93.747		202,866	-
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)		DHSS	93.757		87,571	-
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)		DHSS	93.758		491,189	-
Children's Health Insurance Program		DHSS	93.767		26,702,730	-
Medicare_Hospital Insurance		DHSS	93.773		973,590	-
Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)		DHSS	93.815		269,477	-
Hospital Preparedness Program (HPP) and Ebola Preparedness and Response Activities		DHSS	93.817		364,878	-
Section 223 Demonstration Programs to Improve Community Mental Health Services		DHSS	93.829		279,926	132,934
National Bioterrorism Hospital Preparedness Program		DHSS	93.889		1,000,607	-
Grants to States for Operation of Offices of Rural Health		DHSS	93.913		150,772	-

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Federal Program Title	Name of External Pass-Through Organization (as applicable)	State Agency	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
HIV Care Formula Grants		DHSS	93.917		1,351,765	695,908
Healthy Start Initiative		DHSS	93.926		384,163	307,588
HIV Prevention Activities_Health Department Based		DHSS	93.940		955,964	364,426
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance		DHSS	93.944		104,298	-
Assistance Programs for Chronic Disease Prevention and Control		DHSS	93.945		882,877	-
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs		DHSS	93.946		166,957	-
Block Grants for Community Mental Health Services		DHSS	93.958		482,050	546,158
Block Grants for Prevention and Treatment of Substance Abuse		DHSS	93.959		6,071,810	5,984,009
PPHF Geriatric Education Centers	Southcentral Foundation	UofA	93.969	U1QHP28706	210,946	-
Preventive Health Services_Sexually Transmitted Diseases Control Grants		DHSS	93.977		348,206	-
Maternal and Child Health Services Block Grant to the States		DHSS	93.994		1,305,616	3,917
2014 Env Health Info Part (EnHIP)		UofA	93.Unknown	G00009767	70	-
Association of State and Territorial Health Officials (ASTHO)		DHSS	93.Unknown	8612323	12,403	-
FDA Food Inspections		DEC	93.Unknown	HHSF223201310149C	672,566	-
FY16 Early Childhood Mental Health		UofA	93.Unknown	G00010302	16,559	-
IHS Water Innovations for Healthy Arctic Homes		DEC	93.Unknown	MOA dated 03/21/2016	10,000	-
Mammography Inspection		DHSS	93.Unknown	223-03-4401	21,210	-
NIOSH Center for Disease Control & Prevention		DHSS	93.Unknown	214-2016-M-89542	6,815	-
Total for U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					1,421,156,250	29,506,300
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE						
State Commissions		DCCED	94.003	13CAHAK001	220,933	31,952
AmeriCorps		DCCED	94.006	10ACHAK001, 12FXHAK002, 12ESHAK001, 13ACHAK001	639,994	639,994
Volunteers in Service to America		UofA	94.013	G00009692	15,302	-
AmeriCorps VISTA Umbrella 2016		UofA	94.Unknown	G00010749	574	-
Total for CORPORATION FOR NATIONAL AND COMMUNITY SERVICE					876,803	671,946
SOCIAL SECURITY ADMINISTRATION						
Disability Insurance/SSI Cluster						
Social Security_Disability Insurance		DLWD	96.001	SSDINS	4,670,485	-
Supplemental Security Income		DLWD	96.006	SSIREI	1,108,272	-
Total for Disability Insurance/SSI Cluster					5,778,757	-
Social Security - Work Incentives Planning and Assistance Program		DLWD	96.008	TICKET2WORK function	109,054	-
Social Security - Work Incentives Planning and Assistance Program		UofA	96.008	G00008840	89,513	-
Incentive Payment Agreement (IPMOU) between SSA and DOC		DOC	96.Unknown	IPMOU	53,000	-
Total for SOCIAL SECURITY ADMINISTRATION					6,030,324	-
U.S. DEPARTMENT OF HOMELAND SECURITY						
Boating Safety Financial Assistance		DNR	97.012		915,211	-
State Access to the Oil Spill Liability Trust Fund		DNR	97.013		1,908	-
Community Assistance Program State Support Services Element (CAP-SSSE)		DCCED	97.023	EMS-2014-CA-0001	90,754	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)		ARRC	97.036	4094-DR-AK	655,235	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)		DMVA	97.036	DRF - PA	6,596,904	7,233,078
Disaster Grants - Public Assistance (Presidentially Declared Disasters)		DOTPF	97.036		1,116,519	-
Hazard Mitigation Grant		DMVA	97.039	DRF - HM	1,004,694	932,738
National Dam Safety Program		DNR	97.041		72,092	-
Emergency Management Performance Grants		DMVA	97.042	20EMPG	3,014,118	831,477

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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Federal Program Title	Name of External Pass-Through Organization (as applicable)	State Agency	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
State Fire Training Systems Grants		DPS	97.043		13,440	-
Assistance to Firefighters Grant		DPS	97.044		200,643	-
Cooperating Technical Partners		DMVA	97.045	20NCTP	17,226	-
Cooperating Technical Partners		DCCED	97.045	EMS-2013-CA-0009, EMW-2014-CA-00182	67,818	-
Pre-Disaster Mitigation		DMVA	97.047	200PDM	254,211	82,923
Pre-Disaster Mitigation		ARRC	97.047	200PDM-GY14	127,649	-
Port Security Grant Program		ARRC	97.056	EMW-2013-PU-00514	46,854	-
Port Security Grant Program		ARRC	97.056	EMW-2014-PU-00108	103,897	-
Homeland Security Grant Program		DMVA	97.067	20SHSP	4,052,964	3,120,458
Homeland Security Grant Program		DPS	97.067		24,795	-
Miscellaneous Homeland Security-M/V Selendang Oil Spill Response		DFG	97.Unknown	FPNJ05003	1,654	-
U.S. Coast Guard Oversight - Juneau/Kodiak		DEC	97.Unknown	HSCG8713NPXA503	11,454	-
U.S. Coast Guard Oversight - Juneau/Kodiak		DEC	97.Unknown	HSCG8716PPXA7V5	27,610	-
Total for U.S. DEPARTMENT OF HOMELAND SECURITY					18,417,650	12,200,674
R&D Cluster for U.S. DEPARTMENT OF AGRICULTURE						
Plant and Animal Disease, Pest Control, and Animal Care		UofA	10.025	G00010253	14,837	-
Federal-State Marketing Improvement Program		UofA	10.156	G00010524	30,763	-
Grants for Agricultural Research, Special Research Grants	Colorado State University	UofA	10.200	2014-48757-22607	7,100	-
Cooperative Forestry Research		UofA	10.202	G00008984	803,990	-
Payments to Agricultural Experiment Stations Under the Hatch Act		UofA	10.203	G00008980	971,130	-
Sustainable Agriculture Research and Education	Utah State University	UofA	10.215	2012-38640-19581	47,189	-
Alaska Native Serving and Native Hawaiian Serving Institutions Education Grants		UofA	10.228	G00009631	1,400,827	90,108
Agriculture and Food Research Initiative (AFRI)		UofA	10.310	G00007266	474,793	3,852
Forestry Research	University of Montana	UofA	10.652	PG 16-65035-01	41,718	-
Wood Utilization Assistance		UofA	10.674	G00010240	13,986	-
Forest Health Protection		UofA	10.680	G00010155	218,699	-
Watershed Restoration and Enhancement Agreement Authority		UofA	10.693	G00010375	4,948	-
Soil and Water Conservation		UofA	10.902	G00010481	14,202	-
Soil Survey		UofA	10.903	G00008208	6,141	-
AKEPIC Upgrade		UofA	10.Unknown	G00009667	(40)	-
Bridge Inspection IARC		UofA	10.Unknown	G00010109	9,271	-
Carbon Cycle in AK PCTR G10250		UofA	10.Unknown	G00010250	58,690	-
Carbon Fluxex in the PCTR YR2		UofA	10.Unknown	G00008893	23,738	-
Cofiring wood pellets with coal		UofA	10.Unknown	G00009612	17,580	-
Monitoring TV State Forest		UofA	10.Unknown	G00009133	28,377	-
Specialty Wood Products in SE AK		UofA	10.Unknown	G00008916	3,241	-
Stream Discharge G10255		UofA	10.Unknown	G00010255	24,669	-
Tongass Rare Plant Species Assessment		UofA	10.Unknown	G00009709	4,682	-
Water birds on the Copper River Delta		UofA	10.Unknown	G00010530	3,123	-
Wicking Fabric-Forest Service Lands		UofA	10.Unknown	G00010854	801	-
Wood Energy in AK		UofA	10.Unknown	G00009170	31,373	-
Total for R&D Cluster for U.S. DEPARTMENT OF AGRICULTURE					4,255,828	93,960

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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Federal Program Title	Name of External Pass-Through Organization (as applicable)	State Agency	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
R&D Cluster for U.S. DEPARTMENT OF COMMERCE						
NOAA Mission-Related Education Awards		UofA	11.008	G00008342	18,286	-
Ocean Exploration		UofA	11.011	G00010432	486,399	14,007
Integrated Ocean Observing System (IOOS)		UofA	11.012	G00009871	1,683,962	220,016
Sea Grant Support		UofA	11.417	G00009215	1,700,849	144,854
Coastal Zone Management Estuarine Research Reserves		UofA	11.420	G00010209	518,899	-
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	Sitka Sound Science Center	UofA	11.427	Lisa Busch, SSSC 907-747-8878 Ext. 5	129,329	-
Climate and Atmospheric Research		UofA	11.431	G00007710	1,635,914	-
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes		UofA	11.432	G00008751	1,443,194	-
Pacific Fisheries Data Program	Pacific States Marine Fisheries Commission	UofA	11.437	PSMFC Contract No. 16-109C	51,290	-
Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program		UofA	11.438	G00009305	118,059	-
Marine Mammal Data Program	Alaska Native Harbor Seal Commission	UofA	11.439	FFO NOAA-NMFS-AK-2015-2004372	430,326	-
Unallied Industry Projects	Pacific States Marine Fisheries Commission	UofA	11.452	16-103G	156,486	-
Special Oceanic and Atmospheric Projects		UofA	11.460	G00004916	6,753	6,764
Habitat Conservation		UofA	11.463	G00010365	34,469	-
Meteorologic and Hydrologic Modernization Development		UofA	11.467	G00010473	191,684	-
Unallied Science Program	Prince William Sound Science Center	UofA	11.472	NA12NMF4720028	1,848,750	-
NOAA Programs for Disaster Relief Appropriations Act - Non-construction and Construction		UofA	11.483	G00009379	415,227	102,678
NOAA Mission-Related Education Awards		UofA	11.Unknown	G00010263	158,098	-
Total for R&D Cluster for U.S. DEPARTMENT OF COMMERCE					11,027,974	488,319
R&D Cluster for U.S. DEPARTMENT OF DEFENSE						
Basic and Applied Scientific Research		UofA	12.300	G00009371	3,319,549	19,536
Basic, Applied, and Advanced Research in Science and Engineering		UofA	12.630	G00009741	85,916	-
Air Force Defense Research Sciences Program		UofA	12.800	G00008200	36,773	-
2014 OMK thru Army	University of Florida	UofA	12.Unknown	W912HQ-11-0015	420,868	-
AFRLMT		UofA	12.Unknown	G00010213	89,290	-
NACT		UofA	12.Unknown	G00010031	2,907,434	-
Nitrate and EDOM Sensors		UofA	12.Unknown	G00009950	54,766	-
Total for R&D Cluster for U.S. DEPARTMENT OF DEFENSE					6,914,596	19,536
R&D Cluster for U.S. DEPARTMENT OF THE INTERIOR						
Tribal Climate Resilience		UofA	15.156	G00010525	35,292	-
Recreation Resource Management		UofA	15.225	G00008074	344,229	7,327
Invasive and Noxious Plant Management		UofA	15.230	G00009666	140	-
Fish, Wildlife and Plant Conservation Resource Management	Nat'l Fish & Wildlife Foundation	UofA	15.231	BLM (FA A056)	1,113,194	-
Wildland Fire Research and Studies		UofA	15.232	G00009722	333,227	77,402
Environmental Quality and Protection Resource Management		UofA	15.236	G00009721	91,555	-
Rangeland Resource Management		UofA	15.237	G00006019	32,670	-
Alaska Coastal Marine Institute		UofA	15.421		2,171,123	204,234
Bureau of Ocean Energy Management (BOEM) Environmental Studies (ES)		UofA	15.423		1,550,406	124,285
Fish and Wildlife Management Assistance	Nat'l Fish & Wildlife Foundation	UofA	15.608	FC A037	393,278	-
Coastal		UofA	15.630	G00010673	47,229	-
State Wildlife Grants		UofA	15.634	G00010072	666,068	-
Alaska Subsistence Management		UofA	15.636	G00009301	161,856	-
Service Training and Technical Assistance (Generic Training)		UofA	15.649	G00010003	59,524	10,035
Research Grants (Generic)		UofA	15.650	G00007202	10,937	-
Migratory Bird Monitoring, Assessment and Conservation		UofA	15.655	G00010827	115,494	-
National Fish and Wildlife Foundation		UofA	15.663	G00007654	18,154	-
Coastal Impact Assistance		UofA	15.668	G00007317	668,896	-

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Federal Program Title	Name of External Pass-Through Organization (as applicable)	State Agency	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Cooperative Landscape Conservation		UofA	15.669	G00009376	394,082	12,207
Adaptive Science		UofA	15.670	G00009073	97,140	-
Assistance to State Water Resources Research Institutes		UofA	15.805	G00007107	105,832	-
Earthquake Hazards Program Assistance		UofA	15.807	G00010021	171,837	-
U.S. Geological Survey_ Research and Data Collection		UofA	15.808	G00009710	2,400,082	-
Cooperative Research Units		UofA	15.812	G00007003	2,032,318	-
National Land Remote Sensing_Education Outreach and Research	America View, Inc.	UofA	15.815	G14AP00002	23,497	-
National Geospatial Program: Building The National Map		UofA	15.817	G00009398	115,150	-
Volcano Hazards Program Research and Monitoring		UofA	15.818	G00008699	721,006	-
National Climate Change and Wildlife Science Center		UofA	15.820	G00009784	82,473	-
Cooperative Research and Training Programs--Resources of the National Park System		UofA	15.945	G00009840	820,903	-
Consequences of a Changing Climate for Alaska's Boreal Forests (A Continuation of the Bonanza Creek Long-Term Ecological Research Program)		UofA	15.Unknown	G00007288	314,459	-
Cook Inlet Characterization		UofA	15.Unknown	G00010161	5,069	-
Stream discharge in NPLCC of SE AK		UofA	15.Unknown	G00009575	28,829	-
USGS AVO Satellite Support - GI		UofA	15.Unknown	G00009562	34,573	-
USGS Walrus Survey 2015		UofA	15.Unknown	G00010218	59,171	-
Total for R&D Cluster for U.S. DEPARTMENT OF THE INTERIOR					15,219,693	435,490
R&D Cluster for U.S. DEPARTMENT OF JUSTICE						
State Justice Statistics Program for Statistical Analysis Centers		UofA	16.550	G00009723	166,992	-
National Institute of Justice Research, Evaluation, and Development Project Grants		UofA	16.560	G00008988	143,540	-
Crime Victim Assistance/Discretionary Grants	AK Immigration Justice Project	UofA	16.582	2012-VF-GX-K023	27,866	-
Total for R&D Cluster for U.S. DEPARTMENT OF JUSTICE					338,398	-
R&D Cluster for U.S. DEPARTMENT OF STATE						
AEECA/ESF PD Programs		UofA	19.900	G00010492	61,518	-
Total for R&D Cluster for U.S. DEPARTMENT OF STATE					61,518	-
R&D Cluster for U.S. DEPARTMENT OF TRANSPORTATION						
Highway Research and Development Program		UofA	20.200	G00008347	324,160	-
University Transportation Centers Program		UofA	20.701	G00009212	957,150	199,419
Pipeline Safety Research Competitive Academic Agreement Program (CAAP)		UofA	20.724	G00010526	34,466	-
Transportation Planning, Research and Education		UofA	20.931	G00009367	652,713	-
Steel Fiber Reinforced		UofA	20.Unknown	G00010457	9,014	-
Total for R&D Cluster for U.S. DEPARTMENT OF TRANSPORTATION					1,977,503	199,419
R&D Cluster for NATIONAL AERONAUTICS AND SPACE ADMINISTRATION						
Science		UofA	43.001		14,759,697	146,742
Education		UofA	43.008	G00008884	698,275	-
A Cepheid-Based Distance Delivery		UofA	43.Unknown	G00010608	1,782	-
Climate Change: NASA's Eyes on the Arctic		UofA	43.Unknown	G00006590	8,980	-
Total for R&D Cluster for NATIONAL AERONAUTICS AND SPACE ADMINISTRATION					15,468,734	146,742
R&D Cluster for NATIONAL SCIENCE FOUNDATION						
Engineering Grants	Space Science Institute	UofA	47.041	AGS-1261659	15,585	-
Engineering Grants		UofA	47.041	G00009527	126,083	-
Mathematical and Physical Sciences		UofA	47.049	G00009337	163,503	-
Geosciences		UofA	47.050		22,896,535	920,723
Computer and Information Science and Engineering		UofA	47.070	G00007744	51,740	-
Biological Sciences		UofA	47.074		2,604,902	230,976
Social, Behavioral, and Economic Sciences		UofA	47.075	G00010323	201,341	17,728

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Education and Human Resources		UofA	47.076		3,083,239	283,658
Polar Programs		UofA	47.078		3,510,253	77,440
Office of International Science and Engineering		UofA	47.079	G00008958	284,584	-
Office of Cyberinfrastructure		UofA	47.080	G00008075	5,214,635	12,980
Trans-NSF Recovery Act Research Support		UofA	47.082	G00005750	3,236,751	-
IOS: Circannual Rhythms		UofA	47.Unknown	G00010627	12,134	-
Total for R&D Cluster for NATIONAL SCIENCE FOUNDATION					41,401,285	1,543,505
R&D Cluster for ENVIRONMENTAL PROTECTION AGENCY						
Regional Wetland Program Development Grants		UofA	66.461	G00010516	18,627	-
Science To Achieve Results (STAR) Research Program	Arizona State University	UofA	66.509	Subaward 12-866 MOD 3	127,177	-
Science To Achieve Results (STAR) Fellowship Program		UofA	66.514	G00009759	13,000	-
Total for R&D Cluster for ENVIRONMENTAL PROTECTION AGENCY					158,804	-
R&D Cluster for U.S. DEPARTMENT OF ENERGY						
Office of Science Financial Assistance Program		UofA	81.049	G00006529	381,301	-
Renewable Energy Research and Development	Oregon State University	UofA	81.087	G0152A-A	139,765	-
Fossil Energy Research and Development		UofA	81.089	G00001492	140,060	-
Design Basis Framework	Alliance for Sustainable Energy, LLC-NREL	UofA	81.Unknown	DE-AC36-08GO28308	2,355	-
WPM DNF code Evaluation and WPN Hydro Support Subcontract	Desert Research Institute	UofA	81.Unknown	Subaward 649.5249.01 Amend #1	35,844	-
Total for R&D Cluster for U.S. DEPARTMENT OF ENERGY					699,325	-
R&D Cluster for ARCHITECTURAL AND TRANSPORTATION BARRIERS COMPLIANCE BOARD						
Architectural and Transportation Barriers Compliance Board	University of San Francisco	UofA	88.001	201121454-19-2	1,649	-
Total for R&D Cluster for ARCHITECTURAL AND TRANSPORTATION BARRIERS COMPLIANCE BOARD					1,649	-
R&D Cluster for DENALI COMMISSION						
Denali Commission Program		UofA	90.100	G00010604	31,964	-
Total for R&D Cluster for DENALI COMMISSION					31,964	-
R&D Cluster for U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Special Programs for the Aging Title IV and Title II Discretionary Projects		UofA	93.048	G00008130	265,131	-
Injury Prevention and Control Research and State and Community Based Programs		UofA	93.136	G00010327	51,735	-
Human Genome Research		UofA	93.172	G00006875	1,875	-
Disabilities Prevention		UofA	93.184	G00010416	74,806	-
Mental Health Research Grants		UofA	93.242	G00005628	175,736	103,005
Occupational Safety and Health Program		UofA	93.262	G00005814	274,600	-
Alcohol Research Programs		UofA	93.273	G00010333	392,169	-
Drug Abuse and Addiction Research Programs	Northwest Indian College	UofA	93.279	5R01DA029002-03	(1)	-
Teenage Pregnancy Prevention Program		UofA	93.297	G00010268	25,000	-
Minority Health and Health Disparities Research		UofA	93.307	G00008798	544,587	76,962
Trans-NIH Research Support		UofA	93.310	G00009790	4,546,427	65,024
Cancer Cause and Prevention Research		UofA	93.393	G00009293	140,139	20,130
Cancer Research Manpower	Alaska Native Tribal Health Consortium	UofA	93.398	ANTHC-15-U-61682	17,024	-
ACL National Institute on Disability, Independent Living, and Rehabilitation Research	University of Illinois-Chicago	UofA	93.433	487842 E2379	10,158	-
University Centers for Excellence in Developmental Disabilities Education, Research, and Service		UofA	93.632	G00008782	396,682	-
Child Welfare Research Training or Demonstration	State University of New York	UofA	93.648	90CT7002-02-00	112,178	-
Adoption Assistance	University of Nevada-Las Vegas	UofA	93.659	16-746Q-UAA-BS15-00	12,150	-
Lung Diseases Research		UofA	93.838	G00010293	2,992	-
Arthritis, Musculoskeletal and Skin Diseases Research		UofA	93.846	G00009347	113,316	-
Extramural Research Programs in the Neurosciences and Neurological Disorders		UofA	93.853	G00007938	207,511	-
Allergy and Infectious Diseases Research		UofA	93.855	G00010652	28,747	-
Biomedical Research and Research Training		UofA	93.859		5,766,713	137,854
Child Health and Human Development Extramural Research		UofA	93.865	G00008863	46,280	-
Aging Research	Colorado State University	UofA	93.866	R01AG046811-01	12,542	-
Demonstration Projects for Indian Health	Alaska Native Tribal Health Consortium	UofA	93.933	HHS-2010-HIS-NARCH-0001	28,460	-
FY16 Pediatric Principles of Care		UofA	93.Unknown	G00010599	2,600	-
Regional Inventory of Terrestrial Anthropods	Mount Sinai School of Medicine	UofA	93.Unknown	HHSN272201400008C	75,800	-
Total for R&D Cluster for U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					13,325,357	402,975

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R&D Cluster for U.S. DEPARTMENT OF HOMELAND SECURITY						
Centers for Homeland Security		UofA	97.061	G00009634	1,895,309	409,626
Total for R&D Cluster for U.S. DEPARTMENT OF HOMELAND SECURITY					1,895,309	409,626
TOTAL FEDERAL FINANCIAL ASSISTANCE:					4,146,381,605	295,544,018

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STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2016

Note 1: Purpose of the Schedule

Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) requires a schedule of expenditures of federal awards showing total federal financial assistance for the period covered in the financial statements. Each federal financial assistance program must be identified by its Catalog of Federal Domestic Assistance (CFDA) title and number. When CFDA information is not available, another federal identifying number must be used.

Note 2: Significant Accounting Policies

- A. Reporting Entity - The accompanying schedule includes the federal financial assistance programs administered by the State of Alaska for the fiscal year ended June 30, 2016.
- B. Fiscal Year Ends - The State of Alaska and component units of the State are reported using fiscal years, which end on June 30, except the Alaska Railroad Corporation whose fiscal year ends December 31.
- C. Basis of Accounting - The schedules were prepared using the modified accrual method of accounting. Some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.
- D. Basis of Presentation - The accompanying schedule presents expenditures of federal awards for each federal financial assistance program in accordance with the Uniform Guidance. Federal program titles are reported as presented in the CFDA whenever possible.

Expenditures of Federal Awards - As defined in the Uniform Guidance, federal financial assistance means assistance provided by a federal agency in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, or direct appropriations. However, it does not include direct federal cash assistance to individuals. Federal financial assistance includes awards received directly from federal agencies, or indirectly through other units of state and local government and private nonprofit agencies.

Program Clusters - The OMB *Compliance Supplement* identifies programs to be considered clusters of programs for auditing purposes. These clusters consist of related programs that share common compliance requirements.

Note 3: Indirect Cost Rate

The State of Alaska has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: Federal Surplus Property Program

All assistance provided to the Federal Surplus Property Program is in the form of donations of excess property to the Department of Administration, Division of General Services. In FY2016 the State processed federal property valued at \$7,162,851 donors acquisition cost. For the Uniform Guidance purposes, the donated property is valued at 23.68% of donors cost from July 1, 2015 through

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2016

September 30, 2015; and valued at 22.47% of donors cost from October 1, 2015 through June 30, 2016. This is the expenditure amount shown on the schedule \$1,619,592. The ending inventory at June 30, 2016, carried at the donors' acquisition cost was \$1,886,513. (CFDA 39.003)

Note 5: WIC Rebates

During FY2016, the Department of Health and Social Services (DHSS) earned cash rebates of \$2,233,229 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 2,880 more persons than could have been served this fiscal year in the absence of the rebate contract. The number of additional persons provided benefits was determined by dividing the total amount of program benefits by the total annual case load to determine average individual benefits. Total rebate dollars were then divided by the average benefit, determining the increased food instruments issued. This result is divided by 12 months. (CFDA 10.557)

The U.S. Department of Agriculture requires a cash basis approach for reporting WIC rebates on the 798 report; however, food benefits continue to be reported on the accrual basis. Based on the FY2016 WIC 798 report, the infant formula rebates were \$2,756,155 resulting in additional clients served totaling 3,555. All other reporting requirements for the WIC 798 are the same.

Note 6: Loans

- A. **Alaska Housing Finance Corporation (AHFC) Loan Guarantee Programs** - During the fiscal year ended June 30, 2016, AHFC owned mortgage loans with various federal insurance and guarantee agreements covering future losses. Coverage under the Veterans Affairs Mortgage Guarantee is subject to a loss limit. The principal balances of loans covered under these federal programs at June 30, 2016, are:

CFDA 10.410	Farmers Home Administration Mortgage Insurance	\$ 137,580,943
CFDA 14.117	HUD FHA Mortgage Insurance	291,157,878
CFDA 14.865	HUD Loan Guarantees for Indian Housing	140,054,578
CFDA 64.114	Department of Veterans' Affairs Mortgage Guarantees	170,174,548
Total Loan Guarantees and Insurance Programs:		<u>\$ 738,967,947</u>

- B. **Last Resort Housing Loans** - The Department of Transportation and Public Facilities made last resort housing loans in compliance with Uniform Relocation Assistance and Real Property Acquisition Act. FY2016 loan disbursements are \$0. Loans outstanding at June 30, 2016, totaled \$24,217. Federal share of principal is \$22,853. (CFDA 20.205)

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2016

- C. **Federal Family Education Loan Program (FFELP)** - FFELP loans are governed by the Higher Education Act (Act). The Act provides for federal: (a) insurance or reinsurance of eligible loans, (b) interest subsidy payment to eligible lenders with respect to certain subsidized loans (Stafford and Consolidation), and (c) special allowance payments (net of excess interest) paid by the Secretary of the U.S. Department of Education to holders of eligible loans. FFELP loan guarantees outstanding at year end were \$87,171,879. Claim payments in the amount of \$4,866,089 were received during the fiscal year. (CFDA 84.032L)
- D. **Economic Adjustment Assistance Revolving Loan Fund** - The U.S. Department of Commerce funds the Economic Adjustment Assistance Revolving Loan Fund (RLF) for the Department of Commerce, Community, and Economic Development. The RLF is used for business lending in Alaska. The federal share of the RLF as of June 30, 2016, totals \$7,224,434 and is comprised of the following balances: \$5,194,921 in loans outstanding, \$2,021,290 in cash and investments, \$8,223 in administrative expenses, and \$0 in loans written off during FY2016. The new loans disbursed in FY2016 and current year administrative expenses total \$570,706. (CFDA 11.307)
- E. **Federal Direct Student Loans** -The University of Alaska is responsible for the performance of certain administrative duties with respect to the Federal Direct Student Loan Program. Amounts relating to this program are not included in the University's basic financial statements. Loans distributed to students of the University under this program (CFDA 84.268) during the year ended June 30, 2016 are summarized as follows:

	<u>Amount Disbursed</u>
Direct Subsidized Loan	\$ 19,833,364
Direct Unsubsidized Loan	32,169,542
Direct PLUS Loan	3,889,725
Total:	<u><u>\$ 55,892,631</u></u>

Note 7: Unemployment Insurance

Federal participation in FY2016 Unemployment Insurance benefits was \$1,798,547. Federal participation for program administration was \$26,858,185. UI benefits paid by the State during FY2016 were \$149,202,385. Unemployment Compensation Modernization distribution was \$1,740,475. (CFDA 17.225)

Note 8: Petroleum Violation Escrow

U.S. Department of 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 the year ended June 30, 2016, Alaska Housing Finance Corporation expended \$201,532 from the trust fund in support of Department of Energy programs. (CFDA 81.041)

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Summary Schedule of Prior Audit Findings Year Ended June 30, 2016

Report: **02-40011-11**

Finding Number: **10**

Fiscal Year: **2010**

Initial Finding Year: **2010**

Federal Agency: **USDHHS**

State Agency: **DHSS**

CFDA: **93.558**

Questioned Costs:

Indeterminate

Prior Audit Finding:

DHSS' DPA director should implement policies and procedures to ensure the accurate and timely documentation of client participation status.

Status/corrective action planned/reasons for no further action:

DHSS has partially resolved the finding. DHSS continues to transition between eligibility information systems and the required data elements associated with this finding are incorporated in the Alaska Resource for Integrated Eligibility Services (ARIES) system. The division of public assistance (DPA) anticipates this finding may be resolved in FY2018 when the system conversion is completed.

Report: **02-40012-12**

Finding Number: **31**

Fiscal Year: **2011**

Initial Finding Year: **2011**

Federal Agency: **USDHS**

State Agency: **DMVA**

CFDA: **97.036**

Questioned Costs: **None**

Prior Audit Finding:

The DMVA DAS director should develop and implement procedures to ensure Federal Funding Accountability and Transparency Act (FFATA) reports are submitted.

Status/corrective action planned/reasons for no further action:

The audit finding is partially resolved. The Division of Administrative Services and the Division of Homeland Security and Emergency Management developed and implemented standard operating procedures effective May 18, 2015. The Division of Administrative Services has incorporated FFATA in the new DMVA governance structure to be implemented in February/March 2017 to ensure all qualifying grants under 2 CFR 170 made on or after October 1, 2010 are reported in the FFATA system. The agency is continuing to strengthen procedures over timeliness of FFATA reporting.

Report: **02-40013-13**

Finding Number: **32**

Fiscal Year: **2012**

Initial Finding Year: **2011**

Federal Agency: **USDHS**

State Agency: **DMVA**

CFDA: **97.036**

CFDA: **97.067**

Questioned Costs: **None**

Prior Audit Finding:

DAS' director should develop and implement procedures to ensure Federal Funding Accountability and Transparency Act (FFATA) reports are submitted timely and accurately.

Status/corrective action planned/reasons for no further action:

Repeat of finding 02-40012-12 #31. Please refer to the updated response on finding 02-40012-12 #31.

STATE OF ALASKA
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

Report: 02-40014-14 Finding Number: 18 Fiscal Year: 2013 Initial Finding Year: 2013 Federal Agency: USDHHS State Agency: DHSS CFDA: 93.568 Questioned Costs: None	Prior Audit Finding: <u>LIHEAP's manager should ensure the LIHEAP State Plan complies with federal requirements.</u> Status/corrective action planned/reasons for no further action: DHSS has partially resolved the finding. A change in state statute and regulation is needed to resolve this finding. Regulation changes are in progress and estimated to be implemented during FY2018.
Report: 02-40014-14 Finding Number: 23 Fiscal Year: 2013 Initial Finding Year: 2013 Federal Agency: USDHHS State Agency: DHSS CFDA: 93.778 Questioned Costs: None	Prior Audit Finding: <u>DSDS' director should ensure provider employees have timely, complete, and approved background clearances, and that the information supporting the clearance is properly documented.</u> Status/corrective action planned/reasons for no further action: DHSS has resolved the finding. DSDS strengthened its internal processes and procedures following the FY2015 implementation of the New Alaska Background Check System (NABCS). Those processes and procedures are updated regularly with robust training provided on the changes.
Report: 02-40014-14 Finding Number: 33 Fiscal Year: 2013 Initial Finding Year: 2011 Federal Agency: USDHS State Agency: DMVA CFDA: 97.036 CFDA: 97.067 Questioned Costs: None	Prior Audit Finding: <u>The Division of Administrative Services (DAS) director should develop and implement procedures to ensure Federal Funding Accountability and Transparency Act (FFATA) reports are accurately submitted.</u> Status/corrective action planned/reasons for no further action: Repeat of finding 02-40012-12 #31 and finding 02-40013-13 #32. Please refer to the updated response on finding 02-40012-12 #31.
Report: 02-40014-14 Finding Number: 43 Fiscal Year: 2013 Initial Finding Year: 2013 Federal Agency: EPA State Agency: DEC CFDA: 66.202 Questioned Costs: None	Prior Audit Finding: <u>DEC's finance officer should develop and implement procedures to comply with Federal Funding Accountability and Transparency Act (FFATA) subaward reporting requirements.</u> Status/corrective action planned/reasons for no further action: DEC has partially resolved the finding. DEC has developed and implemented an administrative checklist to indicate FFATA reporting requirements for subawards. DEC is continuing to improve procedures in FY2017 to ensure subaward amounts entered into the federal reporting system are accurate.

STATE OF ALASKA
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

Report: 02-40014-14 Finding Number: 45 Fiscal Year: 2013 Initial Finding Year: 2013 Federal Agency: USDOT State Agency: DOTPF CFDA: 20.600 CFDA: 20.613 CFDA: 20.509 Questioned Costs: None	Prior Audit Finding: <u>DOTPF's director of program development should develop and implement procedures to ensure compliance with the Federal Funding Accountability and Transparency Act (FFATA) subaward reporting requirements.</u> Status/corrective action planned/reasons for no further action: This finding is partially resolved. The delinquent reports for the Highway Safety Programs (CFDA 20.600 & 20.613) have been completed and procedures have been developed to comply with FFATA reporting requirements. However, not all reports required in FY2015 and FY2016 for CFDA 20.509 were submitted timely.
Report: 02-40014-14 Finding Number: 49 Fiscal Year: 2013 Initial Finding Year: 2013 Federal Agency: USDOT State Agency: DOTPF CFDA: 20.509 Questioned Costs: None	Prior Audit Finding: <u>DOTPF's transit program manager should strengthen procedures to ensure federal report accuracy.</u> Status/corrective action planned/reasons for no further action: This finding is not resolved. DOTPF received approval from the Region 10 Transit office to file SF-425 representing zero activity during the conversion of the federal system from TEAM to TRAMS and from AKSAS to IRIS. The department will file future SF-425's according to federal requirements. The RU-20 reports for FY2015 remain inaccurate. Development of written procedures for the RU-20 reporting requirements is completed.
Report: 02-40014-14 Finding Number: 50 Fiscal Year: 2013 Initial Finding Year: 2013 Federal Agency: USDOT State Agency: DOTPF CFDA: 20.509 Questioned Costs: None	Prior Audit Finding: <u>DOTPF's transit program manager should strengthen procedures to ensure subrecipients are informed of required federal award information.</u> Status/corrective action planned/reasons for no further action: This finding is resolved. DOTPF Transit staff has added required federal grant award information to sub-recipient grant agreements. The standard grant agreements include the CFDA title.
Finding Number: 2014-016 Fiscal Year: 2014 Initial Finding Year: 2013 Federal Agency: USDHHS State Agency: DHSS CFDA: 93.568 Questioned Costs: None	Prior Audit Finding: LIHEA's program manager should ensure the LIHEA State Plan complies with federal requirements. Status/corrective action planned/reasons for no further action: Repeat of finding 02-40014-14 #18. Refer to the updated response with finding 02-40014-14 #18.

STATE OF ALASKA
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

Finding Number: 2014-017 Fiscal Year: 2014 Initial Finding Year: 2013 Federal Agency: USDHHS State Agency: DHSS CFDA: 93.778 Questioned Costs: None	Prior Audit Finding: DSDS' director should ensure provider employees receive timely, complete, and approved background clearances and that the information supporting the clearance is properly documented. <u>Status/corrective action planned/reasons for no further action:</u> Repeat of finding 02-40014-14 #23. Please refer to the updated response with finding 02-40014-14 #23.
Finding Number: 2014-019 Fiscal Year: 2014 Initial Finding Year: 2014 Federal Agency: USDHHS State Agency: DHSS CFDA: 93.778 Questioned Costs: \$21,429 CFDA: 93.767 Questioned Costs: \$1,768,845	Prior Audit Finding: DHSS' commissioner should take action to implement effective controls to ensure Medicaid claims are processed accurately and timely. <u>Status/corrective action planned/reasons for no further action:</u> DHSS has partially resolved the finding. During FY2016 the department continued to facilitate corrective action plans (CAP) for its fiscal agent, XEROX and mass re-generation of errored service claims have been processed throughout the year as defects have been fixed. The AHE system certification review occurred the week of September 19th, 2016 and DHSS is anticipating having the questioned costs resolved in FY2017.
Finding Number: 2014-025 Fiscal Year: 2014 Initial Finding Year: 2011 Federal Agency: USDHS State Agency: DMVA CFDA: 97.036 CFDA: 97.039 CFDA: 97.067 Questioned Costs: None	Prior Audit Finding: The Division of Administrative Services' (DAS) director should develop and implement procedures to ensure Federal Funding Accountability and Transparency Act of 2006 (FFATA) reports comply with federal reporting requirements. <u>Status/corrective action planned/reasons for no further action:</u> Repeat of finding 02-40012-12 #31, finding 02-40013-13 #32 and finding 02-40014-14 #33. Please refer to the updated response with finding 02-40012-12 #31.
Finding Number: 2014-031 Fiscal Year: 2014 Initial Finding Year: 2013 Federal Agency: USDOT State Agency: DOTPF CFDA: 20.509 Questioned Costs: None	Prior Audit Finding: DOTPF's program development director should ensure compliance with the Federal Funding Accountability and Transparency Act (FFATA) subaward reporting requirements. <u>Status/corrective action planned/reasons for no further action:</u> Repeat of finding 02-40014-14 #45. Please refer to the updated response on finding 02-40014-14 #45.

STATE OF ALASKA
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

Finding Number: 2014-032 Fiscal Year: 2014 Initial Finding Year: 2013	Prior Audit Finding: DOTPF's program development director should develop and implement procedures to ensure accurate federal reporting.
Federal Agency: USDOT State Agency: DOTPF CFDA: 20.509 Questioned Costs: None	<u>Status/corrective action planned/reasons for no further action:</u> Repeat of finding 02-40014-14 #49. Please refer to the updated response on finding 02-40014-14 #49.
Finding Number: 2014-033 Fiscal Year: 2014 Initial Finding Year: 2013	Prior Audit Finding: DOTPF's program development director should strengthen procedures to ensure subrecipients are informed of required federal award information.
Federal Agency: USDOT State Agency: DOTPF CFDA: 20.509 Questioned Costs: None	<u>Status/corrective action planned/reasons for no further action:</u> Repeat of finding 02-40014-14 #50. Please refer to the updated response on finding 02-40014-14 #50.
Finding Number: 2014-036 Fiscal Year: 2014 Initial Finding Year: 2014	Prior Audit Finding: DOTPF's program development director should maintain documentation that supports required federal reporting.
Federal Agency: USDOT State Agency: DOTPF CFDA: 20.600 CFDA: 20.601 CFDA: 20.602 CFDA: 20.610 CFDA: 20.613 Questioned Costs: None	<u>Status/corrective action planned/reasons for no further action:</u> This finding has been resolved. The AHSO desk manual has been updated to provide instructions on the procedures for preparing the annual HS-217. The updates were effective starting in FY2016.
Finding Number: 2014-038 Fiscal Year: 2014 Initial Finding Year: 2014	Prior Audit Finding: DOTPF's Statewide Design and Engineering Services director should ensure that the Alaska Construction Manual (ACM) complies with federal record retention policies.
Federal Agency: USDOT and Denali Commission State Agency: DOTPF CFDA: 20.106 CFDA: 20.205 CFDA: 90.100 Questioned Costs: None	<u>Status/corrective action planned/reasons for no further action:</u> This finding has been resolved. DOTPF updated the Alaska Construction Manual (ACM) to comply with federal record retention regulations and the revisions were approved by FHWA and implemented July 30, 2015.

STATE OF ALASKA
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

Finding Number: **2014-039**
Fiscal Year: **2014**
Initial Finding Year: **2014**

Federal Agency: **USDOT**
State Agency: **DOTPF**

CFDA: **20.205**
Questioned Costs: **\$16,981**

CFDA: **20.106**
Questioned Costs:
Indeterminate

Prior Audit Finding:

DOTPF's Administrative Services Division director should ensure personal service expenditures charged to federal programs comply with federal cost principles.

Status/corrective action planned/reasons for no further action:

This finding is resolved. DOTPF has a negotiated labor rate with FHWA. During the process of negotiation, any over or under collected revenues are used to determine the future rate.

Finding Number: **2015-002**
Fiscal Year: **2015**
Initial Finding Year: **2015**

State Agency: **DOA**
Financial statement finding

Prior Audit Finding:

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

Status/corrective action planned/reasons for no further action:

This recommendation is unresolved. In FY2016 Division of Finance (DOF) changed how the documentation for the various pension plan adjustments are kept. This included each pension plan having their own spreadsheets for calculating the journal entries necessary under GASB 68. However, the Division of Finance (DOF) continues to work on finalizing processes and procedures to ensure expenses and deferred outflows related to pensions are accurately reported in the CAFR. Processes and procedures were not finalized for FY2016 due to the implementation of our new ERP system and the Division of Retirement and Benefits' (DRB's) updated GASB 68 employer allocation methodology and allocation schedule. In FY2016 DRB updated the methodology for allocating participating employers' and special funder's shares of the PERS and TRS related net pension liabilities, deferred inflows, and outflows of resources from using actual employer contributions to using GASB's preferred actuarial method. Further the format of the PERS and TRS employer allocation schedules were modified in order to properly show the State of Alaska as a special funder. Once audit testing is completed, procedures will be reviewed and finalized.

STATE OF ALASKA
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

Finding Number: 2015-003 Fiscal Year: 2015 Initial Finding Year: 2015	Prior Audit Finding: The state accountant should ensure pension plan contributions are accounted for in accordance with governmental accounting standards.
State Agency: DOA Financial statement finding	<u>Status/corrective action planned/reasons for no further action:</u> This recommendation is unresolved. In FY2016 DOF identified non-employer contributions as a deferred outflow for the State of Alaska (State). However, an additional error relating to excess non-employer contributions being excluded from deferred outflows was identified in the FY2015 CAFR requiring a restatement of the FY2015 CAFR. This error significantly impacted beginning balances of the FY2016 draft CAFR. DOF continues to work to finalize processes and procedures to ensure pension plan contributions are accounted for in accordance with governmental accounting standards. Processes and procedures were not finalized for FY2016 due to the implementation of our new ERP system and the Division of Retirement and Benefits' (DRB's) updated GASB 68 employer allocation methodology and allocation schedule. In FY2016 DRB updated the methodology for allocating participating employers' and special funder's shares of the PERS and TRS related net pension liabilities, deferred inflows, and outflows of resources from using actual employer contributions to using GASB's preferred actuarial method. Further the format of the PERS and TRS employer allocation schedules were modified in order to properly show the State of Alaska as a special funder. Once audit testing is completed, procedures will be reviewed and finalized.

Finding Number: 2015-005 Fiscal Year: 2015 Initial Finding Year: 2015	Prior Audit Finding: The DOA commissioner should improve procedures for implementing new governmental accounting standards
State Agency: DOA Financial statement finding	<u>Status/corrective action planned/reasons for no further action:</u> This recommendation is resolved.

Finding Number: 2015-006 Fiscal Year: 2015 Initial Finding Year: 2015	Prior Audit Finding: The Division of Finance director should improve controls over the preparation of financial statement footnotes to ensure all footnotes are correctly prepared as required by GAAP.
State Agency: DOA Financial statement finding	<u>Status/corrective action planned/reasons for no further action:</u> This recommendation is partially resolved. In FY2016 DOF utilized a disclosure checklist when preparing the footnotes to the financial statements; however, a few items were identified during audit testing that required additional disclosures. DOF will continue to analyze the checklist and the current disclosures for items missing or needing revision.

STATE OF ALASKA
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

Finding Number: 2015-007 Fiscal Year: 2015 Initial Finding Year: 2015	Prior Audit Finding: The state accountant should ensure debt-related activities are accurately reported in the CAFR.
State Agency: DOA Financial statement finding	<u>Status/corrective action planned/reasons for no further action:</u> This recommendation is not resolved. During FY2016, DOF identified only one training that related to the type of debt issued by the State of Alaska. However, the identified training was not offered or taken until March 2017, after the FY2016 CAFR was provided to Division of Legislative Audit (DLA) to be audited. Additionally, due to the implementation of IRIS, processes and procedures were not updated, nor were peers or accounting resources identified or documented. DOF continues to search for training on debt related matters while also updating processes and procedures, including documentation of accounting resources and peers.

Finding Number: 2015-008 Fiscal Year: 2015 Initial Finding Year: 2015	Prior Audit Finding: The state accountant should ensure procedures are followed to accurately report financial activity of the Statutory Budget Reserve Fund (SBRF) and the Constitutional Budget Reserve Fund (CBRF).
State Agency: DOA Financial statement finding	<u>Status/corrective action planned/reasons for no further action:</u> This recommendation is partially resolved. With the implementation of our new ERP system, all DOF processes and procedures had to be rewritten. However, the procedures for CBRF have not yet been rewritten for the new system and the procedures for the SBRF need to be developed and written. During testing, there were no repeat errors for the issues found in FY2015; however the reported financial activity for the SBRF and CBRF contained errors which needed to be adjusted. These errors were due to weaknesses in the methodology for sweeping sub funds and calculating the CBRF draw. DOF continues to rewrite the processes and procedures. Once all audit testing is completed, procedures will be reviewed and finalized.

Finding Number: 2015-009 Fiscal Year: 2015 Initial Finding Year: 2015	Prior Audit Finding: The state accountant should ensure only appropriate financial activity is recorded in the CAFR.
State Agency: DOA Financial statement finding	<u>Status/corrective action planned/reasons for no further action:</u> This recommendation is resolved.

STATE OF ALASKA
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

Finding Number: 2015-012 Fiscal Year: 2015 Initial Finding Year: 2014 State Agency: DOR Financial statement finding	Prior Audit Finding: DOR's Tax Division director should improve the Tax Revenue Management System (TRMS) reporting function, ensure staff are properly trained, and implement procedures to verify TRMS report data. <u>Status/corrective action planned/reasons for no further action:</u> This finding is resolved. The DOR Tax Division has developed and used TRMS reports for the reporting of accruals in FY2016. The division verified the TRMS accrual report against the CBRF Transfer Detail spreadsheet used to identify all CBRF transfers in order to identify and properly account for the CBRF. Division staff were involved in the development of the reports and are proficient in their use.
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Finding Number: 2015-016 Fiscal Year: 2015 Initial Finding Year: 2015 State Agency: DEED Financial statement finding	Prior Audit Finding: DEED's administrative services director should ensure capital assets are accurately reported. <u>Status/corrective action planned/reasons for no further action:</u> DEED has resolved this finding.
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Finding Number: 2015-017 Fiscal Year: 2015 Initial Finding Year: 2015 Federal Agency: USDOE State Agency: DEED CFDA: 84.367 Questioned Costs: None	Prior Audit Finding: DEED's School Finance director should strengthen procedures to ensure the accuracy of Maintenance of Effort (MOE) calculations for Elementary and Secondary Education Act (ESEA) programs. <u>Status/corrective action planned/reasons for no further action:</u> DEED has resolved this finding.
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Finding Number: 2015-019 Fiscal Year: 2015 Initial Finding Year: 2014 State Agency: DHSS Financial statement finding	Prior Audit Finding: DHSS' commissioner should work with Xerox to correct defects in the Alaska Health Enterprise (AHE) system. <u>Status/corrective action planned/reasons for no further action:</u> DHSS has partially resolved the finding. The AHE system certification is in process and the Centers for Medicare and Medicaid Services (CMS) are scheduled to be on site during the week of September 19, 2016. DHSS will consider this finding resolved upon certification of the AHE system. During FY2016 the department continued to facilitate corrective action plans for its fiscal agent, XEROX and mass re-generation of errored service claims have been processed throughout the year as defects have been fixed.
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STATE OF ALASKA
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

Finding Number: 2015-020 Fiscal Year: 2015 Initial Finding Year: 2015	Prior Audit Finding: FMS' assistant commissioner should implement procedures to ensure the Medicaid accrual is accurate.
State Agency: DHSS Financial statement finding	<u>Status/corrective action planned/reasons for no further action:</u> DHSS has resolved the finding. The department strengthened its yearend procedures for preparing the Medicaid accrual to evaluate the first check write of the new fiscal year from the Alaska Health Enterprise (AHE) system to ensure it is reported as prior year expenditures.
Finding Number: 2015-021 Fiscal Year: 2015 Initial Finding Year: 2015	Prior Audit Finding: Management should ensure that all employees complete appropriate time records as required by federal grant regulations. Employees that work on one federal grant or one cost objective should complete semi-annual payroll certifications.
Federal Agency: USDHHS State Agency: DHSS	Management should also implement processes and procedures that ensure proper data entry occurs to ensure employee efforts are assigned to the correct federal funding
CFDA: 93.045 Questioned Costs: \$221,215	<u>Status/corrective action planned/reasons for no further action:</u> DHSS has partially resolved the finding. While the department continues to provide reminders to program managers and administrative staff on the procedures pertaining to the completion of the semi-annual certification forms, the department is complying with the State of Alaska payroll processes and procedures identified in the Alaska Administrative Manual (AAM). This includes completion of a time card, including positive time keeping with employee certification for each pay period. The department is working on the resolution of the questioned costs and anticipates on having this finding resolved in FY2017.
CFDA: 93.558 Questioned Costs: \$961,240	
CFDA: 93.596 Questioned Costs: \$ 41,274	
Finding Number: 2015-022 Fiscal Year: 2015 Initial Finding Year: 2015	Prior Audit Finding: The revenue unit has a system to track grant report due dates and submissions. We recommend program personnel coordinate with the revenue unit to submit grant reports timely.
Federal Agency: USDHHS State Agency: DHSS	<u>Status/corrective action planned/reasons for no further action:</u> DHSS has partially resolved the finding. The department is updating processes and procedures to ensure staff are aware of reporting due dates and that they file reports timely. DHSS anticipates this finding will be resolved during FY2017.
CFDA: 93.044 CFDA: 93.045 CFDA: 93.053 Questioned Costs: None	

STATE OF ALASKA
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

<p>Finding Number: 2015-023 Fiscal Year: 2015 Initial Finding Year: 2015</p> <p>Federal Agency: USDHHS State Agency: DHSS</p> <p>CFDA: 93.767 Questioned Costs: None</p>	<p>Prior Audit Finding: Management should reconcile program revenue and expenditures as part of the SEFA preparation process to ensure amounts reported are based on current year eligible expenditures and all reconciling items are clearly identified and documented.</p> <p>Status/corrective action planned/reasons for no further action: DHSS has partially resolved the finding. The department is preparing the SEFA using expenditures instead of revenues due to new reporting functionality available through the Integrated Resource Information System (IRIS) which replaced the Alaska State Accounting System (AKSAS) in FY2016.</p>
<p>Finding Number: 2015-024 Fiscal Year: 2015 Initial Finding Year: 2015</p> <p>Federal Agency: USDHHS State Agency: DHSS</p> <p>CFDA: 93.069 Questioned Costs: \$136,760</p>	<p>Prior Audit Finding: Management should ensure that revenue and expenditure reconciliations for prior year grants, with activity in the current year, are completed timely. Additionally, adjustments between fiscal years and the final reconciliation for closed grants should be reviewed and approved by the Revenue Unit Supervisor in a timely manner.</p> <p>Status/corrective action planned/reasons for no further action: DHSS has partially resolved the finding. The department is strengthening its processes to ensure that revenue and expenditures are properly reconciled and implementing procedures for correcting errors discovered from prior quarters. DHSS anticipates this finding will be resolved during FY2017.</p>
<p>Finding Number: 2015-025 Fiscal Year: 2015 Initial Finding Year: 2015</p> <p>Federal Agency: USDHHS State Agency: DHSS</p> <p>CFDA: 93.778 Questioned Costs: \$101</p> <p>CFDA: 93.767 Questioned Costs: \$1</p>	<p>Prior Audit Finding: DHSS should continue to facilitate the XEROX corrective action plan to address system defects and revising for new deficiencies as they are identified.</p> <p>Status/corrective action planned/reasons for no further action: DHSS has partially resolved the finding. During FY2016 the department continued to facilitate corrective action plans for its fiscal agent, XEROX and mass re-generation of errored service claims have been processed throughout the year as defects have been fixed. The AHE system certification review occurred the week of September 19th, 2016 and DHSS is anticipating having the questioned costs resolved in FY2017.</p>

STATE OF ALASKA
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

<p>Finding Number: 2015-026 Fiscal Year: 2015 Initial Finding Year: 2015</p> <p>Federal Agency: USDHHS State Agency: DHSS</p> <p>CFDA: 93.767 CFDA: 93.778 Questioned Costs: None</p>	<p>Prior Audit Finding: DHSS should update its policies and procedures to more clearly define a “timely” redetermination of Medicaid eligibility. DHSS should also strengthen controls around their application processing procedures to ensure all initial applications are processed within the required time frame.</p> <p><u>Status/corrective action planned/reasons for no further action:</u> DHSS has partially resolved the finding. The division of Public Assistance (DPA) Medicaid manual has been updated to include a definition of timely in the redetermination section and is reviewed internally prior to posting. DPA anticipates the business process redesign will be completed at all its offices during FY2017 and estimates that the Alaska Resource for Integrated Eligibility Services (ARIES) system conversion will be completed during FY2018.</p>
<p>Finding Number: 2015-027 Fiscal Year: 2015 Initial Finding Year: 2015</p> <p>Federal Agency: USDHHS State Agency: DHSS</p> <p>CFDA: 93.778 Questioned Costs: \$14,337</p>	<p>Prior Audit Finding: DHSS should ensure that uncashed State warrants are credited to the Medicaid program within the required time line.</p> <p><u>Status/corrective action planned/reasons for no further action:</u> DHSS has partially resolved the finding. During FY2016 the department continued to facilitate corrective action plans (CAP) for its fiscal agent, XEROX. The fiscal agent is currently under a CAP to ensure, in part, that uncashed state warrants are processed timely and accurately. The department is anticipating having the questioned costs resolved in FY2017.</p>
<p>Finding Number: 2015-028 Fiscal Year: 2015 Initial Finding Year: 2015</p> <p>Federal Agency: USDHHS State Agency: DHSS</p> <p>CFDA: 93.778 Questioned Costs: \$64</p> <p>CFDA: 93.767 Questioned Costs: \$7</p>	<p>Prior Audit Finding: <u>DHSS should implement/enhance procedures that allow for review of manually priced claims.</u></p> <p><u>Status/corrective action planned/reasons for no further action:</u> DHSS has partially resolved the finding. The department strengthened its processes and procedures in FY2016 and the questioned costs will be refunded in quarter end 09/30/2016.</p>

STATE OF ALASKA
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

Finding Number: 2015-029 Fiscal Year: 2015 Initial Finding Year: 2013 State Agency: DLWD Financial statement finding	Prior Audit Finding: The Division of Administrative Services' (DAS) director should ensure uncollectible accounts receivable in the Unemployment Compensation Fund (UCF) are reported in accordance with generally accepted accounting principles. <u>Status/corrective action planned/reasons for no further action:</u> This finding is not resolved. The department adopted a policy and procedure for purposes of recording an allowance for uncollectible accounts receivable in the UCF in FY2015. The department shared the policy with the United States Department of Labor and they accepted the corrective actions as sufficient to address this finding. As articulated in the policy, the department reviewed the methods for estimating an allowance for doubtful accounts during FY2016. However, due to incomplete information, the department was not able to implement the policy in FY2016. The department plans to implement the policy in FY2017.
Finding Number: 2015-030 Fiscal Year: 2015 Initial Finding Year: 2015 State Agency: DLWD Financial statement finding	Prior Audit Finding: DLWD's DAS' director should work with the department's finance office to improve accounting for UCF activity. <u>Status/corrective action planned/reasons for no further action:</u> This finding is not resolved. The department attempted to bring on board a specialized accounting resource to review current UCF accounting activities, identify improvements, and ensure compliance with generally accepted accounting principles. The initial attempt did not yield the results the department pursued. This effort will occur again during FY2017.
Finding Number: 2015-031 Fiscal Year: 2015 Initial Finding Year: 2015 Federal Agency: USDOJ State Agency: DCCED CFDA: 15.227 Questioned Costs: None	Prior Audit Finding: DCCED's Division of Administrative Services (DAS) and Division of Community and Regional Affairs (DCRA) directors should work together to improve procedures to ensure all federal receipts deposited into the National Petroleum Reserve Alaska (NPR) special revenue fund (fund) are made available for NPR impact mitigation program grants. <u>Status/corrective action planned/reasons for no further action:</u> This finding is partially corrected. The Department concurs with this recommendation and implemented procedures effective for the FY2017 distributions to ensure all federal receipts deposited into the NPR fund are made available for NPR grants per AS 37.05.530(d). This will include written notification of available funding from DAS to the DCRA Director, the DCCED Commissioner, and the DCCED budget manager in the Fall of each year. Timely notification will ensure that supplemental appropriations for additional NPR grants may be requested prior to available funds lapsing.

STATE OF ALASKA
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

Finding Number: 2015-032 Fiscal Year: 2015 Initial Finding Year: 2015	Prior Audit Finding: DCCED's DCRA director should develop and implement procedures to ensure compliance with federal suspension and debarment requirements.
Federal Agency: USDOJ State Agency: DCCED CFDA: 15.227 Questioned Costs: None	<u>Status/corrective action planned/reasons for no further action:</u> Corrective action was taken; this finding is resolved. The Division of Community and Regional Affairs has addressed this finding by implementing procedures to ensure compliance with federal suspension and debarment requirements. Specifically, the division has included the following question on the threshold review checklist which division staff complete at the time they receive applications: "Is the municipality compliant with federal suspension and debarment requirement as documented on www.sam.gov ?"
Finding Number: 2015-033 Fiscal Year: 2015 Initial Finding Year: 2015	Prior Audit Finding: DVMA's Army Guard Facilities Maintenance Division (ARNG FMD) operations manager and administrative services director (ASD) should provide for the training and monitoring of staff to ensure personal service expenditures are accurately charged to federal programs.
Federal Agency: USDOD State Agency: DMVA CFDA: 12.401 Questioned Costs: \$1,273	<u>Status/corrective action planned/reasons for no further action:</u> The finding is partially resolved. The Army Guard Facilities Maintenance Division Operations Manager and the Administrative Services Director coordinated with uniform staff and facilitated the monitoring and training of their respective staff, to ensure personal services expenditures are accurately charged to federal programs. It is expected that questioned costs relating to this finding will be resolved in FY2017.
Finding Number: 2015-034 Fiscal Year: 2015 Initial Finding Year: 2015	Prior Audit Finding: DOTPF's administrative services director should ensure financial transactions are properly coded to the correct fiscal year in the accounting system.
State Agency: DOTPF Financial statement finding	<u>Status/corrective action planned/reasons for no further action:</u> This finding is not resolved. The department will continue to follow the updated guidance from the Department of Administration/Division of Finance to ensure transactions are properly coded to the correct fiscal year and provide continued training to staff.
Finding Number: 2015-035 Fiscal Year: 2015 Initial Finding Year: 2015	Prior Audit Finding: DOTPF's administrative services director should ensure necessary revenue accruals are recorded at fiscal year-end.
State Agency: DOTPF Financial statement finding	<u>Status/corrective action planned/reasons for no further action:</u> This finding is not resolved. The department has followed the guidance of Department of Administration/Division of Finance to develop procedures to record the necessary revenue accruals in IRIS. The department will continue to update the procedures to ensure revenue accruals are recorded at fiscal year-end.

STATE OF ALASKA
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

Finding Number: 2015-036 Fiscal Year: 2015 Initial Finding Year: 2013	Prior Audit Finding: DOTPF's program development director should develop and implement procedures to ensure accurate federal reporting.
Federal Agency: USDOT State Agency: DOTPF	<u>Status/corrective action planned/reasons for no further action:</u> Repeat of finding 02-40014-14 #49 and finding 2014-032. Please refer to the updated response on finding 02-40014-14 #49.
CFDA: 20.509 Questioned Costs: None	

Finding Number: 2015-037 Fiscal Year: 2015 Initial Finding Year: 2013	Prior Audit Finding: <u>DOTPF's program development director should strengthen procedures to ensure subrecipients are informed of required federal award information.</u>
Federal Agency: USDOT State Agency: DOTPF	<u>Status/corrective action planned/reasons for no further action:</u> Repeat of finding 02-40014-14 #50 and finding 2014-033. Please refer to the updated response on finding 02-40014-14 #50.
CFDA: 20.509 Questioned Costs: None	

Finding Number: 2015-038 Fiscal Year: 2015 Initial Finding Year: 2014	Prior Audit Finding: DOTPF's program development director should maintain documentation that supports required federal reporting.
Federal Agency: USDOT State Agency: DOTPF	<u>Status/corrective action planned/reasons for no further action:</u> Repeat of finding 2014-036. Please refer to the updated response on finding 2014-036.
CFDA: 20.600 CFDA: 20.601 CFDA: 20.602 CFDA: 20.610 CFDA: 20.613 CFDA: 20.616 Questioned Costs: None	

Finding Number: 2015-039 Fiscal Year: 2015 Initial Finding Year: 2014	Prior Audit Finding: <u>DOTPF's statewide design and engineering services director should ensure that the Alaska Construction Manual (ACM) complies with federal record retention policies.</u>
Federal Agency: USDOT State Agency: DOTPF	<u>Status/corrective action planned/reasons for no further action:</u> Repeat of finding 2014-038. Please refer to the updated response on finding 2014-038.
CFDA: 20.205 Questioned Costs: None	

STATE OF ALASKA
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

Finding Number: 2015-040 Fiscal Year: 2015 Initial Finding Year: 2014	Prior Audit Finding: DOTPF's administrative services director should ensure personal service expenditures charged to federal programs comply with federal cost principles.
Federal Agency: USDOT State Agency: DOTPF CFDA: 20.205 Questioned Costs: \$42,557	<u>Status/corrective action planned/reasons for no further action:</u> This finding is partially resolved pending resolution of questioned costs. DOTPF has a negotiated labor rate with FHWA. During the process of negotiation, any over or under collected revenues are used to determine the future rate.

Finding Number: 2015-041 Fiscal Year: 2015 Initial Finding Year: 2015	Prior Audit Finding: DOTPF's administrative services director should ensure personal service expenditures charged to federal programs comply with federal cost principles.
Federal Agency: USDOT State Agency: DOTPF CFDA: 20.205 Questioned Costs: \$488	<u>Status/corrective action planned/reasons for no further action:</u> This finding is partially resolved. With the implementation of the State's new accounting system IRIS, DOTPF's new T&E system requires a second review and approval designed to catch data entry errors. The department is holding bi-weekly training sessions to ensure staff are properly trained on input, review, and approval processes. The department expects this to reduce data entry errors and comply with 2 CFR 200. The department has corrected the coding error in FY2017 and refunded the project incorrectly charged.

Finding Number: 2015-042 Fiscal Year: 2015 Initial Finding Year: 2015	Prior Audit Finding: <u>DOTPF's statewide design and engineering services director should ensure certified payroll records are signed as required by federal law.</u>
Federal Agency: USDOT State Agency: DOTPF CFDA: 20.205 Questioned Costs: None	<u>Status/corrective action planned/reasons for no further action:</u> This finding is resolved. The Alaska Standard Specifications for Airport Construction and Alaska Standard Specifications for Highway Construction both require the payroll be certified. And, our "Required Contract Provisions for Federal-Aid Construction Contracts" (FAA, FHWA, and FTA versions) is included in each federal-aid projects let by the department. Part IV for the FHWA and FAA versions and Part XVII for the FTA version of the required contract provisions includes the statement, "Each payroll submitted shall be accompanied by a "Statement of Compliance," signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract and shall certify..." Additionally, the ACM identifies the requirement for the contractor (and subcontractors) to submit certified payrolls. Proposed changes to the ACM will be submitted to FHWA for approval by January 30, 2017 with changes being implemented by March 1, 2017.

STATE OF ALASKA
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

Finding Number: **2015-043**
Fiscal Year: **2015**
Initial Finding Year: **2015**

Federal Agency: **HUD**
State Agency: **AHFC**

CFDA: **14.117**
CFDA: **14.865**
Questioned Costs: **None**

Prior Audit Finding:

We recommend that management review spreadsheet formulas used in preparing the SEFA and reconcile guarantees to loans outstanding reported in the basic financial statements.

Status/corrective action planned/reasons for no further action:

Corrective action was taken. This finding is considered resolved.

Finding Number: **2015-044**
Fiscal Year: **2015**
Initial Finding Year: **2015**

Federal Agency: **USDOE**
State Agency: **U of A**

CFDA: **84.268**
Questioned Costs: **None**

Prior Audit Finding:

We recommend the University implement a process to ensure all student enrollment changes are reported timely.

Status/corrective action planned/reasons for no further action:

The University of Alaska concurs with the finding and recommendation: 2015-044 (UA) Special Tests and Provisions: Enrollment Reporting – Significant Deficiency in Internal Controls. Procedures and controls have been implemented to identify and timely report enrollment status changes to NSLDS for students who have unofficially withdrawn. Corrective action was taken, this finding is resolved.

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STATE OF ALASKA
CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2016

The State of Alaska is required by *OMB Uniform Guidance* to submit a corrective action plan for the applicable findings in the *Statewide Single Audit for the Fiscal Year Ended June 30, 2016*. The corrective action plan is contained in Section IV – CORRECTIVE ACTION PLAN. The corrective action plan is also 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.

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SECTION IV – CORRECTIVE ACTION PLAN



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Administration

OFFICE OF THE COMMISSIONER

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August 16, 2017

Kris Curtis, CPA, CISA
Legislative Auditor
Legislative Budget and Audit Committee
Division of Legislative Audit
PO Box 113300
Juneau, AK 99811-3300

Dear Ms. Curtis:

**RE: Confidential Preliminary Audit Report, Department of Administration (DOA),
FY 16 Statewide Single Audit**

This is in response to Recommendations No. 2016-001 through No. 2016-017 in the FY 16 State of Alaska Single Audit.

Recommendation No. 2016-001

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

The Office of Information Technology (OIT), formerly ETS, concurs with this recommendation. A comprehensive computer services inventory was completed on August 4, 2017. A revised capitalized asset valuation, based upon GAAP principles, will be included in the FY 17 CAFR statements. A review of the computer services inventory found a high degree of accuracy with the current FASGOV inventory process in all areas except the disposal of fully depreciated assets. To address this, OIT is reviewing processes related to recording assets correctly at the point of disposal and will have a procedure in place by September 30, 2017.

Recommendation No. 2016-002

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

The Division of Finance (DOF) agrees with this recommendation to ensure expenses and deferred outflows related to pensions are accurately reported in the CAFR. As an improvement to DOF's process, separate workbooks for PERS and TRS that contained only data specific to each pension plan were prepared. This modification removed the possibility of accidentally linking information from unrelated plans in the preparation of the required journal entries.

During FY 16, the Division of Retirement and Benefits (DRB) changed their methodology and presentation of the Governmental Accounting Standards Board (GASB) 68 related schedules. Although DOF worked with DRB and their actuaries to present the schedules in a format that would work for DOF's required CAFR allocations, errors occurred during the allocation calculations.

DOF continues to document procedures to accurately present all pension related activity. As audit findings were worked through, the procedures were updated simultaneously. These procedures will be reviewed and finalized with an estimated completion date of August 31, 2017.

Recommendation No. 2016-003

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

DOF agrees with this recommendation. The continued reporting of GASB 68 is complicated. The misclassification of prior year pension expense and deferred outflows, DRB's combining state employer and non-employer's charges on their audited GASB 68 reports, and errors in DOF's allocation calculations in the current year resulted in continued financial statement errors.

To remedy this situation, DOF continues to document procedures to accurately present all pension related activity. As audit findings were worked through, the procedures were updated simultaneously. The procedures will be reviewed and finalized with an estimated completion date of August 31, 2017.

Recommendation No. 2016-004

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

The Division of Retirement and Benefits (DRB) concurs with this recommendation regarding the issuance of the PERS and TRS audited schedules of employer and non-employer pension plan allocations. DRB continued to work on the scheduling and timing issues related to GASB 68 reporting. However, due to the special funding in FY 15, the Division had to change allocation methodologies that required more analysis, and then have discussions with interested parties to inform them of the impacts and effects of the

methodology change. Because this methodology was different from the prior year schedule, it was again reviewed by DRB's external auditors, KPMG's Division of Professional Practice, pushing the release date further than anticipated. While the release date was late, it was two months earlier than the prior year.

In order to respond to requests for a report distribution before the impacted year end, DRB modified the preparation calendar so that the report would be issued by June of the fiscal year for inclusion. Therefore, the June 30, 2016 allocation schedules to be used in the FY 17 financial statements were issued in June 2017. With the issuance of GASB 75, the Division is working with their actuaries and auditors to combine the reporting for dual distribution in the Spring of each year, with a June 2018 anticipated release of the pension and other post-employment benefits audited schedules.

Recommendation No. 2016-005

DOF's director should improve controls over the preparation of financial statement footnotes to ensure all footnotes are correctly prepared as required by GAAP.

DOF agrees with this recommendation. Reporting requirements for Governmental Accounting Standards Board (GASB) pronouncement number 68 related to pensions continues to be difficult for the state. GASB 68 requires a significant amount of additional information to be included within the financial statement footnotes. DOF's implementation of GASB 68 requirements failed to recognize the need to include a component units pension plan information due to its materiality.

A footnotes disclosure checklist identified some areas of omission, but is not an all-inclusive resource. DOF will continue to utilize additional internal checklists and review outside audited financial statements for material items that should be included at the state level.

Recommendation No. 2016-006

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

DOF concurs with the recommendation to ensure debt related activities are accurately reported in the CAFR. Legislative Audit's current position includes one distinct area of long-term debt: general obligation bond issuances.

The State issued long-term Series A and B bonds for the repayment of previously issued short-term Series A bonds and to establish funding for future transportation projects. During the preparation of the FY 16 CAFR the debt accounting for the Series A activity was incorrectly reported as *other financing sources* to refund long-term debt instead of short-term debt. In addition, Series B proceeds were reported as an *other revenue* rather than *other financing source*. This initial classification error resulted in misstatements on the nonmajor funds Statement of Revenues, Expenditures, and Changes in Fund Balances; which were corrected via an audit adjustment for proper FY 16 CAFR reporting.

While the short-term debt accounting portion of this recommendation was resolved, DOF was unable to implement the full corrective action plan because of competing priorities, staff turnover, and assisting in the resolution of issues that arose in the newly implemented accounting system. The remaining remediation will be accomplished through an update and peer review to the debt accounting procedures. DOF has made this effort a priority and the debt accounting procedure was completed June 15, 2017 and is available to be used in the FY 17 CAFR preparation. In addition, debt accounting training will be identified and periodically provided to DOF staff to broaden the knowledge base among team members.

Recommendation No. 2016-007

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

DOF concurs with the recommendation to ensure procedures are followed to accurately report financial activity of the SBRF and the CBRF. Legislative Audit's current position includes two areas where inaccurate reporting of financial activity occurred: presentation of the repayment from the General Fund (GF) to the CBRF and reporting of interfund activity for the draw from the CBRF to the GF for balancing appropriations at year end.

This was the first full year the new accounting system was the basis for CAFR preparation which required each procedure to be reviewed and updated along with development of new reports to support CAFR efforts. The items in this recommendation identify areas where procedures and/or reporting need to be improved so that adequate guidance is provided for workpaper calculations and reporting accuracy.

A portion of this recommendation was resolved for the internal transfer activity within the CBRF through updates to the CAFR procedures. Further updates to CAFR and CBRF procedures along with new procedures to resolve the remaining recommendation areas is a DOF priority. It is anticipated that procedures and peer review will be completed September 2017 so that the procedures are available for use in the FY 17 CAFR preparation.

Recommendation No. 2016-008

DOF's director should reconfigure its Alaska Data Enterprise Reporting System (ALDER) shortfall report to identify and monitor all revenue shortfalls.

DOF agrees with this recommendation. While the shortfall report was developed in FY 15 and posted to the Enterprise report folder for department use, DOF was not aware that the report was not being utilized by departments and therefore was not aware the report required edits.

While conducting shortfall testing, the Division of Legislative Audit (DLA) contacted DOF and edits are being made to the report. DOF will continue to work with DLA to ensure the

edits performed address all areas of concern with an expected completion date of August 31, 2017.

Recommendation No. 2016-009

DOA's ETS division director should coordinate with the Department of Labor and Workforce Development's (DLWD) Administrative Services Division (ASD) director to address security concerns.

The Office of Information Technology (OIT) concurs with this recommendation. OIT is working with the Department of Labor to implement interim security controls which will be in place by August 31, 2017. OIT leadership will coordinate with the Datacenter Manager and DLWD's ASD Director (or designee) to address any issues that may arise.

Recommendation No. 2016-010

DOF's director should significantly improve ALDER 2.0 training.

DOF agrees with the recommendation that ALDER 2.0 training needs to be improved. The stabilization of the new Integrated Resource Information System (IRIS) administrative system was tightly coupled with the development of ALDER 2.0 data warehouse reporting capability. Configuration, additional functionality, and data element enhancements performed for IRIS during the 12-month stabilization period required refinement to the ALDER 2.0 data model that is the foundation for reporting. While no formal training occurred, DOF continued to release enterprise reports and host numerous workshops that provided departments the ability to work on specific reporting requirements. System stabilization efforts consumed staff time and prohibited DOF from developing and providing formal training.

The staff responsible for developing the ALDER training curriculum is the same staff that produces the State's CAFR. Due to numerous challenges, the FY 16 CAFR was not completed until May 26, 2017. Consequently, DOF staff will monitor departments during the re-appropriation period to avoid these challenges for the FY 17 CAFR.

DOF will continue to host workshops for departments so that they can receive assistance in report development and will begin developing a training curriculum and reference materials in January 2018. DOF's intent is to have formal report developer training available for state employees by Spring 2018.

Recommendation No. 2016-011

DOA's Commissioner should obtain an attorney general opinion to support the proper accounting and reporting for the regional educational attendance area and small municipal school district (REAA) fund.

DOA agrees with this recommendation. During the CAFR audit there was disagreement with the interpretation of the statute governing the REAA fund. While the statute states that the fund balance is not to exceed \$70 million, ignoring continuing appropriations that have not termed creates legal issues for the State of Alaska.

The Office of Management and Budget (OMB) received a written memorandum from the division of Legal and Research Services within the Legislative Affairs Agency stating that only the unexpended and unobligated balance of the REAA fund should be subject to lapse. In addition to the memorandum received by OMB, DOA will obtain an attorney general opinion to support the proper accounting and reporting for the REAA fund.

Recommendation No. 2016-012

DOF's director should implement strong system configuration management controls.

DOF agrees with this recommendation. DOF created a working group consisting of accountants responsible for compiling financial data, business analysts within the IRIS project section and a computer programmer to document a procedure for processing configuration changes. This will include documenting decisions made for changes believed to carry less risk and therefore require less review and/or formal processes. The expected completion date is August 31, 2017.

Recommendation No. 2016-013

The state accountant should ensure revenues are consistently and accurately classified in the CAFR.

DOF agrees with this recommendation. When compiling the draft CAFR, DOF accountants incorrectly classified \$111.6 million of property taxes as severance taxes and performed an adjustment in operating grants and contributions instead of capital grants and contributions in the amount of \$210.1 million.

With the implementation of IRIS, DOF staff were required to change business processes regarding revenue. Legacy procedures could not be referenced and the CAFR process had to be redefined. DOF accountants spent a substantial amount of time identifying errors and inconsistencies within revenues and performed the necessary actions to correct those errors. However, without completed and finalized procedures for this new process, the above misclassifications occurred.

During the audit process, DOF accountants updated CAFR procedures for each area of concern identified. Upon audit completion, the procedures were reviewed and finalized to ensure revenues are consistently and accurately classified in the CAFR. These finalized procedures will be used when preparing the CAFR financial statements.

Recommendation No. 2016-014

The state accountant should improve procedures to accurately report capital assets.

DOF agrees with this recommendation. When compiling the draft CAFR, prior year audit adjustments were not properly applied to assets in the current fiscal year, worksheets contained formula errors, and adjustments were not properly supported.

IRIS supports a capital asset function that can be utilized for financial statement purposes and it was initially used for the draft CAFR. However, several errors occurred within one department that were material to the capital asset account and concerns were identified within the system's depreciation process. Due to these issues, DOF staff reverted to the former procedures just prior to the draft CAFR submission. This resulted in rushed processes, limited review time and the noted errors to occur.

DOF continues to move forward with utilizing the capital asset system functionality for financial statement preparation and DOF's systems support is working to resolve the depreciation issue. When it is confirmed that this system functionality can be used, DOF will perform parallel procedures with substantial review for the first year of implementation to ensure capital assets are accurately reported.

Recommendation No. 2016-015

The state accountant should ensure year-end revenue accruals reported in the CAFR are recorded to the correct fiscal year, are valid, and are properly supported.

DOF agrees with this recommendation. When compiling the draft CAFR it was discovered that automated revenue receivable generation during the re-appropriation period posted to the current fiscal year. DOF accountants analyzed each type of activity for proper reporting. The complicated elements of revenue activity led to errors within the deferred inflows of resources, unavailable revenue, intergovernmental receivables, and governmental activities revenue accounts.

With the implementation of IRIS, DOF staff was required to completely change business processes regarding revenue. Legacy procedures could not be referenced and the CAFR process had to be redefined. DOF accountants spent a substantial amount of time identifying errors and inconsistencies within revenues and performed the necessary actions to correct those errors. However, without completed and finalized procedures for this process the above errors occurred.

During the audit process, DOF accountants updated CAFR procedures for each area of concern identified. Upon audit completion, the procedures were reviewed and finalized to ensure revenues are consistently and accurately classified in the CAFR. The finalized procedures will be used when preparing future CAFR financial statements.

Recommendation No. 2016-016

The state accountant should ensure personal service expenditures recorded in IRIS are reconciled to the State's payroll system (AKPAY).

DOF agrees with this recommendation. Historically, DOF Accounting Services performed a monthly reconciliation of AKPAY and the legacy accounting system. The initial year of implementation and stabilization activities for the IRIS financial system was challenging and was further impacted by staff shortages within DOF. Some compensating controls were in effect, such as the interface summary control totals between AKPAY and IRIS financial and the generation of payroll charge reports distributed to departments. After the initial few payroll iterations using the temporary process to convert legacy personal services accounting structures to the new IRIS personal services accounting structures, no areas of functional concern were reported by departments as they performed their accounting and reconciliation tasks. IRIS HRM replaced the AKPAY payroll system mid-FY 17 and the temporary process to convert personal services accounting structures is no longer required. DOF will develop and implement a plan to reconcile personal service expenditures between AKPAY and IRIS financial at the summary level for FY 17.

Recommendation No. 2016-017

The Division of Retirement and Benefits' (DRB) director should ensure the financial audits of the retiree and health funds are performed timely.

DRB concurs with this recommendation that the division should ensure the financial audits of the retiree and health funds are performed timely. Although DOF established an October 3, 2016 deadline for the audits of the group health and life fund and the retiree fund, DRB notified DOF that they would not be able to meet that deadline. Issues that contributed to the delays included missing documentation, a need for additional documentation to complete the necessary audit work, the departure of key health team staff assigned to the request of health items and limited staff resources.

To better manage this process and learn from the experience of this year's audits, the accounting team will work collaboratively with DOF staff in advance to establish an agreeable timeline and schedule tasks for better transparency. Additionally, the DRB accountants will join efforts with the DRB health team and the primary third-party administrators (TPA) on items that require further research to determine the best strategy going forward. The DRB accountants will also increase the review of audit samples for completeness prior to providing the documentation to the external auditors and DRB will ensure the required items are requested in advance so that the TPAs have time to locate and provide the information promptly to meet the deadlines.

For the audits of the retiree and health funds as of June 30, 2017, DRB is working with the primary TPA to perform health plan testing on-site. Additionally, DRB and the external audit team will hold a teleconference with the three TPAs to confirm the receipt of the test items list, discuss the required support needed by the external auditors, and determine the timing involved to meet reporting deadlines. With these additional measures in place, DRB should meet the deadline and accomplish the goal of issuing timely health plan audited financial statements.

Thank you for the opportunity to respond.

Sincerely,

A handwritten signature in black ink, appearing to read 'S. Fisher', is written over the printed name 'Sheldon Fisher, Commissioner'.

Sheldon Fisher, Commissioner

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THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Administration

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August 14, 2017

Kris Curtis, CPA, CISA
Legislative Auditor
Legislative Budget and Audit Committee
Division of Legislative Audit
PO Box 113300
Juneau, AK 99811-3300

Dear Ms. Curtis:

RE: Confidential Preliminary Audit Report, Department of Health and Social Services (DHSS), FY 16 Statewide Single Audit

This is the Department of Administration's response to DHSS Recommendations No. 2016-035 and No. 2016-036 in the FY 16 State of Alaska Single Audit.

Recommendation No. 2016-035

We recommend that the Department of Administration, Division of Finance (DOF) and the Department of Health and Human Services (DHSS) work together to improve information system change management controls.

DOF concurs with this recommendation. It is important that DOF review existing change management procedures and strengthen consistency across administrative systems to ensure management approval is being obtained for every type of system change. Specifically, every system change will be documented in a migration packet with backup support and approved/signed by a member of the management team *not* engaged in the activity.

Recommendation No. 2016-036

We recommend that the Department of Health and Human Services (DHSS) improve information system change management controls.

The Department of Administration responded directly to this recommendation as it relates to AKPAY, ALDER and IRIS as DHSS has no authorization or oversight responsibilities with those systems. See Recommendation No. 2016-35.

Thank you for the opportunity to respond.

Sincerely,

A handwritten signature in black ink, appearing to read 'Sheldon Fisher', with a stylized flourish extending to the right.

Sheldon Fisher
Commissioner



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Revenue

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AUG 15 2017

LEGISLATIVE AUDIT

August 15, 2017

Kris Curtis, Legislative Auditor
Legislative Budget & Audit Committee
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

Re: State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2016

Dear Ms. Curtis:

Thank you for the opportunity to address the recommendations in Preliminary Statewide Single Audit report. Below is our division's response to the recommendations:

- 1) *DOR Tax Division director should update procedures to ensure oil and gas tax credits payable at year-end are accurately reported in the Comprehensive Annual Financial Report (CAFR).*

The DOR Tax Division has historically accrued as a liability all tax credit certificates that had been issued but remained unused by the end of the re-appropriation period (July-August). The Tax Division does not agree that a liability exists when a taxpayer files an application for credit with the Tax Division. The Tax Division has denied multiple applications for ineligibility after the application was submitted and final. The Tax Division also regularly makes adjustments to the credit amount applied for by a taxpayer. The liability is not known or measurable until an application has been reviewed and a credit certificate issued. Therefore, the Tax Division does not accrue a liability until after a credit certificate is issued. It has been the Tax Division's understanding that all DOR initiated adjustments to the CAFR were to be made by the end of the re-appropriation period. The Tax Division believes it is valuable to use a consistent cutoff date for reporting accruals each year. However, the Tax Division agrees that governmental accounting standards stipulate that an accrual should be made if the information is available prior to the issuance of the financial statements. Therefore, in order to ensure that oil and gas tax

credits are properly accrued, the Tax Division's new procedure will be to make a final accrual for certificates issued after the re-appropriation period but prior to the issuance of the financial statements. Since the financial statements are not issued on a consistent date each year, the Division of Legislative Audit will notify the Tax Division of the date to make the final accrual—which will be near the end of their audit process.

Sincerely,



Randall Hoffbeck
Commissioner

cc: Brian Blackwell, Audit Manager, Legislative Audit
Ken Alper, Director, Tax Division
Dan DeBartolo, Director, Administrative Director



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Education
and Early Development

OFFICE OF THE COMMISSIONER

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August 11, 2017

Kris Curtis, Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

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AUG 11 2017

LEGISLATIVE AUDIT

Dear Ms. Curtis:

The Department of Education & Early Development (DEED) appreciates the opportunity to respond to the audit recommendations in the confidential preliminary audit report on the State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2016.

Recommendation No. 2016-019

DEED's Teaching and Learning Support (TLS) division director should develop and implement procedures to appropriately restrict access to the Grants Management System (GMS).

The department agrees with recommendation No. 2016-019. The contractor, HMB, has implemented a requirement for a user's password to be changed every 90 days. In addition, GMS administrators are conducting webinars to inform current administrators on the process they need to follow to remove access to non-active users. Another webinar is tentatively scheduled for September 2017. District business managers were also reminded to review their GMS users in September 2016. Department user access is modified or removed when GMS administrative staff are made aware of changes in duties.

Recommendation No. 2016-020

DEED's TLS division director should ensure LEAs are notified of federal suspension and debarment requirements.

The department agrees with Recommendation No. 2016-020. The TLS director has already added language to the Statement of Assurances, which is included in the grant application, to notify LEAs of the suspension and debarment requirements.

Recommendation No. 2016-021

DEED's School Finance (SF) division director should amend federal program administration procedures to ensure compliance with federal regulations.

The department agrees with Recommendation No. 2016-021. Federal program administration procedures have already been amended as noted below.

- 1) The School Finance director worked with the Office of Special Education Programs (OSEP) representative assigned to the State of Alaska to determine a sustainable Maintenance of Fiscal Support (MFS) calculation that meets federal requirements. The revised calculation was approved by the OSEP representative in May 2017. A closeout letter is expected once the last finding resolution is approved by OSEP.
- 2) The LEA level Maintenance of Effort calculation procedures have been revised and were approved by the OSEP representative in May 2017. A closeout letter is expected once the last finding resolution is approved by OSEP.
- 3) The Grant Administrator and Internal Auditor worked with the OSEP representative to determine the appropriate way to reallocate funding to districts with a zero base year. As of August 2017, DEED is waiting for OSEP's written approval on the recalculated allocations; districts will be notified once amounts are finalized.

Recommendation No. 2016-022

DEED's TLS division director should amend the standard grant agreement form to ensure LEAs are informed of required federal award information.

The department agrees with Recommendation No. 2016-022. The TLS division has already added the missing federal award information as required by 2 CFR 200.331(a)(1) to the standard grant agreement form. Starting with the FY2017 grant agreements, LEAs are being informed of all required federal award information.

Recommendation No. 2016-023

DEED's TLS division director should establish procedures and perform risk assessments on LEAs as required by the Uniform Guidance.

The department agrees with Recommendation No. 2016-023. Risk assessment forms have been drafted and are in use. OSEP has reviewed the Special Education Program's risk assessment forms and made no additional recommendations. A closeout letter is expected once the last finding resolution is approved by OSEP.

Sincerely,



Dr. Michael Johnson
Commissioner



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

**Department of
Health and Social Services**

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August 11, 2017

Ms. Kris Curtis, CPA, CISA
Legislative Auditor
Division of Legislative Audit
Alaska State Legislature
Juneau, Alaska 99811-3300

Dear Ms. Curtis:

RE: Legislative Audit confidential preliminary audit report, State of Alaska, Single Audit for the
Fiscal Year Ended June 30, 2016

We appreciate the opportunity to review and evaluate the audit report with the associated recommendations as shared in your confidential audit report. Below are the department's responses for each of the recommendations.

Recommendation 2016-024

DHSS' commissioner should work with Conduent State Health Care, LLC (formerly Xerox) to correct defects in the Alaska Health Enterprise (AHE) system.

DHSS concurs with the recommendation. The Division of Health Care Services (HCS) continues to facilitate corrective action plans (CAP) for its fiscal agent, Conduent and as defects are fixed errored service claims are re-processed. The Centers for Medicare and Medicaid Services (CMS) completed their on-site certification review of the AHE system during the week of September 19th, 2016 and the final results are pending.

Recommendation 2016-025

DHSS' deputy director of the Division of Finance and Management Services (FMS) should take measures to resolve revenue shortfall issues.

DHSS concurs with the recommendation. The department is strengthening its processes to ensure revenue and expenditures are properly reconciled. The revenue unit is preparing procedures to support functionality now available through the Integrated Resource Information System (IRIS) which replaced the Alaska State Accounting System (AKSAS) in FY 2016.

Of the six potential FY16 shortfalls reported, four may require ratification; these include the amounts reported for appropriations H297, H264, HUBC, and H001. At this time, it is anticipated that the short fall reported for appropriation H007 will be resolved once all of the federal revenue is collected and the shortfall reported for appropriation H012 is still under review. This shortfall was primarily the result of the reprocessing of prior year service claims by XEROX through their corrective action plan with DHSS and the older claims fell outside federal claiming regulations in FY16 but were approved through a CMS waiver for claiming in QE 03/31/17.

Recommendation 2016-026

We recommend the Finance and Management Services (FMS) Assistant Commissioner should ensure that proper controls over tracking of reporting deadlines are in place and working effectively. Communication between the Division of Public Assistance (DPA) and the FMS Revenue Unit needs to be clear and concise to ensure proper financial data is being reported.

DHSS concurs with the recommendation. The FMS revenue unit is developing a tracking tool to monitor federal reporting deadlines and collaborating with DPA to implement written procedures on the proper financial data required for federal reporting.

Recommendation 2016-027

We recommend the DPA Director should ensure that Low-Income Home Energy Assistance Program (LIHEAP) subawards are reviewed to ensure they are properly reported on the schedule of expenditures of federal awards (SEFA)

DHSS concurs with the recommendation. DPA is strengthening its processes by evaluating and performing sub recipient determinations on its LIHEAP reimbursable service agreements (RSA) transferring federal monies to other state agencies for sub awards.

Recommendation 2016-028

We recommend the Office of Childrens Services (OCS) Director should ensure that its Tribal Foster Care – Title IV-E provider agreements are evaluated for compliance with provisions of 2 CFR 200.330 and .331 and implement requisite changes to its Agreements. DHSS should also perform its tribal monitoring activities as stipulated in its policies.

DHSS partially concurs with the recommendation. OCS is strengthening its internal processes to ensure staff are evaluating and monitoring its federal awards including performing sub recipient determinations. In FY 2017 OCS evaluated and performed a sub recipient determination on its Tribal Title IV-E Foster Care provider agreements and determined a contractual relationship.

Recommendation 2016-029

We recommend the FMS Assistant Commissioner and DPA Director should continue to refine the accounting reports used to support the amounts in the SF-425. In addition, the preparation and review of the SF-425 be segregated between the FMS revenue unit and DPA.

DHSS concurs with the recommendation. The FMS revenue unit is collaborating with DPA to develop written procedures including standardized forms of supporting documentation required for the Supplemental Nutrition Assistance Program (SNAP) cluster.

Recommendation 2016-030

We recommend the Program Integrity (PI) Unit should review and adhere to their written procedures and FMS should strengthen its tracking tools to ensure accurate information is reported.

DHSS concurs with the recommendation. The Program Integrity (PI) unit collaborated with FAMU to review its quarter end procedures and strengthen the FAMU evaluation processes by updating its tracking tool to ensure accurate federal reporting. The questioned costs were returned in QE 09/30/16.

Recommendation 2016-031

We recommend that the Division of Public Assistance (DPA) should continue to leverage technology and update work processes to ensure timely processing of eligibility redeterminations.

DHSS concurs with the recommendation. DPA updated its Medicaid manual and is providing agency wide training on updated work processes. The agency also continues to work towards integrating all programs into a single eligibility system and it anticipates timely processing will continue to be impacted until the conversion to one eligibility system is completed.

Recommendation 2016-032

We recommend that the Division of Public Assistance (DPA) provide training on the new processes highlighting the importance of utilizing case notes to document income verification.

DHSS concurs with the recommendation. DPA is providing agency wide training on updated work processes. However, the agency anticipates work processes will continue to be impacted until the conversion to one eligibility system is completed.

Recommendation 2016-033

We recommend that the Division of Public Assistance (DPA) provide training on system changes and how to create audit trails for income verification.

DHSS concurs with the recommendation. DPA is providing agency wide training on updated work processes. However, the agency anticipates work processes will continue to be impacted until the conversion to one eligibility system is completed.

Recommendation 2016-034

We recommend the Finance and Management Services (FMS) Deputy Director should continue to develop, test, and implement procedures that would allow for the accurate preparation and reconciliation of the amounts to be reported on the SEFA.

DHSS concurs with the recommendation. The department changed its SEFA preparation from reporting revenues to expenditures in FY 2016 due to new reporting functionality that became available through the implementation of the new state accounting system, Integrated Resource Information System (IRIS).

FMS continues to develop reconciling procedures and strengthen its ALDER reports.

Recommendation 2016-035

We recommend that the Department of Administration Division of Finance (DOF) and the Department of Health and Social Services (DHSS) should work together to improve information system change management controls.

The Department of Administration will respond directly to this recommendation as DHSS has no authorization or oversight responsibilities with AKPAY; ALDER; or IRIS.

Recommendation 2016-036

We recommend that the Department of Health and Social Services (DHSS) improve information system change management controls

The Department of Administration will respond directly to this recommendation in regards to AKPAY; ALDER and IRIS as DHSS has no authorization or oversight responsibilities with those systems.

DHSS partially concurs with the recommendation. DHSS concurs with the best practices as referenced by COBIT PO4.11 and A16.1. The agency does not concur with the recommendation as it applies to ORCA and EIS. FMS IT has demonstrated compliance with both ORCA and EIS through written standardized procedures for production migrations; Standard Operating Procedures (SOP) on separation of duties; a signed waiver requiring management's approval to changes to be made in production by specific staff and additional internal controls specific to systems (i.e. only specific computer(s) may access production). Additionally, the department has other existing internal controls to adequately mitigate risk associated with both ORCA and EIS. FMS IT logs activities on all hosts to provide forensic information about account usage on DHSS resources. This logging process occurs at multiple levels within the hosted environment including firewall logging to insure tracking information on account usage is accurate. Another

Ms. Kris Curtis, CPA, CISA

August 11, 2017

Page 5 of 5

(SOP) requires that the firewall logs be reviewed on a periodic basis to verify that access control rules are in place and accurate.

Please contact Linnea Osborne at (907) 465-6333 if you have any questions or require additional documentation.

Sincerely,



Valerie J. Davidson

Commissioner

Cc: Shawnda O'Brien, Assistant Commissioner
Jon Sherwood, Deputy Commissioner
Karen Forrest, Deputy Commissioner
Dr. Jay Butler, Chief Medical Officer
Margaret Brodie, Director of Health Care Services
Amanda Lofgren, Director of Alaska Pioneer Homes
Duane Mayes, Director of Senior and Disabilities Services
Monica Windom, Director of Public Assistance
Christy Lawton, Director of Children's Services
Barbara Murray, Director of Juvenile Justice
Randall Burns, Director of Division of Behavioral Health
Marian Sweet, FMS Deputy Director
Linnea Osborne, Accountant V

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THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Labor and
Workforce Development

Office of the Commissioner

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August 15, 2017

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AUG 15 2017

LEGISLATIVE AUDIT

Ms. Kris Curtis
Alaska State Legislature
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

Dear Ms. Curtis,

This letter provides a response from the Department of Labor and Workforce Development (DLWD) to the Division of Legislative Audit (DLA) confidential preliminary audit report on: *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2016*.

Recommendation No. 2016-037

The Division of Administrative Services' (DAS) director should ensure uncollectible accounts receivable in the Unemployment Compensation Fund (UCF) are reported in accordance with generally accepted accounting principles.

DLWD Response

DLWD concurs with the recommendation. The department adopted a policy and procedure for purposes of recording an allowance for uncollectible accounts receivable in the UCF in FY 15 based on information available in the system. The department shared the policy with the United States Department of Labor and they accepted the corrective actions as sufficient to address this finding. However, during the FY 15 audit DLA raised concerns that the policy should be updated to incorporate account aging.

Due to staff turnover, the department had a lack of available resources to address this internally. Therefore, in spring 2016, DLWD established a nonpermanent Accountant position to review the policy and all UCF accounting activity to identify improvements and ensure compliance with generally accepted accounting principles. Multiple attempts to fill the position were not successful.

DLWD has recently filled its lead Accountant positions and these staff along with the department's finance officer will take over this project. DLWD estimates that UCF system reconfiguration necessary to incorporate recommended improvements may take in excess of nine months to implement, so completion is not anticipated prior to August 31, 2018.

Recommendation No. 2016-038

DLWD DAS' director should work with the department's finance office to improve accounting for UCF activity.

DLWD Response

DLWD concurs with the recommendation. Due to staff turnover, the department had a lack of available resources to address this internally. Therefore, in spring 2016, DLWD established a nonpermanent Accountant position to review all UCF accounting activity to identify improvements and ensure compliance with generally accepted accounting principles. Multiple attempts to fill the position were unsuccessful.

DLWD has recently filled its lead Accountant positions and these staff along with the department's finance officer will take over this project. DLWD estimates that UCF system reconfiguration necessary to incorporate recommended improvements may take in excess of nine months to implement, so completion is not anticipated prior to August 31, 2018.

Recommendation No. 2016-039

DLWD's ASD director should ensure expenditures are charged to federal grant awards in accordance with the specified period of performance.

DLWD Response

DLWD concurs with the recommendation. The department acknowledges that documentation to allow expenditures to be charged outside the period of performance as authorized by USDOL could not be produced likely due to staff turnover. Change of personnel, along with new chart-of-account structures in the state's new accounting system, the Integrated Resource Information System (IRIS), contributed to the posting of expenditures outside the federal grant award period of performance. In November 2016, DLWD provided ASD fiscal staff with training on 2 CFR 200, which included period of performance. DLWD's ASD director will ensure new ASD fiscal staff are trained on the requirements of 2 CFR 200.

The department considers this finding corrected.

Recommendation No. 2016-040

DLWD's Employment and Training Services division (DET) director should strengthen procedures to ensure that Employment and Training Administration (ETA) 227 quarterly reports are accurate and fully supported by the accounting records.

DLWD Response

DLWD concurs with the recommendation. Effective May 1, 2017, prior to submittal of the ETA 227 report the submitter will reconcile the recoveries reported in the period to the financial data maintained in DLWD's DB2 mainframe system with the Distribution of Charges report and document any necessary adjustments. The reconciliation and any adjustments will be reviewed by the submitter's supervisor or the Data Processing Liaison manager for approval prior to submitting the ETA 227 report. Documentation of the reconciliation and adjustments will be maintained electronically on the department's servers.

The department considers this finding corrected.

Recommendation No. 2016-041

DLWD's ASD director should strengthen procedures to ensure that the ETA 9130 quarterly reports are accurate and fully supported by the accounting records.

DLWD Response

DLWD concurs with the recommendation. DLWD has written procedures for preparing the ETA 9130 quarterly reports. Early in FY 16, DLWD staff tried to follow these procedures but they referenced the state's old accounting system and proved difficult to follow at the start of the fiscal year with the state's new accounting system. Staff were required to use multiple sources of information from multiple state systems to populate the reports. Many of the issues with report preparation were resolved toward the end of the fiscal year, which allowed staff to more closely follow existing procedures and produce more fully supported reports. The DLA auditor noted the ETA 9130 reporting improvements in a meeting with DLWD.

ASD fiscal staff also participated in USDOL training on preparation of ETA 9130 reports in September 2016. DLWD's finance officer updated the existing procedures to reflect the new accounting system in May 2017.

The department considers this finding corrected.

Recommendation No. 2016-042

DLWD's DET director should ensure that policies and procedures for verifying eligibility are followed.

DLWD Response

DLWD concurs with the recommendation. Detailed instructions for performing the Systematic Alien Verification for Entitlements (SAVE) are included in DET's Unemployment Insurance Processing Manual and in new hire training curriculum. In June 2017, DET conducted subject specific training to claim center staff to ensure policies and procedures for verifying eligibility for non-citizens are followed.

The department considers this finding corrected.

Thank you for the opportunity to respond to this report.

Sincerely,



Heidi Drygas
Commissioner

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THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

**Department of Commerce, Community,
and Economic Development**

OFFICE OF THE COMMISSIONER

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August 14, 217

Kris Curtis, CPA, CISA
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811

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AUG 15 2017

LEGISLATIVE AUDIT

Dear Ms. Curtis

This letter is in response to the findings and recommendations regarding the Department of Commerce, Community and Economic Development contained in the preliminary audit report on the State of Alaska Single Audit for the Fiscal Year Ended June 30, 2016.

Recommendation No. 2016-043

DCCED's Division of Community and Regional Development (DCRA) director should remove eligibility requirements from state regulations that conflict with federal law.

The Department concurs with this recommendation and is taking corrective action. DCRA withheld distribution of Payment in Lieu of Taxes (PILT) funds in accordance with state regulations that contain specific eligibility requirements. The department understands those state regulations are contrary to applicable federal laws governing PILT and has ceased applying requirements that are more restrictive than federal law to PILT distribution. DCRA director Katherine Eldemar is presently working to revise the state regulations to make them consistent with federal law. This corrective action is anticipated to be completed by the end of FY18.

DCRA has now distributed all PILT funds withheld from the FY16 distribution. FY18 PILT funds were distributed to all applicants within thirty days, with the exception of three communities which had issues holding council meetings prior to July 31st.

Recommendation No. 2016-044

DCCED's DCRA director should take appropriate action against subrecipients that are unable or unwilling to have a single audit as required by the federal Single Audit Act.

The Department concurs with this recommendation and has taken corrective action. DCRA withheld further payments to the subrecipient of the National Petroleum Reserve (NPR) impact mitigations grant program pending correction of the deficiency. As a result, the subrecipient has submitted all but one of the missing audits. When the final audit is provided, DCRA will release the appropriate funds. DCRA now checks for audit compliance before finalizing grants awards and monitors compliance through the life of the grant.

Again, thank you for the opportunity for the DCCED to provide input on this matter. Should you have any questions about the contents of this letter, please do not hesitate to contact me at 907-465-2500.

Sincerely,

A handwritten signature in blue ink, appearing to read "Chris Hladick".

for/ Chris Hladick
Commissioner

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THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Military and
Veterans Affairs

Office of the Commissioner

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August 14, 2017

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AUG 29 2017

LEGISLATIVE AUDIT

Alaska State Legislature
Legislative Budget and Audit Committee
Division of Legislative Audit
Attn: Kris Curtis, CPA, CISA
P.O. Box 113300
Juneau, AK 99811-3300

Dear Mr. Curtis:

The Department of Military and Veterans' Affairs agrees with Recommendation No. 2016-045 that DMVA's Division of Administrative Services (DAS) Director should take measures to resolve revenue shortfalls as contained in the State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2016. The following actions were taken to resolve:

<u>Appropriation</u>	<u>Appropriation Title</u>	<u>Amount</u>
MAAC	Alaska Aerospace Corporation	\$63,266

Corrective Action: Alaska Aerospace Corporation paid the outstanding transactional amount and their expenditures of \$2,869,780.25 have the associated revenue collected of \$2,869,780.25 with the related IRIS transactions (CR2 #170012650 and CR1 170031303). In fiscal year 2018, a Memorandum of Agreement (with expected pay times) executed between DMVA and AAC to resolve posting and payment of financial transactions in the future clarifying roles and responsibilities for both entities.

<u>Appropriation</u>	<u>Appropriation Title</u>	<u>Amount</u>
35090-15	Military Veterans Affairs	\$126,697

Corrective Action: DMVA made significant progress identifying duplicative transactions during the financial system transition from AKSAS to IRIS on 7-1-2015. The current balance for open receivables in 2016 is \$4,286.68. The process to review and research the remaining amount will include reaching out to the IRIS financial team to assist with resolving RSA (Reimbursable Services Agreements) related to conversion of expenditures; with this additional guidance, DMVA expects to resolve outstanding amounts by 31 October 2017.

If your or the members of your team have questions or would like additional information, please contact our Finance Officer, Mrs. Tina Williams, at (907) 428-7250.

Sincerely,

A handwritten signature in cursive script that reads "Laurie Hummel". The signature is fluid and extends to the right with a long horizontal stroke.

Laurie Hummel

Commissioner, Department of Military & Veterans' Affairs
The Adjutant General of the AKNG

cc: Brian Duffy, ASD
Susan England, DAS/DOM
Tina Williams, DAS/Finance
Sam Gatton, OMB



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Natural Resources

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August 14, 2017

Kris Curtis, PCA, CISA
Legislative Auditor
Legislative Budget and Audit
PO Box 113300
Juneau, AK 99811-3300

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AUG 15 2017

LEGISLATIVE AUDIT

Re: FY2016 Statewide Single Audit, Department of Natural Resources (DNR)

Dear Ms. Curtis,

Thank you for the opportunity to provide a written response to the preliminary audit report on the State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2016. The recommendations for DNR in the preliminary audit and corresponding responses are below.

Recommendation No. 2016-046

DNR's Division of Oil and Gas director should improve controls over changes to the Division of Oil and Gas management information systems.

Two significant control deficiencies were identified in system change controls. Change controls for organizational information systems involve the systematic proposal, justification, implementation, testing, review, and disposition of changes to the systems, including system upgrades and modifications.

We recommend DNR's Division of Oil and Gas director improve controls over changes to the management information systems.

FY 16 Deficiency

Inadequate segregation of duties. According to DNR management, the lack of segregation of duties was due to a high workload relative to the number of available programming staff. Inadequate segregation of duties increases the risk that information may be intentionally or unintentionally altered. State security policy ISP-165 section 5.1.3 states that executive management must segregate duties and responsibilities of personnel consistent with the sensitivity of information in order to prevent intentional or unintentional disruption or exposure of information assets.

Response:

DNR concurs with this recommendation. The Division of Oil & Gas (division) has implemented code review and publication measures consistent with the sensitivity of the information via SharePoint tasks. This ensures a second programmer reviews the code prior to implementation in the production environment, meeting the requirement of segregation of duties. Additionally, the division reviewed all

code change activity in DOGMA and this investigation did not reveal any unintentional or malicious changes. Matt Power, the division Data Processing Manager, is responsible for this process.

FY 16 Deficiency

Inadequate documentation supporting system changes due to weak policies. The lack of documentation may allow unauthorized changes to be made which may jeopardize the integrity of system data. State of Alaska Information Security Policy ISP-165 section 5.1.2 requires managers to maintain documentation of changes to information systems. Furthermore, industry best practice guidance for information systems, published by the National Institute of Standards and Technology (NIST), recommends change controls include a systematic process for reviewing and approving changes. An organization should test, validate, and document changes to the information system before implementing the changes on the operational system.

Response:

DNR concurs with this recommendation. The division implemented an approval workflow with Royalty Accounting SharePoint Tasks. This workflow routes requests made by the Royalty Accounting section to an approval team who must approve the request before any development or changes are made to the system. Upon approval of the request, a tester is assigned within the request who later checks off completion of testing and enters the date it was completed. The development team captures all communications for programming requests (usually e-mail) that were made outside of the SharePoint system by exporting the final e-mail string containing the breadth of the communication into a PDF document and then attach the document to the SharePoint request. These changes satisfy requirements for approval, testing and improving the documentation of changes being made to the DOGMA system. A review of the changes made to DOGMA did not reveal any modifications that would have been disapproved by the section chief and all modifications were necessary for proper accounting activities. Matt Powers, the division Data Processing Manager, is responsible for this process.

Recommendation No. 2016-047

DNR's Division of Oil and Gas director should address management system backup and recovery deficiencies.

Review of DNR's management system found a significant deficiency related to backup and recovery.

Per State of Alaska Information Security Policy and NIST Special Publication 800-53 Revision 4, IT internal control deficiencies should be addressed timely.

According to DNR management, backup and recovery deficiencies have not been addressed due to budget constraints. Failure to address the deficiencies increases the risk that critical system information may be unrecoverable in the event of system failure.

We recommend DNR's Division of Oil and Gas director address management system backup and recovery deficiencies.

Response:

DNR concurs in part with this recommendation. The division regularly backs up DOGMA data and has a disaster recovery plan. While not stored off site, DOGMA was systematically backed up and the data is stored separately and available to reconstitute the data should a system failure occur. A significant destructive event rather than a "system failure" would have to occur to result in complete loss of data. The division has since relocated their backup system to the Anchorage Data Center which has redundant power and cooling. The DOGMA database is backed up daily with additional 15 minute incremental synchronizations to ensure protection and integrity should a disaster occur. Matt Powers, the division Data Processing Manager, is responsible for this process.

Recommendation No. 2016-048

DNR's Division of Oil and Gas director should ensure eligible receipts are deposited into the constitutional budget reserve fund CBRF) timely.

In FY 16, \$14.7 million in settlement receipts were not transferred from the general fund to the CBRF. According to DNR staff, the funds were not transferred because related settlements were appealed. However, appeal does not change the CBRF designation. Once identified by the audit team, DNR staff worked with Department of Administration (DOA) staff to process the FY 16 corrections to properly record the receipts in the CBRF. If not identified by the auditors, the error would have resulted in CBRF receipts being reported as general fund revenues.

The Alaska Constitution, Article IX, Section 17 established the CBRF to deposit all money received by the State 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. Untimely CBRF transfers result in a distorted representation of funds available for legislative appropriation.

We recommend DNR's Division of Oil and Gas director ensure CBRF receipts are recorded timely.

Response:

DNR concurs in part with this recommendation. Since this was not a failure of a systematic process requiring correction, a corrective plan is not required. We agree that funds must be deposited to the CBRF timely but also that these deposits must be correct as far as possible and not knowingly incorrect. In November 2016, the division identified to legislative auditors three CY2016 payments that were not made to the CBRF in CY2016. The lessees made these payments in June and July, 2016 because of a Federal Energy Regulatory Commission ordered reduction in the Trans-Alaska Pipeline System tariff rate for 2009 – 2011. The general fund portion of these payments were not transferred to the CBRF because the lessees used incorrect monthly tariff rates which were later corrected in CY2017. The division knew the reports were incorrect and did not desire to knowingly post an incorrect balance to the CBRF. The division delayed the transfer to the CBRF until after the lessees refiled using the correct tariff rates and a correct posting could be made. The effect of delay is in CY2016 \$14.7 million in general fund revenue was overstated and revenue in CBRF was understated by \$14.7 million. For CY2017 the opposite condition existed; general fund revenue is understated by \$14.7 million and revenue in the CBRF is overstated by \$14.7 million. Jim Stouffer, Royalty Accounting Section Chief, is responsible for this process.

Recommendation No. 2016-049

DNR's finance officer should work with DOA Division of Finance (DOF) management to resolve overspent appropriations and request ratification if necessary.

Expenditures for two DNR appropriations exceeded the authorized limit by the following amounts:

<u>Appropriation</u>	<u>Appropriation Title</u>	<u>Amount</u>
NN03	Characterization of Conventional and Unconventional Oil & Gas Resources	\$10,558
N004	Boreal Alaska – Learning, Adaptation, and Production: Upgrade Forest Research Installations Wood Biomass	\$ 549

Article IX, Section 13 of the state constitution requires that "no money shall be withdrawn from the treasury except in accordance with appropriations made by law. Overspent appropriations were caused by DOF accountants processing expenditure transactions in excess of the budget by overriding the accounting system error messages. Lack of monitoring appropriation balances prevented DNR management from timely identifying and correcting the expenditures. As a result, unauthorized general funds were expended.

We recommend DNR's finance officer work with DOF management to resolve the overspent appropriations and request ratification if necessary.

Response:

DNR concurs with this recommendation. To reduce the risk of overspending, DNR's Finance Officer will review operating and capital appropriation balances monthly. The responsibility of this internal control will be the Accountant IV Steve Schmitz and Finance Officer Luke Canady, within DNR's Support Services Division.

Again, thank you for the opportunity to review and respond to this audit. DNR staff is available for further review as needed by the audit committee. We look forward to ensuring that the implementation of the improvements suggested in this report are carried out.

Sincerely,



Andrew T. Mack
Commissioner

Cc: Fabienne Peter-Contesse, Director, Support Services Division



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Fish and Game

OFFICE OF THE COMMISSIONER
Headquarters Office

1255 West 8th Street
P.O. Box 115526
Juneau, Alaska 99811-5526
Main: 907.465.4100
Fax: 907.465.2332

August 14, 2017

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AUG 15 2017

LEGISLATIVE AUDIT

Ms. Karen L. Buchkoski, CPA
In-Charge Auditor II
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

RE: Confidential Management Letter No. 1, Alaska Department of Fish and Game (ADFG), FY16
Statewide Single Audit

Dear Ms. Buchkoski:

Alaska Department of Fish and Game (ADFG) is in receipt of your letter dated July 25, 2017, requesting "an attorney general opinion that addresses legislative intent" regarding AS 16.05.110 and ADFG's accounting of federal funds received pursuant to the Federal Aid in Wildlife Restoration Act of September 2, 1937, 16 U.S.C. §§ 669-669k, commonly known as the Pittman-Robertson Act, and the Federal Aid in Sport Fish Restoration Act of August 9, 1950, 16 U.S.C. §§ 777-777l, commonly known as the Dingell-Johnson Act. In response to the recommendation, ADFG does not agree with Legislative Audit's assessment of Alaska Statute 16.05.110(a). ADFG confirms that a corrective active plan is not required since we are not in violation of statute. Please let us know after reviewing this letter if you still believe a formal attorney general opinion is needed to resolve the interpretation of the statute.

Under AS 16.05.110, the fish and game fund is comprised of various moneys that are to be "deposited and retained in the fund until expended." Under the Pittman-Robertson and Dingell-Johnson Acts, ADFG receives federal funds as reimbursement for expenditures already made and never in advance. Thus, these federal funds are not of the kind to be deposited in the fish and game fund "until expended."

In your recommendation letter a claim is made that the State's new accounting system caused DFG management to reevaluate how to account for federal receipts in IRIS. This is not the case. An annual analysis of the fund has been requested by the legislature for several years. In past years, consistent with AS 16.05.110, ADFG has manually eliminated these federal funds from the annual fish and game fund analysis presentation provided to legislators and other interested persons; the State's new IRIS accounting system allows these funds to be accurately recorded as reimbursements in the general fund without further action by ADFG. Reporting reimbursed federal aid under the general fund increases the transparency and consistency in reporting to isolate and report the true activity of the fund.

Subsection (b) of the AS 16.05.110 makes a clear distinction between funds in the fish and game fund, on the one hand, and federal funds received under the Pittman-Robertson and Dingell-Johnson Acts, on the other:

... [A]ppropriations of money from the fish and game fund and of money received by the state under the federal aid acts described under AS 16.05.140 shall be made to the division of wildlife conservation or the division of sport fish.

Seth Beausang, Assistant Attorney General reviewed the legislative history for the relevant parts of AS 16.05.110, and note that the relevant bill review letter makes the same distinction:

Section 3 of the bill generally requires that appropriations of money from the state fish and game fund, or derived from the Federal Aid to Wildlife Restoration Act of September 2, 1937 (16 U.S.C. 669-669j) and amendments, the Federal Aid in Fish Restoration Act of August 9, 1950 (16 U.S. C. 777-777k) and its amendments, and from similar federal fish and wildlife management funding sources, be channeled through the division of wildlife conservation or the division of sport fish.¹

In summary, there is not a violation of statute or ability to provide comparable financial data to legislators and other interested persons; as a result, a corrective action plan is not required. For all of these reasons, federal funds received by ADFG pursuant to the Pittman-Robertson and Dingell-Johnson Acts are not required to be deposited in the fish and game fund established by AS 16.05.110.

Sincerely,



Sam Cotten
Commissioner
Alaska Department of Fish and Game

¹ Bill review letter for HCS CSSB 250(FIN) dated May 20, 1998, from Bruce M. Botelho, Attorney General, to the Honorable Tony Knowles, Governor, at 2.



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Public Safety

OFFICE OF THE COMMISSIONER
Walt Monegan

5700 East Tudor Road
Anchorage, Alaska 99507-1225
Main: 907.269.5086
Fax: 907.269.4543

150 3rd Street
PO Box 111200
Juneau, Alaska 99811-1200
Main: 907.465.4322
Fax: 907.465.4362

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AUG 14 2017

LEGISLATIVE AUDIT

August 11, 2017

Kris Curtis
Division of Legislative Audit
PO Box 113300
Juneau, AK 99811-3300

RE: Confidential Preliminary Audit Report, State of Alaska Single Audit for the Fiscal Year Ended
June 30, 2017

Dear Ms. Curtis,

This is the Department of Public Safety's (DPS) written response to the above referenced letter dated July 25, 2017, and includes our corrective action plan to address Recommendation No. 2016-051.

DPS agrees with this recommendation.

DPS' Administrative Services Director, Kelly Howell, is responsible for the corrective action which is to request a supplemental appropriation to address the shortfall. The request would be made when the Legislature convenes in January 2018.

Please let me know if you have any additional questions. Thank you.

Sincerely,

A handwritten signature in blue ink, appearing to be "Walt Monegan".

Walt Monegan
Commissioner

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THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

**Department of Environmental
Conservation**

OFFICE OF THE COMMISSIONER

Post Office Box 111800
410 Willoughby Avenue, Suite 303
Juneau, Alaska 99811-1800
Main: 907.465.5066
Fax: 907.465.5070
www.dec.alaska.gov

August 3, 2017

Kris Curtis, CPA, CISA
Legislative Auditor
PO Box 113300
Juneau, AK 99811-3300

Re: Confidential Management Letter No. 1, Department of Environmental Conservation (DEC,
FY 16 Statewide Single Audit.

Dear Ms. Curtis,

In response to Recommendation No. 2016-052, made during the FY 16 statewide single audit, the Department of Environmental Conservation resolved the issue and communicated it to Anna Tchernykh, In-Charge Auditor, Division of Legislative Audit on May 2, 2017. A copy of the response is enclosed.

Please let me know if you have any additional questions or need more information.

Sincerely,

A handwritten signature in blue ink, appearing to read "Larry Hartig".

Larry Hartig
Commissioner

Enclosure



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Environmental
Conservation

OFFICE OF THE COMMISSIONER

Post Office Box 111800
410 Willoughby Avenue, Suite 303
Juneau, Alaska 99811-1800
Main: 907.465.5066
Fax: 907.465.5070
www.dec.alaska.gov

May 2, 2017

To Anna Tchernykh
In-Charge Auditor
Division of Legislative Audit
PO Box 113300
Juneau, AK 99811-3300

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AUG 03 2017

LEGISLATIVE AUDIT

RE: Confidential Management Letter No. 1, Department of Environmental Conservation (DEC, FY 16 Statewide Single Audit.

Dear Ms. Tchernykh,

In response to your recommendation regarding the \$2,058.00 shortfall in the Appropriation VUBC (2009) DEC Unbudgeted Capital RSA, on April 26, 2017, we have taken action and with the assistance of the Division of Finance (DOF) removed the excess expenditures into a different appropriation using its available lapse funds. This action brought the shortfall to an acceptable amount of \$78.52 previously approved by you in our ongoing correspondence.

Please let us know if you have any additional questions or need additional information.

Sincerely,

A handwritten signature in cursive script, appearing to read "Larry Hartig".

Larry Hartig
Commissioner



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Corrections

Office of the Commissioner

PO Box 112000
Juneau, Alaska 99811
Main: 907.465.4645

August 4, 2017

Kris Curtis, CPA
Legislative Auditor
Division of Legislative Audit
PO Box 113300
Juneau, AK 99811-3300

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AUG 08 2017
LEGISLATIVE AUDIT

Dear Ms. Curtis:

Thank you for the opportunity to respond to the confidential preliminary report dated July 25, 2017 regarding the FY16 Statewide Single Audit and the Department of Corrections (DOC).

There are no new recommendations made during the FY16 statewide single audit for DOC. We agree with your findings and have no additional comment regarding this report.

Sincerely,

A handwritten signature in dark ink, appearing to read "Dean Williams".

Dean Williams
Commissioner

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THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Transportation and Public Facilities

OFFICE OF THE COMMISSIONER
Marc Luiken, Commissioner

3132 Channel Drive
P.O. Box 112500
Juneau, Alaska 99811-2500
Main: 907.465.3900
dot.state.ak.us

August 1, 2017

Kris Curtis, Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

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AUG 03 2017

LEGISLATIVE AUDIT

Dear Ms. Curtis:

This is in response to the recommendations contained in the confidential preliminary audit report on *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2016*. The following are the responses for the audit recommendations.

Recommendation No. 2016-053

DOTPF's administrative services director should ensure financial transactions are properly coded to the correct fiscal year in the accounting system.

Department Response: *The department concurs with this recommendation. The department participated in a statewide training held by the Division of Finance for the Re-appropriation period Handy Guide. The department will continue to monitor and providing additional training to staff.*

Recommendation No. 2016-054

DOTPF's administrative services director should ensure necessary revenue accruals are recorded at fiscal year-end.

Department Response: *The department concurs with this recommendation. The department will continue to monitor and provide additional training to staff.*

Recommendation No. 2016-055

DOTPF's administrative services director should improve internal controls to ensure expenditures are supported and properly recorded in the financial system.

Department Response: *The department concurs with this recommendation. The department had input all adjustment documents to properly code the temporarily coded transactions. The only ones remaining were pending additional project funding before being processed. The department has provided staff additional training on cutoff procedures and other elements contained in this recommendation.*

Recommendation No. 2016-056

DOTPF's administrative services director should improve procedures to accurately report capital assets.

Department Response: *The department concurs with this recommendation. The department is exploring the available fixed asset tools in IRIS to assist in the timely and accurate record of the department's fixed assets.*

Recommendation No. 2016-057

The Alaska International Airport System (AIAS) controller should ensure AIAS' financial statement audit is performed timely.

Department Response: *The department concurs with this recommendation. This FY2016 issue primarily resulted from several problems arising with the State's conversion to its new IRIS accounting system. Materially accurate capital expenditure and pension accounting information which AIAS depends upon receiving from other Departments/Divisions was not available to AIAS sufficiently timely for AIAS to meet its financial statement audit deadline. Additionally, with conversion to the new IRIS accounting system, AIAS encountered other issues which in themselves precluded timely completion of its FY2016 audit, such as the system not having been converted to include beginning FY16 account balances that agreed with ending FY2015 balances as required by AIAS external auditors.*

AIAS believes these issues to have been subsequently resolved sufficiently to not impede timely performance of FY2017 and future AIAS financial statement audits.

Recommendation No. 2016-058

DOTPF's administrative services director should ensure requests for federal reimbursement of expenditures and the clearing of cash receipts are processed timely.

Department Response: *The department concurs with this recommendation. This issue for FY16 is related to the IRIS conversion. During the first three months of IRIS implementation, a tremendous amount of time was devoted to validating converted projects. This validation effort resulted in an 86 day delay between federal draws. Additionally, during a four-week period in September-October FHWA was not accepting draw requests due to the change in federal fiscal year and the implementation of the new Fiscal Management Information System (FMIS) 5.0. This resulted in a 33 day delay. The department will work to ensure that future draws are performed timely.*

Additionally, cash receipts were not cleared timely when the Receivables (REs) needed to be reduced through Recycle jobs. The DOT&PF requests a recycle job be created through the Department of Administration (DOA). DOT&PF will monitor the requests more closely in the future and work with DOA to ensure more timely processing of the recycle request.

Recommendation No. 2016-059

DOTPF's finance officer and Marine Transportation Services manager should improve controls over issuing and recouping employee advances.

Department Response: *The department concurs with this recommendation. On April 27, 2017 an updated P&P was signed and posted for Emergency Draws for IBU Members only. DOA-Payroll is*

performing a review to identify which draws have not been recovered and will start recouping the advances.

Recommendation No. 2016-060

DOTPF's administrative services director should ensure personal service expenditures charged to federal programs comply with federal cost principles.

Department Response: *The department concurs with this recommendation. DOT&PF has input a correcting transaction to properly charge to the correct federal program. DOT&PF holds bi-weekly meetings with the departmental staff who input and approve the transactions, and additional approval training is being provided during these sessions.*

Recommendation No. 2016-061

DOTPF's Statewide Design and Engineering chief should strengthen procedures to ensure the annual Federal Highway Administration (FHWA) value engineering (VE) report accurately represents the VE studies performed.

Department Response: *The department concurs with this recommendation. DOT&PF will revise the Value Engineering Program P&P (05.01.030) to require the VE process written report include and formally document the initial project costs, and the estimated savings. The revised P&P will clarify that the Regional VE Coordinators will report the values documented in the written reports to the Statewide Value Engineer for their use in preparing the Annual VE Report to FHWA. These revisions are expected to be completed and in effect by June 30, 2017.*

Recommendation No. 2016-062

DOTPF's chief contracts officer should improve procedures to verify all subcontractors meet suspension and debarment requirements.

Department Response: *The department concurs with this recommendation. The following procedural changes were implemented for the administration of construction-related professional services agreements (PSA) and Public Facilities construction contracting.*

The department updated its PSA form Appendix E, Certification of Compliance, Alaska Licenses/Registrations, Insurance, and Debarment, and its Public Facilities contract form contractor self-certification for subcontractors and lower tier subcontractors. These forms now include a requirement for "the Contractor to certify that firms or individuals Debarred or Suspended by the Department, FAA or FHWA are not employed or subcontracted under this" (Professional Services Agreement or under this construction project).

Sincerely,



Marc Luiken
Commissioner

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August 17, 2016

Kris Curtis, CPA, CISA
Legislative Auditor
Legislative Budget and Audit Committee
Division of Legislative Audit
PO Box 113300
Juneau, Alaska 99811-3300

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AUG 17 2017
LEGISLATIVE AUDIT

RE: Preliminary Confidential Report, State of Alaska Single Audit for FY Ended June 30, 2016

Dear Ms. Curtis:

This is in response to the FY16 State of Alaska Single Audit Findings Concerning the Alaska Mental Health Trust Authority.

Recommendation No. 2016-063

The AMHTA chief financial officer (CFO) should ensure AMHTA's financial statement audit is performed timely.

1. The AMHTA agrees with Recommendation No. 2016-063

Audited financial information from our agency, as with all other agencies within the State of Alaska, must be complete and accurate, and timely delivered to the Division of Finance (DoF). For FY 2016 a number of state agencies/departments were significantly late and at least one agency submitted after the AMHTA did. There was one overarching common reason for these delays: implementation of new accounting software for the State commonly referred to as IRIS. At its most basic, the problems with IRIS revolved around its inability to provide the fundamental information necessary to assemble a trial balance – the foundation of an audited financial statement. This issue was broadly, but not uniformly, encountered across state departments. Smaller “non-core” departments had the most difficult time getting the required information from IRIS.

Working with the Department of Administration and the Department of Revenue, our administrative staff was finally able to get the appropriate information and assemble the trial balances, although much later than any of us would have preferred. The resulting audited financials showed no corrections or exceptions.

It should also be noted that the AMHTA's CFO resigned with no notice on December 16, 2016. This significantly reduced our capacity to address the accounting issues created by IRIS. We have conducted a search and have identified a qualified replacement for the CFO position. We anticipate that person being on board at the Trust on September 11.

2. Corrective Action Plan

a. Responsible Person;

- i. Once here, the new AMHTA Chief Financial Officer will ultimately be responsible for implementing the Corrective Action Plan (CAP). Until then, the responsibility will remain with the CEO. .

b. Corrective Action

- i. The first step of the CAP will be to assure that the CFO makes it their number one priority to assure that the trial balances are submitted to the agency's auditor by the established deadline.
- ii. The AMHTA's accounting staff, including the new CFO, will review the issues that caused the delays in getting the appropriate information from IRIS last year and assure that they are resolved. That review is currently underway. Test balances should be run to determine if the information is available. The test balances should be reviewed by the AMHTA's outside auditor to determine their adequacy. Those tests will be run at least 30 days in advance of the submittal deadline.
- iii. If the required information is not available from IRIS at the time of the tests, the AMHTA will escalate the issue to the DoF, the Information Technology staff for assistance in resolving the issues.

c. Completion Date

- i. The CAP should be complete by October 3, 2017, the date that financials are due to be submitted for the annual audit.

Let me know if you have any questions.

Sincerely,



Gregory L Jones
CEO (Interim)

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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Juneau, AK 99811-3300
(907) 465-3830
FAX (907) 465-2347
legaudit@akleg.gov

August 25, 2017

Members of the Legislative Budget
and Audit Committee:

Agency responses to audit recommendations have been incorporated into this report twice. Agency responses are first paired with the audit recommendations in Section II. The responses are included in the corrective action plan in Section IV of this report.

Generally, the agencies concur with the recommendations. There are, however, responses to two of these recommendations which we believe warrant further comments as shown below.

Recommendation No. 2016-018

We have reviewed the Department of Revenue's (DOR) response, and nothing in the response persuaded us to revise the recommendation. DOR management disagrees that a liability exists when a credit application is received by the department. As explained in our recommendation, in order to qualify for the credit, the producer or explorer must incur qualifying losses or expenditures during the specified period of time which is communicated via application to DOR. Consequently, we contend that eligibility requirements have been met when DOR receives the tax credit application and a liability exists at that point. As long as the liability can be reasonably estimated prior to issuance of the financial statements, it should be accrued. We reiterate that DOR's Tax Division director should update procedures to ensure oil and gas tax credits payable at year-end are accurately reported in the Comprehensive Annual Financial Report.

Recommendation No. 2016-050

We have reviewed the Department of Fish and Game's (DFG) response, and nothing in the response persuaded us to revise the recommendation. In their response, the agency disagrees that the State's new accounting system caused DFG management to reevaluate how to account for federal receipts in IRIS. We note that our understanding of DFG's reason for changing the accounting for these federal receipts was based on assertions made to us by DFG fiscal staff

August 25, 2017

during the audit. We reiterate a formal attorney general opinion should be obtained to support the proper financial accounting and reporting of the fish and game fund.

Additionally, the Department of Health and Social Services did not fully concur with two recommendations made by an auditor whose report was furnished to us. The other auditor's responses to management's comments are included immediately after the agency responses for Recommendation Nos. 2016-028 and 2016-036 in Section II of this report.

In summary, we reaffirm the findings and recommendations presented in this report.

Additionally, an error in the preliminary report provided to the Legislative Budget and Audit Committee July 25, 2017, was brought to our attention. Recommendation Nos. 2016-035 and 2016-036 misidentified the department name as *Department of Health and Human Services*. The correct department name is *Department of Health and Social Services* for each of the recommendations.

Sincerely,

A handwritten signature in black ink, appearing to read "K. Curtis", with a stylized flourish at the end.

Kris Curtis, CPA, CISA
Legislative Auditor

SECTION V – APPENDICES

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2016
By State Agency

Federal Program Title	Federal Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Subrecipient
Alaska Commission on Postsecondary Education						
College Access Challenge Grant Program	USDOE	84.378A			1,497,938	
Total for Alaska Commission on Postsecondary Education					1,497,938	-
Alaska Energy Authority						
Wood Utilization Assistance	USDA	10.674	DG 11100106		64,519	
Biomass System Performance Grant	USDA	10.Unknown	JV 11261975 061		87	
ARRA-State Clean Diesel Grant Program	EPA	66.040	DS-01J08001-0		221,728	
State Energy Program	ERGY	81.041	DE-EE0004057		254,603	
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	ERGY	81.117	DE-EE0006283		25,467	
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	ERGY	81.117	DE-EE0007352		153,135	
Denali Commission Program	DC	90.100	366		3,637,923	2,969,649
Total for Alaska Energy Authority					4,357,462	2,969,649
Alaska Housing Finance Corporation						
Very Low to Moderate Income Housing Loans	USDA	10.410			135,911,852	
Mortgage Insurance_Homes	HUD	14.117			293,943,061	
Section 8 Housing Assistance Payments Program	HUD	14.195		S8PBC	2,141,185	
Emergency Solutions Grant Program	HUD	14.231			214,010	197,803
Home Investment Partnerships Program	HUD	14.239			2,096,072	1,882,259
Housing Opportunities for Persons with AIDS	HUD	14.241			638,103	557,518
Section 8 Moderate Rehabilitation Single Room Occupancy	HUD	14.249		S8PBC	508,757	426,689
Continuum of Care Program	HUD	14.267			874,057	859,742
Public and Indian Housing_Indian Loan Guarantee Program	HUD	14.865			140,244,767	
Section 8 Housing Choice Vouchers	HUD	14.871		HVC	1,913,123	
Moving to Work Demonstration Program	HUD	14.881			45,264,785	
Family Self-Sufficiency Program	HUD	14.896			306,322	
Veterans Housing_Guaranteed and Insured Loans	USDVA	64.114			60,943,505	
State Energy Program	ERGY	81.041			147,334	
Weatherization Assistance for Low-Income Persons	ERGY	81.042			1,577,830	1,465,890
State Energy Program Special Projects	ERGY	81.119			165,349	
Low-Income Home Energy Assistance	USDHHS	93.568			300,000	259,624
Total for Alaska Housing Finance Corporation					687,190,112	5,649,525
Alaska Industrial Development and Export Authority						
Federal Transit_Capital Investment Grants	USDOT	20.500	AK-04-0009	FTC	10,201	
Federal Transit_Capital Investment Grants	USDOT	20.500	AK-04-0012	FTC	10,226	
Federal Transit_Capital Investment Grants	USDOT	20.500	AK-55-0001	FTC	113,003	
Total for Alaska Industrial Development and Export Authority					133,430	-
Alaska Railroad Corporation						
Federal Transit_Capital Investment Grants	USDOT	20.500	AK-55-0003	FTC	358,115	
Federal Transit-Formula Grants	USDOT	20.507	AK-90-X068-00	FTC	89,376	
Federal Transit-Formula Grants	USDOT	20.507	AK-90-X072-00	FTC	114,909	
Federal Transit-Formula Grants	USDOT	20.507	AK-90-X075-00	FTC	1,319,072	
Federal Transit-Formula Grants	USDOT	20.507	AK-90-X077-00	FTC	4,480,000	
Federal Transit-Formula Grants	USDOT	20.507	AK-90-X080-00	FTC	3,347,299	
State of Good Repair Grants Program	USDOT	20.525	AK-54-0004	FTC	381,297	
State of Good Repair Grants Program	USDOT	20.525	AK-54-0005	FTC	8,820,580	
State of Good Repair Grants Program	USDOT	20.525	AK-54-0006	FTC	9,417,266	
National Infrastructure Investments	USDOT	20.933	DTMA91G150007		502,848	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	USDHS	97.036	4094-DR-AK		655,235	
Pre-Disaster Mitigation	USDHS	97.047	200PDM-GY14		127,649	
Port Security Grant Program	USDHS	97.056	EMW-2013-PU-00514		46,854	
Port Security Grant Program	USDHS	97.056	EMW-2014-PU-00108		103,897	
Total for Alaska Railroad Corporation					29,764,397	-

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2016
By State Agency

Federal Program Title	Federal Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Subrecipient
Alaska Student Loan Corporation						
Federal Family Education Loans (Lenders)	USDOE	84.032L			99,651,285	
Total for Alaska Student Loan Corporation					99,651,285	-
Alaska Seafood Marketing Institute						
Market Access Program	USDA	10.601			4,164,572	
Total for Alaska Seafood Marketing Institute					4,164,572	-
Alaska Court System / Alaska Judicial Council						
National Criminal History Improvement Program (NCHIP)	USDOJ	16.554	2014-RU-BX-K038		-	
National Criminal History Improvement Program (NCHIP)	USDOJ	16.554	2015-RU-BX-K036		-	
Violence Against Women Formula Grants	USDOJ	16.588			-	
Violence Against Women Formula Grants	USDOJ	16.588			-	
National Priority Safety Programs	USDOT	20.616	405cM3DA-15-08-00(B)	HSC	-	
National Priority Safety Programs	USDOT	20.616	405cM3DA-15-08-00(E)	HSC	-	
State Court Improvement Program	USDHHS	93.586	1401AKSCID		39,490	
State Court Improvement Program	USDHHS	93.586	1401AKSCIP		34,715	
State Court Improvement Program	USDHHS	93.586	1401AKSCIT		32,102	
State Court Improvement Program	USDHHS	93.586	1501AKSCID		95,954	
State Court Improvement Program	USDHHS	93.586	1501AKSCIP		43,021	
State Court Improvement Program	USDHHS	93.586	1501AKSCIT		90,336	
Grants to States for Access and Visitation Programs	USDHHS	93.597	1402AKSAVP		49,106	
Grants to States for Access and Visitation Programs	USDHHS	93.597	1502AKSAVP		57,103	
Medical Assistance Program	USDHHS	93.778		MC	-	
Total for Alaska Court System / Alaska Judicial Council					441,827	-
Department of Commerce, Community and Economic Development						
Schools and Roads - Grants to States	USDA	10.665	National Forest Receipts	FSRC	9,871,344	9,871,344
Community Facilities Loans and Grants	USDA	10.766	Rural Broadband Internet Access Grant	CFLGC	748	
Economic Adjustment Assistance	USDOC	11.307	SBED	EDC	7,224,434	
Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program	USDOC	11.438	NA10NMF4380355, NA13NMF4070190		-	80,808
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	HUD	14.228	B13DC020001, B12DC020001, B11DC020001, B10DC020001		4,314,790	4,107,758
Payments in Lieu of Taxes	USDOI	15.226	Payments in Lieu of Taxes		10,384,715	10,384,715
Distribution of Receipts to State and Local Governments	USDOI	15.227	National Petroleum Reserve		4,899,277	4,899,277
Coastal Impact Assistance	USDOI	15.668	Various		5,098,999	4,434,086
Congressionally Mandated Projects	EPA	66.202	XP00J76501		1,399,446	103,958
Community Services Block Grant	USDHHS	93.569	G13B1AKCOSR, G14B1AKCOSR, G15B1AKCOSR		2,313,302	2,150,197
State Commissions	CNCS	94.003	13CAHAK001		220,933	31,952
AmeriCorps	CNCS	94.006	10ACHAK001, 12FXHAK002, 12ESHAK001, 13ACHAK001		639,994	639,994
Community Assistance Program State Support Services Element (CAP-SSSE)	USDHS	97.023	EMS-2014-CA-0001		90,754	
Cooperating Technical Partners	USDHS	97.045	EMS-2013-CA-0009, EMW-2014-CA-00182		67,818	
Total for Department of Commerce, Community and Economic Development					46,526,554	36,704,089
Department of Environmental Conservation						
Plant and Animal Disease, Pest Control, and Animal Care	USDA	10.025			192,105	
Water and Waste Disposal Systems for Rural Communities	USDA	10.760		WWPC	6,395,345	153,380
NOAA NMFS Inspections	USDOC	11.Unknown	45ABNA0BQ252		1,203	
Japanese Tsunami Marine Debris	USDOC	11.Unknown	MOA-2013-005-8626		1,179,082	
State Memorandum of Agreement Program for the Reimbursement of Technical Services	USDOD	12.113			2,497,497	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2016
By State Agency

Federal Program Title	Federal Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Subrecipient
Environmental Quality and Protection Resource Management	USDOJ	15.236			15,449	
Coastal Impact Assistance	USDOJ	15.668			-	
Bureau of Land Management Oversight	USDOJ	15.Unknown	L11PA00032		25,593	
Clean-up Contaminated Sites in Alaska	USDOT	20.Unknown	DTFAWN-15-A-80000		117,528	
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	EPA	66.034			408,133	
State Clean Diesel Grant Program	EPA	66.040			222,181	
Congressionally Mandated Projects	EPA	66.202			9,720,649	920,785
Water Pollution Control State, Interstate, and Tribal Program Support	EPA	66.419			402,333	
State Public Water System Supervision	EPA	66.432			2,383,724	
Water Quality Management Planning	EPA	66.454			78,665	
Capitalization Grants for Clean Water State Revolving Funds	EPA	66.458	CS-02000110	CWFC	513,243	513,243
Capitalization Grants for Clean Water State Revolving Funds	EPA	66.458	CS-02000111	CWFC	437,385	437,385
Capitalization Grants for Clean Water State Revolving Funds	EPA	66.458	CS-02000112	CWFC	202,324	202,324
Capitalization Grants for Clean Water State Revolving Funds	EPA	66.458	CS-02000114	CWFC	871,964	871,964
Capitalization Grants for Clean Water State Revolving Funds	EPA	66.458	CS-02000115	CWFC	8,040,319	7,926,463
Capitalization Grants for Drinking Water State Revolving Funds	EPA	66.468	FS-98005810	DWFC	1,190,014	1,190,014
Capitalization Grants for Drinking Water State Revolving Funds	EPA	66.468	FS-98005811	DWFC	1,675,900	1,675,900
Capitalization Grants for Drinking Water State Revolving Funds	EPA	66.468	FS-98005812	DWFC	446,207	446,207
Capitalization Grants for Drinking Water State Revolving Funds	EPA	66.468	FS-98005813	DWFC	503,665	503,665
Capitalization Grants for Drinking Water State Revolving Funds	EPA	66.468	FS-98005814	DWFC	2,458,598	1,028,774
Capitalization Grants for Drinking Water State Revolving Funds	EPA	66.468	FS-98005815	DWFC	6,632,844	5,010,799
Beach Monitoring and Notification Program Implementation Grants	EPA	66.472			135,845	76,248
Performance Partnership Grants	EPA	66.605			4,331,734	180,942
Environmental Information Exchange Network Grant Program and Related Assistance	EPA	66.608			144,131	
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	EPA	66.802			131,670	
Underground Storage Tank Prevention, Detection and Compliance Program	EPA	66.804			279,617	
Leaking Underground Storage Tank Trust Fund Corrective Action Program	EPA	66.805			450,427	
Superfund State and Indian Tribe Core Program Cooperative Agreements	EPA	66.809			109,793	
State and Tribal Response Program Grants	EPA	66.817			864,677	
LUST Trust Cost Recovery	EPA	66.Unknown	LUST Trust Cost Recovery		178,971	
Long-Term Surveillance and Maintenance	ERGY	81.136			97,849	
Food and Drug Administration Research	USDHHS	93.103			796,730	
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	USDHHS	93.210	MOU dated 05/09/2006-W47000		945,334	
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	USDHHS	93.210	MOU dated 05/09/2006-W47002		906,878	
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	USDHHS	93.210	MOU dated 05/09/2006-W47003		199,364	
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	USDHHS	93.210	MOU dated 05/09/2006-W47004		414,671	
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	USDHHS	93.210	MOU dated 05/09/2006-W47005		100,219	
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	USDHHS	93.210	MOU dated 05/09/2006-W47006		476,555	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2016
By State Agency**

Federal Program Title	Federal Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Subrecipient
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	USDHHS	93.210	MOU dated 05/09/2006-W47007		353,887	
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	USDHHS	93.210	MOU dated 05/09/2006-W47008		347,014	
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	USDHHS	93.210	MOU dated 05/09/2006-W47009		8,855	
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	USDHHS	93.210	MOU dated 05/09/2006-W47010		9,652	
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	USDHHS	93.210	MOU dated 05/09/2006-W47012		186,058	
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	USDHHS	93.210	MOU dated 05/09/2006-W47013		987,970	
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	USDHHS	93.210	MOU dated 05/09/2006-W47014		8,132	
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	USDHHS	93.210	MOU dated 05/09/2006-W47015		119,894	
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	USDHHS	93.210	MOU dated 05/09/2006-W47016		1,682,202	
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	USDHHS	93.210	MOU dated 05/09/2006-W47018		6,952	
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	USDHHS	93.210	MOU dated 05/09/2006-W47019		8,220	
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	USDHHS	93.210	MOU dated 05/09/2006-W47020		52,116	
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	USDHHS	93.210	MOU dated 05/09/2006-W47029		10,933	
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	USDHHS	93.210	MOU dated 05/09/2006-W47034		203,858	
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	USDHHS	93.210	MOU dated 05/09/2006-W47036		4,494	
Tribal Self-Governance Program: IHS Compacts/Funding Agreements	USDHHS	93.210	MOU dated 05/09/2006-W47037		7,964	
FDA Food Inspections	USDHHS	93.Unknown	HHSF223201310149C		672,566	
IHS Water Innovations for Healthy Arctic Homes	USDHHS	93.Unknown	MOA dated 03/21/2016		10,000	
U.S. Coast Guard Oversight - Juneau/Kodiak	USDHS	97.Unknown	HSCG8713NPXA503		11,454	
U.S. Coast Guard Oversight - Juneau/Kodiak	USDHS	97.Unknown	HSCG8716PPXA7V5		27,610	
Total for Department of Environmental Conservation					61,896,246	21,148,093
Department of Education and Early Development						
Professional Standards for School Nutrition Employees	USDA	10.547	PROFSG		15,699	1,294
School Breakfast Program	USDA	10.553	17131/CHILDN	CNC	12,052,314	11,684,081
National School Lunch Program (Food Commodities)	USDA	10.555	17132/CHILDN	CNC	2,668,257	2,668,257
National School Lunch Program	USDA	10.555	17132/CHILDN	CNC	35,466,673	34,656,178
Special Milk Program for Children	USDA	10.556	17133/CHILDN	CNC	2,036	2,036
Child and Adult Care Food Program (Food Commodities)	USDA	10.558	17134		26,160	26,160
Child and Adult Care Food Program	USDA	10.558	17134/CAACFP & CHILDN		9,995,273	9,548,639
Summer Food Service Program for Children (Food Commodities)	USDA	10.559	17137/CHILDN	CNC	5,416	5,416
Summer Food Service Program for Children	USDA	10.559	17137/CHILDN	CNC	2,099,411	1,858,509
State Administrative Expenses for Child Nutrition	USDA	10.560	17135/CNMEAL & SAESAE		1,108,593	
Emergency Food Assistance Program (Administrative Costs)	USDA	10.568	17138/TEAFAP	FDC	150,151	133,258
Emergency Food Assistance Program (Food Commodities)	USDA	10.569		FDC	1,568,448	1,568,448
Team Nutrition Grants	USDA	10.574	17400/TEAMGR		106,479	9,702
Child Nutrition Discretionary Grants Limited Availability	USDA	10.579	17169/ART2AR & CERTGR & CNPEQU		239,035	68,705
Fresh Fruit and Vegetable Program	USDA	10.582	17166/FRESHF		1,587,779	1,545,126
Promotion of the Arts_Partnership Agreements	NEA	45.025	17335/NEAART		751,542	311,354
Museums for America	IMLS	45.301	17357/MFACOL		7,584	
Grants to States	IMLS	45.310	17336/LSTAGR		999,099	858,642
Title I Grants to Local Educational Agencies	USDOE	84.010	17126/TITLE1		32,329,459	31,534,989

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2016
By State Agency**

Federal Program Title	Federal Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Subrecipient
Migrant Education_State Grant Program	USDOE	84.011	17127/MIGRNT		6,544,678	5,841,455
Title I State Agency Program for Neglected and Delinquent Children and Youth	USDOE	84.013	17129/TITL1D		322,445	320,752
Special Education_Grants to States	USDOE	84.027	17232/SPEVIB	SEC	35,267,410	32,581,632
Impact Aid	USDOE	84.041	17238		42,269,737	
Career and Technical Education - Basic Grants to States	USDOE	84.048	17244/VOCAED		4,270,327	3,642,855
Indian Education_Grants to Local Educational Agencies	USDOE	84.060	17372/INDEDU		32,708	
Rehabilitation Services_Client Assistance Program	USDOE	84.161	17152/CLASSP		98,938	
Special Education_Preschool Grants	USDOE	84.173	17242/SPEDPR	SEC	1,231,387	1,097,279
School Safety National Activities	USDOE	84.184	17220/EMERGE		83,555	28,870
Education for Homeless Children and Youth	USDOE	84.196	17257/HMLESS		120,674	109,290
Twenty-First Century Community Learning Centers	USDOE	84.287	17271/21STCE		5,604,283	5,457,965
Special Education - State Personnel Development	USDOE	84.323	17159/GAINSP		255,059	74,498
Advanced Placement Program (Advanced Placement Test Fee: Advanced Placement Incentive Program Grants)	USDOE	84.330	17122/ADVPLC		21,665	1,862
Rural Education	USDOE	84.358	17373/RURLOW & RURSMA		37,166	14,961
English Language Acquisition State Grants	USDOE	84.365	17175/TITLE3		1,134,126	937,627
Mathematics and Science Partnerships	USDOE	84.366	17252/MATHSC		650,314	612,972
Supporting Effective Instruction State Grant	USDOE	84.367	17172/TITL2A		9,945,137	9,915,557
Grants for State Assessments and Related Activities	USDOE	84.369	17171/STATEA		2,957,569	
Statewide Longitudinal Data Systems	USDOE	84.372	17274/LONGDS		563,020	
National Historical Publications and Records Grants	NARA	89.003	17141/NHPRCG		15,812	
National Historical Publications and Records Grants (Match)	NARA	89.003	17545/NHPRCG		-	
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	USDHHS	93.243	17370/AKAWAR		1,351,205	890,427
Head Start	USDHHS	93.600	17330/HEADCO		79,234	
Total for Department of Education and Early Development					214,035,857	158,008,796
Department of Fish and Game						
Wildlife Services	USDA	10.028	15-7440-1188-CA		9,956	
Miscellaneous US Forest Service-Fisheries Research	USDA	10.Unknown	11-CS-11100400-021		4,748	
Miscellaneous US Forest Service-Fisheries Research	USDA	10.Unknown	AG-0109-C-14-0002		92,318	
Miscellaneous US Forest Service-Wildlife Research	USDA	10.Unknown	AG-0109-C-14-0013		5,791	
Miscellaneous US Forest Service-Wildlife Research	USDA	10.Unknown	AG-0116-P-149-0012		1,195	
Miscellaneous US Forest Service-Wildlife Research	USDA	10.Unknown	AG-0120-P-13-0053		30	
Interjurisdictional Fisheries Act of 1986	USDOC	11.407	NA 13NMF4070190		140,405	
Coastal Zone Management Estuarine Research Reserves	USDOC	11.420			16,774	
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	USDOC	11.427	Multiple Awards		308,308	
Pacific Fisheries Data Program	USDOC	11.437	15-50G		2,067,876	
Pacific Fisheries Data Program	USDOC	11.437	Multiple Awards		2,930,435	
Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program	USDOC	11.438	Multiple Awards		9,024,412	1,434,988
Marine Mammal Data Program	USDOC	11.439	NA 11NMF4390200, NA 15NMF4390170		1,968,538	
Regional Fishery Management Councils	USDOC	11.441	IHP 15-008		27,960	
Regional Fishery Management Councils	USDOC	11.441	Multiple Awards		56,719	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

STATE OF ALASKA
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Federal Program Title	Federal Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Subrecipient
Unallied Science Program	USDOC	11.472	15-011 Grant 43366		80,891	
Unallied Science Program	USDOC	11.472	F14ACO1314 (16-045)		26,675	
Unallied Science Program	USDOC	11.472	Multiple Awards		187,307	
Unallied Science Program	USDOC	11.472	Multiple Awards		460,319	
Miscellaneous NOAA-Fisheries Research	USDOC	11.Unknown	RA-133F-15-SE-1438		51,497	
Miscellaneous NOAA-Fisheries Research	USDOC	11.Unknown	WE-133F-14-SE-2811		6,482	
Miscellaneous NOAA-Marine Mammal Research	USDOC	11.Unknown	WE-133F-14-SE-3963		1,218	
Miscellaneous NOAA-Marine Mammal Research	USDOC	11.Unknown	WE-133F-14-SE-4018		1,484	
Miscellaneous NOAA-Marine Mammal Research	USDOC	11.Unknown	WE-133R-15-SE-1025		32,142	
Miscellaneous Army-Wildlife Research	USDOD	12.Unknown	W911KB-11-P-0037		79,601	
Miscellaneous Army-Wildlife Research	USDOD	12.Unknown	W9DO-11-D-003		68,866	
Recreation Resource Management	USDOI	15.225	L12AC20056 WC ID: IHP-13-020		6,687	
Fish, Wildlife and Plant Conservation Resource Management	USDOI	15.231	Multiple Awards		214,407	
Challenge Cost Share	USDOI	15.238	L14AC00329		18,572	
Sport Fish Restoration	USDOI	15.605		F&WC	18,383,226	809,089
Fish and Wildlife Management Assistance	USDOI	15.608			554,313	
Wildlife Restoration and Basic Hunter Education	USDOI	15.611		F&WC	21,995,181	
Cooperative Endangered Species Conservation Fund	USDOI	15.615	Multiple Awards		90,584	
Clean Vessel Act	USDOI	15.616	F04AP00020		76,110	69,723
Enhanced Hunter Education and Safety	USDOI	15.626	AKW-8 F15AF00571		77,352	
Multistate Conservation Grant	USDOI	15.628	COOP-13-084		11,232	
State Wildlife Grants	USDOI	15.634			2,329,546	
Alaska Subsistence Management	USDOI	15.636			1,180,387	
Alaska Migratory Bird Co-Management Council	USDOI	15.643	F12AC00653		70,547	
Service Training and Technical Assistance (Generic Training)	USDOI	15.649	F14AC01314		13,569	
National Fish and Wildlife Foundation	USDOI	15.663	0801.13.041134		56,295	
Coastal Impact Assistance	USDOI	15.668	Multiple Awards		762,565	
Adaptive Science	USDOI	15.670	COOP-15-110		3,712	
U.S. Geological Survey_ Research and Data Collection	USDOI	15.808	G15AC00197		11,441	
Rivers, Trails and Conservation Assistance	USDOI	15.921	P15AC01761		6,981	
Cooperative Research and Training	USDOI	15.945	Multiple Awards		96,596	
Programs--Resources of the National Park System						
Miscellaneous Fish & Wildlife Service-Alaska Peninsula Moose Collaring	USDOI	15.Unknown	F15PX00764		18,805	
Miscellaneous Fish & Wildlife Service -Kodiak Goat Capture	USDOI	15.Unknown	F15PX01731		27,639	
Miscellaneous Fish & Wildlife Service	USDOI	15.Unknown	F16PX00352		9,187	
Miscellaneous United State Geological Survey	USDOI	15.Unknown	G15AC00012		66,395	
Miscellaneous Minerals Management Service-Marine Mammal Research - Walrus	USDOI	15.Unknown	M09PC00027		17,446	
Miscellaneous Bureau of Safety and Environmental Enforcement-Marine Mammal Research - Whale	USDOI	15.Unknown	M12PC00005		330,517	
Miscellaneous Bureau of Safety and Environmental Enforcement-Marine Mammal Research - Seal	USDOI	15.Unknown	M13PC00015		287,884	
Miscellaneous Minerals Management Service-Marine Mammal Research - Walrus	USDOI	15.Unknown	P15PX03313		13,695	
Education	NASA	43.008	NNX15A T2A/RSA4560758		-	
Geosciences	NSF	47.050	1518563/RSA4560782	R&DC	-	
Miscellaneous Homeland Security - M/V Selendang	USDHS	97.Unknown	FPNJ05003		1,654	
Oil Spill Response						
Total for Department of Fish and Game					64,384,472	2,313,800
Department of Health and Social Services						
Supplemental Nutrition Assistance Program	USDA	10.551		SNAP	172,365,015	
School Breakfast Program	USDA	10.553		CNC	-	
National School Lunch Program	USDA	10.555		CNC	-	
Special Supplemental Nutrition Program for Women, Infants, and Children	USDA	10.557			18,975,833	4,512,282

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

STATE OF ALASKA
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Federal Program Title	Federal Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Subrecipient
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	USDA	10.561		SNAP	10,490,861	14,811
Commodity Supplemental Food Program	USDA	10.565		FDC	163,081	130,576
Commodity Supplemental Food Program (Food Commodities)	USDA	10.565		FDC	425,267	425,267
WIC Farmers' Market Nutrition Program (FMNP)	USDA	10.572			114,993	
Senior Farmers Market Nutrition Program	USDA	10.576			79,710	73,174
ARRA-WIC Grants To States (WGS)	USDA	10.578	WISA-09-AK-01		3,787	
Child Nutrition Discretionary Grants Limited Availability	USDA	10.579			-	
Juvenile Accountability Block Grants	USDOJ	16.523			130,966	
Juvenile Justice and Delinquency Prevention_Allocation to States	USDOJ	16.540			498,552	352,046
WIA/WIOA Youth Activities	USDOL	17.259		WIAC	-	
State and Community Highway Safety	USDOT	20.600		HSC	-	
Special Education_Grants to States	USDOE	84.027		SEC	-	
Special Education-Grants for Infants and Families	USDOE	84.181			2,324,899	1,633,031
Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	USDHHS	93.041			47,503	
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	USDHHS	93.042			79,350	
Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	USDHHS	93.043			110,210	110,210
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	USDHHS	93.044		AC	2,200,947	1,586,291
Special Programs for the Aging_Title III, Part C_Nutrition Services	USDHHS	93.045		AC	2,733,255	2,633,398
Special Programs for the Aging_Title IV and Title II_Discretionary Projects	USDHHS	93.048			186,509	70,967
National Family Caregiver Support, Title III, Part E	USDHHS	93.052			722,480	722,480
Nutrition Services Incentive Program	USDHHS	93.053		AC	391,810	
Public Health Emergency Preparedness	USDHHS	93.069			4,171,594	785,071
Medicare Enrollment Assistance Program	USDHHS	93.071			31,085	10,000
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	USDHHS	93.074			-	
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	USDHHS	93.079			58,412	
Guardianship Assistance	USDHHS	93.090			555,707	
Affordable Care Act (ACA) Personal Responsibility Education Program	USDHHS	93.092			256,639	
Maternal and Child Health Federal Consolidated Programs	USDHHS	93.110			548,718	2,000
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	USDHHS	93.116			588,108	
Emergency Medical Services for Children	USDHHS	93.127			262,363	
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	USDHHS	93.130			227,667	
Injury Prevention and Control Research and State and Community Based Programs	USDHHS	93.136			352,363	105,000
Projects for Assistance in Transition from Homelessness (PATH)	USDHHS	93.150			225,073	225,000
Grants to States for Loan Repayment Program	USDHHS	93.165			361,405	
Disabilities Prevention	USDHHS	93.184			293,695	
Family Planning_Services	USDHHS	93.217			434,770	90,000
Traumatic Brain Injury State Demonstration Grant Program	USDHHS	93.234			215,968	152,235
Grants to States to Support Oral Health Workforce Activities	USDHHS	93.236			68,954	
State Capacity Building	USDHHS	93.240			342,542	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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Federal Program Title	Federal Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Subrecipient
State Rural Hospital Flexibility Program	USDHHS	93.241			789,252	186,976
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	USDHHS	93.243			1,765,274	1,057,537
Universal Newborn Hearing Screening	USDHHS	93.251			272,273	35,000
Immunization Cooperative Agreements (Admin Costs)	USDHHS	93.268			2,098,174	
Immunization Cooperative Agreements (Immunizations)	USDHHS	93.268			11,254,096	
Adult Viral Hepatitis Prevention and Control	USDHHS	93.270			93,982	
Centers for Disease Control and Prevention_Investigations and Technical Assistance	USDHHS	93.283			2,855,893	
Teenage Pregnancy Prevention Program	USDHHS	93.297			60,827	
Small Rural Hospital Improvement Grant Program	USDHHS	93.301			131,771	
National State Based Tobacco Control Programs	USDHHS	93.305			633,663	
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	USDHHS	93.323			646,968	
State Health Insurance Assistance Program	USDHHS	93.324			251,328	27,327
Behavioral Risk Factor Surveillance System	USDHHS	93.336			251,050	
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	USDHHS	93.505			1,770,900	
ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers	USDHHS	93.506			1,358	
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreement: PPHF	USDHHS	93.521			879,980	
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	USDHHS	93.539			268,027	
Promoting Safe and Stable Families	USDHHS	93.556			255,895	287,116
Temporary Assistance for Needy Families	USDHHS	93.558		TANFC	36,489,449	166,904
Low-Income Home Energy Assistance	USDHHS	93.568			10,159,777	
Child Care and Development Block Grant	USDHHS	93.575		CCC	12,537,830	2,585,835
Community-Based Child Abuse Prevention Grants	USDHHS	93.590			487,620	437,060
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	USDHHS	93.596		CCC	8,030,521	4,209,495
Chafee Education and Training Vouchers Program (ETV)	USDHHS	93.599			167,560	
Adoption and Legal Guardianship Incentive Payments	USDHHS	93.603			784,807	
Developmental Disabilities Basic Support and Advocacy Grants	USDHHS	93.630			356,932	
Developmental Disabilities Projects of National Significance	USDHHS	93.631			376,128	
Children's Justice Grants to States	USDHHS	93.643			92,271	
Stephanie Tubbs Jones Child Welfare Services Program	USDHHS	93.645			154,725	97,321
Foster Care_Title IV-E	USDHHS	93.658			18,542,713	
Adoption Assistance	USDHHS	93.659			16,933,392	
Social Services Block Grant	USDHHS	93.667			7,705,740	670,546
Child Abuse and Neglect State Grants	USDHHS	93.669			79,756	
Chafee Foster Care Independence Program	USDHHS	93.674			741,663	98,701
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by the Prevention and Public Health Fund (PPHF)	USDHHS	93.733			1,322,219	
State Public Health Approaches for Ensuring Quitline Capacity Funded in part by Prevention and Public Health Funds (PPHF)	USDHHS	93.735			49,349	

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Federal Program Title	Federal Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Subrecipient
Elder Abuse Prevention Interventions Program	USDHHS	93.747			202,866	
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	USDHHS	93.757			87,571	
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	USDHHS	93.758			491,189	
Children's Health Insurance Program	USDHHS	93.767			26,702,730	
Medicare_Hospital Insurance	USDHHS	93.773			973,590	
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	USDHHS	93.777		MC	389,982	
Medical Assistance Program	USDHHS	93.778		MC	1,185,203,398	
Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	USDHHS	93.815			269,477	
Hospital Preparedness Program (HPP) and Ebola Preparedness and Response Activities	USDHHS	93.817			364,878	
Section 223 Demonstration Programs to Improve Community Mental Health Services	USDHHS	93.829			279,926	132,934
National Bioterrorism Hospital Preparedness Program	USDHHS	93.889			1,000,607	
Grants to States for Operation of Offices of Rural Health	USDHHS	93.913			150,772	
HIV Care Formula Grants	USDHHS	93.917			1,351,765	695,908
Healthy Start Initiative	USDHHS	93.926			384,163	307,588
HIV Prevention Activities_Health Department Based	USDHHS	93.940			955,964	364,426
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	USDHHS	93.944			104,298	
Assistance Programs for Chronic Disease Prevention and Control	USDHHS	93.945			882,877	
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	USDHHS	93.946			166,957	
Block Grants for Community Mental Health Services	USDHHS	93.958			482,050	546,158
Block Grants for Prevention and Treatment of Substance Abuse	USDHHS	93.959			6,071,810	5,984,009
Preventive Health Services_Sexually Transmitted Diseases Control Grants	USDHHS	93.977			348,206	
Maternal and Child Health Services Block Grant to the States	USDHHS	93.994			1,305,616	3,917
Association of State and Territorial Health Officials (ASTHO)	USDHHS	93.Unknown	8612323		12,403	
NIOSH Center for Disease Control & Prevention	USDHHS	93.Unknown	214-2016-M-89542		6,815	
Mammography Inspection	USDHHS	93.Unknown	223-03-4401		21,210	
Total for Department of Health and Social Services					1,588,544,374	31,528,597
Department of Labor and Workforce Development						
Labor Force Statistics	USDOL	17.002	LSTATS		606,436	
Compensation and Working Conditions	USDOL	17.005	WRKCON		90,798	
Employment Service/Wagner-Peyser Funded Activities	USDOL	17.207	ONESTP, WAGPEY, DEI0ES	ESC	8,132,999	
Unemployment Insurance	USDOL	17.225	UI000		176,060,570	
Senior Community Service Employment Program	USDOL	17.235	SCSEP0, RS765000		1,711,874	884,956
Trade Adjustment Assistance	USDOL	17.245	TAA000		24,449	
WIA/WIOA Adult Program	USDOL	17.258	WIAADT, WIOAAD	WIAC	2,362,512	
WIA/WIOA Youth Activities	USDOL	17.259	WIAAYTH, WIOAYO, RS766104, RS766104	WIAC	1,976,053	1,000,219
WIA Pilots, Demonstrations, and Research Projects	USDOL	17.261	WIAPDR		238,060	
H-1B Job Training Grants	USDOL	17.268	WIAAME		178,834	
Work Opportunity Tax Credit Program (WOTC)	USDOL	17.271	WOTC00		62,070	
Temporary Labor Certification for Foreign Workers	USDOL	17.273	LABCER		79,653	

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Federal Program Title	Federal Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Subrecipient
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	USDOL	17.277	WIANEG		632,827	24,963
WIA/WIOA Dislocated Worker Formula Grants	USDOL	17.278	WIA0DW, WIOADW	WIAC	2,089,493	
WIA/WIOA Dislocated Worker National Reserve Technical Assist and Training	USDOL	17.281	WIATAT		40,073	
Occupational Safety and Health_State Program	USDOL	17.503	23G000		1,404,089	
Consultation Agreements	USDOL	17.504	21D000		633,024	
Disabled Veterans' Outreach Program (DVOP)	USDOL	17.801	DVOP00	ESC	482,977	
Local Veterans' Employment Representative Program	USDOL	17.804	LVER00	ESC	145,093	
Adult Education - Basic Grants to States	USDOE	84.002	ABE000, RS765000, RS765601, RS765600		1,169,881	748,491
Special Education_Grants to States	USDOE	84.027	RS560012 Braille from DEED	SEC	-	95,000
Federal Pell Grant Program	USDOE	84.063	PELLGR	SFAC	323,545	
Rehabilitation Services_Vocational Rehabilitation Grants to States	USDOE	84.126	BASSUP		10,499,793	137,997
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	USDOE	84.177	ILOBLN		227,195	212,700
Supported Employment Services for Individuals with the Most Significant Disabilities	USDOE	84.187	SUPEMP		232,782	
Federal Direct Student Loans	USDOE	84.268	DIRLON	SFAC	200,334	
Denali Commission Program	DC	90.100	Denali		14,411	
ACL Independent Living State Grants	USDHHS	93.369	ILPRTB		298,850	294,315
ACL Assistive Technology	USDHHS	93.464	ASTECH		413,636	407,300
Social Security_Disability Insurance	SSA	96.001	SSDINS	DISSIC	4,670,485	
Supplemental Security Income	SSA	96.006	SSIREI	DISSIC	1,108,272	
Social Security - Work Incentives Planning and Assistance Program	SSA	96.008	TICKET2WORK function		109,054	
Career and Technical Education-Basic Grants to States	USDOE	84.048A	RS560010, RS560102, RS560084, RS560159		-	
Total for Department of Labor and Workforce Development					216,220,122	3,805,941
Department of Military and Veterans' Affairs						
School Breakfast Program	USDA	10.553	RSA 0560083	CNC	-	
National School Lunch Program	USDA	10.555	RSA 0560083	CNC	-	
Meteorologic and Hydrologic Modernization Development	USDOD	11.467	20NOAA		341,645	
National Guard Military Operations and Maintenance (O&M) Projects	USDOD	12.401			9,953,731	
National Guard Challenge Program	USDOD	12.404	50AMYA		3,205,739	
WIA/WIOA Youth Activities	USDOL	17.259	RSA 0766116	WIAC	-	
Interagency Hazardous Materials Public Sector Training and Planning Grants	USDOT	20.703	20HMEP		54,828	
Veterans Transportation Project	USDVA	64.035	6TRANS		214,190	187,345
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	USDHS	97.036	DRF - PA		6,596,904	7,233,078
Hazard Mitigation Grant	USDHS	97.039	DRF - HM		1,004,694	932,738
Emergency Management Performance Grants	USDHS	97.042	20EMPG		3,014,118	831,477
Cooperating Technical Partners	USDHS	97.045	20NCTP		17,226	
Pre-Disaster Mitigation	USDHS	97.047	200PDM		254,211	82,923
Homeland Security Grant Program	USDHS	97.067	20SHSP		4,052,964	3,120,458
Total for Department of Military and Veterans' Affairs					28,710,250	12,388,019
Department of Natural Resources						
Plant and Animal Disease, Pest Control, and Animal Care	USDA	10.025			93,620	
Market Protection and Promotion	USDA	10.163			32,417	
Specialty Crop Block Grant Program - Farm Bill	USDA	10.170			179,969	15,883
Organic Certification Cost Share Programs	USDA	10.171	15NOCCSAK0002		12,542	
Cooperative Forestry Assistance	USDA	10.664			3,707,940	396,598
Forest Legacy Program	USDA	10.676			3,240	
Forest Health Protection	USDA	10.680			67,923	
Plant Materials for Conservation	USDA	10.905			66,604	
USFS Fire Suppression (AKDF070002)	USDA	10.Unknown	10FI11100100040		8,469,745	
Hotshot Crew	USDA	10.Unknown	12PA11100100009		162,355	

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Federal Program Title	Federal Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Subrecipient
Renewable Wood Energy	USDA	10.Unknown	14-JV-11261935-070		15,339	
Young Growth for SE	USDA	10.Unknown	15CS11100106809		362,568	
Tanana Valley FIA Inventory	USDA	10.Unknown	15JV11261939053		124,972	
Forest Inventory Analysis	USDA	10.Unknown	2016JV11261919028		85,861	
Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program	USDOC	11.438			-	
OHA Wake Island	USDOD	12.Unknown	F1W6CC3262M001		121	
Cultural and Paleontological Resources Management	USDOI	15.224			18,879	
Fish, Wildlife and Plant Conservation Resource Management	USDOI	15.231			33,856	
Environmental Quality and Protection Resource Management	USDOI	15.236			55,446	
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	USDOI	15.250			371,732	
Abandoned Mine Land Reclamation (AMLR) Program	USDOI	15.252			3,138,164	
Federal Oil and Gas Royalty Management State and Tribal Coordination	USDOI	15.427			90,098	
Coastal	USDOI	15.630	F15AC01170		46,331	
Coastal Impact Assistance	USDOI	15.668			1,643,097	
U.S. Geological Survey_Research and Data Collection	USDOI	15.808			1,017,369	
National Cooperative Geologic Mapping	USDOI	15.810			227,026	
National Geological and Geophysical Data Preservation	USDOI	15.814	G13AP00073		37,596	
ARRA-Volcano Hazards Program Research and Monitoring	USDOI	15.818			426,617	
Energy Cooperatives to Support the National Coal Resources Data System (NCRDS)	USDOI	15.819			2,810	
Historic Preservation Fund Grants-In-Aid	USDOI	15.904			1,253,281	173,586
Outdoor Recreation_Acquisition, Development and Planning	USDOI	15.916			185,924	43,600
National Maritime Heritage Grants	USDOI	15.925	P15AP00100		1,516	
Cooperative Research and Training Programs--Resources of the National Park System	USDOI	15.945	P15AC01879		37,479	
Cultural Resources Management	USDOI	15.946	P15AC01500		12,898	
BLM Fire Suppression	USDOI	15.Unknown	AK-2010-0001		15,830,851	
Inwin Project MP398280	USDOI	15.Unknown	Inwin Project		49,026	
Recreational Trails Program	USDOT	20.219		HPCC	1,237,874	589,389
Glen Highway Cultural Resource Survey	USDOT	20.Unknown	DTHF70-13-E-00026		52,207	
Geosciences	NSF	47.050		R&DC	-	
Boating Safety Financial Assistance	USDHS	97.012			915,211	
State Access to the Oil Spill Liability Trust Fund	USDHS	97.013			1,908	
National Dam Safety Program	USDHS	97.041			72,092	
Total for Department of Natural Resources					40,144,504	1,219,056
Department of Administration						
Missing Children's Assistance	USDOS	16.543	AK10900-14-1014S		10,300	
Crime Victim Compensation	USDOS	16.576	2014VCGX0030, 2015VCGX0007		523,831	
Juvenile Mentoring Program	USDOS	16.726	AK10900-13-0615-F2		21,100	
Donation of Federal Surplus Personal Property	GSA	39.003			1,619,592	
State Underground Water Source Protection	EPA	66.433	G00J693030		122,000	
Total for Department of Administration					2,296,823	-
Department of Corrections						
Residential Substance Abuse Treatment for State Prisoners	USDOS	16.593	2014-R-BX-0021		49,325	
State Criminal Alien Assistance Program	USDOS	16.606	2015-H1169-AK-AP		94,847	
Swift, Certain, and Fair (SCF) Sanctions Program: Replicating the Concepts behind Project HOPE	USDOS	16.828	2014-MU-BX-K007		126,211	
Adult Education - Basic Grants to States	USDOE	84.002	FY2012-18		-	

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Federal Program Title	Federal Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Subrecipient
Incentive Payment Agreement (IPMOU) between SSA and DOC	SSA	96.Unknown	IPMOU		53,000	
Career and Technical Education-Basic Grants to States	USDOE	84.048A	NT1517501		-	
Career and Technical Education-Basic Grants to States	USDOE	84.048A	V048A100002		-	
Total for Department of Corrections					323,383	-
Department of Revenue						
Child Support Enforcement	USDHHS	93.563			18,843,460	
Total for Department of Revenue					18,843,460	-
Department of Transportation and Public Facilities						
Ketchikan Airport Bridge and Geotech	USDA	10.Unknown	06RO-11100100-129		50,086	
USFS Contract - Fish passageways on Mitkof, Hydaburg, and Yakutat Highways	USDA	10.Unknown	USFS 07-RO-11100100-076		54,316	
National Guard Military Operations and Maintenance (O&M) Projects	USDOD	12.401			3,900,576	
Airport Improvement Program	USDOT	20.106			137,962,713	
Highway Research and Development Program	USDOT	20.200			911,835	
Highway Planning and Construction	USDOT	20.205		HPCC	647,268,855	3,491,078
Highway Training and Education	USDOT	20.215			224,950	
National Motor Carrier Safety	USDOT	20.218			922,110	
Performance and Registration Information Systems Management	USDOT	20.231			69,439	
Border Enforcement Grants	USDOT	20.233			224,795	
Safety Data Improvement Program	USDOT	20.234			89,444	
Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	USDOT	20.237			413,495	
Fuel Tax Evasion-Intergovernmental Enforcement Effort	USDOT	20.240			95,428	
Federal Transit Capital Investment Grants	USDOT	20.500		FTC	504,232	192,856
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	USDOT	20.505			353,166	180,650
Formula Grants for Rural Areas	USDOT	20.509			6,406,656	5,398,375
Enhanced Mobility of Seniors and Individuals with Disabilities	USDOT	20.513		TSPC	361,083	256,562
Job Access and Reverse Commute Program	USDOT	20.516		TSPC	116,781	
New Freedom Program	USDOT	20.521		TSPC	20,292	19,435
State and Community Highway Safety	USDOT	20.600		HSC	927,465	307,706
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	USDOT	20.608			2,552,170	162,546
State Traffic Safety Information System	USDOT	20.610		HSC	120,644	
Improvement Grants						
Incentive Grant Program to Increase Motorcyclist Safety	USDOT	20.612		HSC	17,850	17,850
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	USDOT	20.614			39,207	
National Priority Safety Programs	USDOT	20.616		HSC	751,085	380,753
Snug Harbor Road	USDOT	20.Unknown	DTFH70-13-E-00018		354,239	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	USDHS	97.036			1,116,519	
Total for Department of Transportation and Public Facilities					805,829,431	10,407,811
Department of Public Safety						
State and Local Implementation Grant Program	USDOC	11.549			56,704	
National Marine Fisheries Joint Enforcement Agreement	USDOC	11.Unknown	11.04 and NMFS-JEA		1,199,063	
Sexual Assault Services Formula Program	USDOJ	16.017			288,685	278,925
Justice Systems Response to Families	USDOJ	16.021			82,100	73,358
Supervised Visitation, Safe Havens for Children	USDOJ	16.527			71,582	52,691
Missing Children's Assistance	USDOJ	16.543			51,877	
National Criminal History Improvement Program (NCHIP)	USDOJ	16.554			377,983	

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Federal Program Title	Federal Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Subrecipient
Crime Victim Assistance	USDOJ	16.575			1,677,224	1,599,751
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	USDOJ	16.580			58,850	
Crime Victim Assistance/Discretionary Grants	USDOJ	16.582			22,345	
Violence Against Women Formula Grants	USDOJ	16.588			901,753	349,597
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	USDOJ	16.590			256,555	249,300
Edward Byrne Memorial Justice Assistance Grant Program	USDOJ	16.738			708,004	212,609
DNA Backlog Reduction Program	USDOJ	16.741			281,220	
Paul Coverdell Forensic Sciences Improvement Grant Program	USDOJ	16.742			60,971	
Support for Adam Walsh Act Implementation Grant Program	USDOJ	16.750			4	
Equitable Sharing Program	USDOJ	16.922			116,490	
Highway Planning and Construction	USDOT	20.205		HPCC	-	
State and Community Highway Safety	USDOT	20.600		HSC	-	
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	USDOT	20.608			-	
State Traffic Safety Information System Improvement Grants	USDOT	20.610		HSC	-	
National Priority Safety Programs	USDOT	20.616		HSC	-	
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	USDHHS	93.671			549,500	515,078
State Fire Training Systems Grants	USDHS	97.043			13,440	
Assistance to Firefighters Grant	USDHS	97.044			200,643	
Homeland Security Grant Program	USDHS	97.067			24,795	
Total for Department of Public Safety					6,999,788	3,331,309
Department of Law						
Violence Against Women Formula Grants	USDOJ	16.588			-	
State Medicaid Fraud Control Units	USDHHS	93.775		MC	1,052,425	
Total for Department of Law					1,052,425	-
Office of the Governor						
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	EEOC	30.002			201,000	
Help America Vote Act Requirements Payments	EAC	90.401			872,051	
Voting Access for Individuals with Disabilities_Grants to States	USDHHS	93.617			11,116	
Total for Office of the Governor					1,084,167	-
University of Alaska						
Plant and Animal Disease, Pest Control, and Animal Care	USDA	10.025	G00010253	R&DC	14,837	
Federal-State Marketing Improvement Program	USDA	10.156	G00010524	R&DC	30,763	
Grants for Agricultural Research, Special Research Grants	USDA	10.200	2014-48757-22607	R&DC	7,100	
Cooperative Forestry Research	USDA	10.202	G00008984	R&DC	803,990	
Payments to Agricultural Experiment Stations Under the Hatch Act	USDA	10.203	G00008980	R&DC	971,130	
Sustainable Agriculture Research and Education	USDA	10.215	2012-38640-19581	R&DC	47,189	
Higher Education - Institution Challenge Grants Program	USDA	10.217	2013-70003-20921		28,527	
Alaska Native Serving and Native Hawaiian Serving Institutions Education Grants	USDA	10.228	G00009631	R&DC	1,400,827	90,108
Homeland Security_Agricultural	USDA	10.304	2012-37620-19626		13,738	
Agriculture and Food Research Initiative (AFRI)	USDA	10.310	G00007266	R&DC	474,793	3,852
Crop Protection and Pest Management Competitive Grants Program	USDA	10.329	G00009765		146,769	
Outreach and Assistance for Socially Disadvantaged and Veteran Farmers and Ranchers	USDA	10.443	G00010390		38,876	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

STATE OF ALASKA
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Federal Program Title	Federal Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Subrecipient
Cooperative Extension Service	USDA	10.500	2010-48661-21868		2,088,698	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	USDA	10.561	G00010308	SNAP	299,947	
SNAP Partnership Grant	USDA	10.577	12-3505-0-1-605		13,800	
Forestry Research	USDA	10.652	PG 16-65035-01	R&DC	41,718	
Wood Utilization Assistance	USDA	10.674	G00010240	R&DC	13,986	
Forest Health Protection	USDA	10.680	G00010155	R&DC	218,699	
National Fish and Wildlife Foundation	USDA	10.683	U.S. Forest Svc (FC A037)		(50,000)	
Watershed Restoration and Enhancement Agreement Authority	USDA	10.693	G00010375	R&DC	4,948	
Rural Cooperative Development Grants	USDA	10.771	G00010519		86,968	
Soil and Water Conservation	USDA	10.902	G00010481	R&DC	14,202	
Soil Survey	USDA	10.903	G00008208	R&DC	6,141	
GIS Library & SEAK Hydro	USDA	10.Unknown	G00007725		49,298	
ACRC Director Support	USDA	10.Unknown	G00008142		22,608	
Carbon Fluxex in the PCTR YR2	USDA	10.Unknown	G00008893	R&DC	23,738	
Specialty Wood Products in SE AK	USDA	10.Unknown	G00008916	R&DC	3,241	
Monitoring TV State Forest	USDA	10.Unknown	G00009133	R&DC	28,377	
Wood Energy in AK	USDA	10.Unknown	G00009170	R&DC	31,373	
Cofiring wood pellets with coal	USDA	10.Unknown	G00009612	R&DC	17,580	
AKEPIC Upgrade	USDA	10.Unknown	G00009667	R&DC	(40)	
Tongass Rare Plant Species Assessment	USDA	10.Unknown	G00009709	R&DC	4,682	
Bridge Inspection IARC	USDA	10.Unknown	G00010109	R&DC	9,271	
Carbon Cycle in AK PCTR G10250	USDA	10.Unknown	G00010250	R&DC	58,690	
Stream Discharge G10255	USDA	10.Unknown	G00010255	R&DC	24,669	
Interior Reindeer Herding	USDA	10.Unknown	G00010394		50,526	
Plant ID Chugach USDA FS	USDA	10.Unknown	G00010406		2,500	
Water birds on the Copper River Delta	USDA	10.Unknown	G00010530	R&DC	3,123	
Wicking Fabric-Forest Service Lands	USDA	10.Unknown	G00010854	R&DC	801	
NOAA Mission-Related Education Awards	USDOC	11.008	G00008342	R&DC	18,286	
Ocean Exploration	USDOC	11.011	G00010432	R&DC	486,399	14,007
Integrated Ocean Observing System (IOOS)	USDOC	11.012	G00009871	R&DC	1,683,962	220,016
Economic Development_Technical Assistance	USDOC	11.303	G00008357		120,916	
Sea Grant Support	USDOC	11.417	G00009215	R&DC	1,700,849	144,854
Coastal Zone Management Estuarine Research Reserves	USDOC	11.420	G00010209	R&DC	518,899	
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	USDOC	11.427	Lisa Busch, SSSC 907-747-8878 Ext. 5	R&DC	129,329	
Climate and Atmospheric Research	USDOC	11.431	G00007710	R&DC	1,635,914	
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	USDOC	11.432	G00008751	R&DC	1,443,194	
Pacific Fisheries Data Program	USDOC	11.437	PSMFC Contract No. 16-109C	R&DC	51,290	
Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program	USDOC	11.438	G00009305	R&DC	118,059	
Marine Mammal Data Program	USDOC	11.439	FFO NOAA-NMFS-AK-2015-2004372	R&DC	430,326	
Unallied Industry Projects	USDOC	11.452	16-103G	R&DC	156,486	
Special Oceanic and Atmospheric Projects	USDOC	11.460	G00004916	R&DC	6,753	6,764
Habitat Conservation	USDOC	11.463	G00010365	R&DC	34,469	
Meteorologic and Hydrologic Modernization Development	USDOC	11.467	G00010473	R&DC	191,684	
Unallied Science Program	USDOC	11.472	NA12NMF4720028	R&DC	1,848,750	
NOAA Programs for Disaster Relief Appropriations Act - Non-construction and Construction	USDOC	11.483	G00009379	R&DC	415,227	102,678
Facilitating a Workshop	USDOC	11.Unknown	0209465		8,945	
NOAA Mission-Related Education Awards	USDOC	11.Unknown	G00010263	R&DC	158,098	
Procurement Technical Assistance For Business Firms	USDOD	12.002	G00010137		457,645	
Basic and Applied Scientific Research	USDOD	12.300	G00009371	R&DC	3,319,549	19,536

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

STATE OF ALASKA
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Federal Program Title	Federal Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Subrecipient
Basic, Applied, and Advanced Research in Science and Engineering	USDOD	12.630	G00009741	R&DC	85,916	
Air Force Defense Research Sciences Program	USDOD	12.800	G00008200	R&DC	36,773	
Language Grant Program	USDOD	12.900	G00010880		2,740	
Information Security Grants	USDOD	12.902	G00009698		198,981	
Nitrate and EDOM Sensors	USDOD	12.Unknown	G00009950	R&DC	54,766	
NACT	USDOD	12.Unknown	G00010031	R&DC	2,907,434	
AFRLMT	USDOD	12.Unknown	G00010213	R&DC	89,290	
Arctic Collaborative Workshop 2016	USDOD	12.Unknown	G00010756		20,107	
2014 OMK thru Army	USDOD	12.Unknown	W912HQ-11-0015	R&DC	420,868	
Partners in Growth	HUD	14.Unknown	G00008210		20,724	
Tribal Climate Resilience	USDOI	15.156	G00010525	R&DC	35,292	
Cultural and Paleontological Resources Management	USDOI	15.224	G00006717		1,373,185	
Recreation Resource Management	USDOI	15.225	G00008074	R&DC	344,229	7,327
Invasive and Noxious Plant Management	USDOI	15.230	G00009666	R&DC	140	
Fish, Wildlife and Plant Conservation Resource Management	USDOI	15.231	BLM (FA A056)	R&DC	1,113,194	
Wildland Fire Research and Studies	USDOI	15.232	G00009722	R&DC	333,227	77,402
Environmental Quality and Protection Resource Management	USDOI	15.236	G00009721	R&DC	91,555	
Rangeland Resource Management	USDOI	15.237	G00006019	R&DC	32,670	
Challenge Cost Share	USDOI	15.238	G00009440		63,171	
Alaska Coastal Marine Institute	USDOI	15.421		R&DC	2,171,123	204,234
Bureau of Ocean Energy Management (BOEM)	USDOI	15.423		R&DC	1,550,406	124,285
Environmental Studies (ES)						
Fish and Wildlife Management Assistance	USDOI	15.608	FC A037	R&DC	393,278	
Wildlife Restoration and Basic Hunter Education	USDOI	15.611	G00010262	F&WC	21,800	
Coastal	USDOI	15.630	G00010673	R&DC	47,229	
State Wildlife Grants	USDOI	15.634	G00010072	R&DC	666,068	
Alaska Subsistence Management	USDOI	15.636	G00009301	R&DC	161,856	
Service Training and Technical Assistance (Generic Training)	USDOI	15.649	G00010003	R&DC	59,524	10,035
Research Grants (Generic)	USDOI	15.650	G00007202	R&DC	10,937	
Migratory Bird Monitoring, Assessment and Conservation	USDOI	15.655	G00010827	R&DC	115,494	
National Fish and Wildlife Foundation	USDOI	15.663	G00007654	R&DC	18,154	
Coastal Impact Assistance	USDOI	15.668	G00007317	R&DC	668,896	
Cooperative Landscape Conservation	USDOI	15.669	G00009376	R&DC	394,082	12,207
Adaptive Science	USDOI	15.670	G00009073	R&DC	97,140	
Assistance to State Water Resources Research Institutes	USDOI	15.805	G00007107	R&DC	105,832	
Earthquake Hazards Program Assistance	USDOI	15.807	G00010021	R&DC	171,837	
U.S. Geological Survey_ Research and Data Collection	USDOI	15.808	G00009710	R&DC	2,400,082	
Cooperative Research Units	USDOI	15.812	G00007003	R&DC	2,032,318	
National Land Remote Sensing_Education	USDOI	15.815	G14AP000002	R&DC	23,497	
Outreach and Research						
National Geospatial Program: Building The National Map	USDOI	15.817	G00009398	R&DC	115,150	
Volcano Hazards Program Research and Monitoring	USDOI	15.818	G00008699	R&DC	721,006	
National Climate Change and Wildlife Science Center	USDOI	15.820	G00009784	R&DC	82,473	
Native American Graves Protection and Repatriation Act	USDOI	15.922	G00009965		12,300	
Cooperative Research and Training Programs--Resources of the National Park System	USDOI	15.945	G00009840	R&DC	820,903	
National Park Service Conservation, Protection, Outreach, and Education	USDOI	15.954	G00010191		49,991	
Consequences of a Changing Climate for Alaska's Boreal Forests (A Continuation of the Bonanza Creek Long-Term Ecological Research Program)	USDOI	15.Unknown	G00007288	R&DC	314,459	
USGS AVO Satellite Support - GI	USDOI	15.Unknown	G00009562	R&DC	34,573	

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STATE OF ALASKA
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Federal Program Title	Federal Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Subrecipient
Stream discharge in NPLCC of SE AK	USDOJ	15.Unknown	G00009575	R&DC	28,829	
Cook Inlet Characterization	USDOJ	15.Unknown	G00010161	R&DC	5,069	
USGS Walrus Survey 2015	USDOJ	15.Unknown	G00010218	R&DC	59,171	
State Justice Statistics Program for Statistical Analysis Centers	USDOJ	16.550	G00009723	R&DC	166,992	
National Institute of Justice Research, Evaluation, and Development Project Grants	USDOJ	16.560	G00008988	R&DC	143,540	
Crime Victim Assistance/Discretionary Grants	USDOJ	16.582	2012-VF-GX-K023	R&DC	27,866	
Juvenile Mentoring Program	USDOJ	16.726	4H NMP 5 - Letter 12/18/14		201,636	
Federal Equitable Sharing UAAPD	USDOJ	16.Unknown	G00006407		85,467	
Senior Community Service Employment Program	USDOL	17.235	G00010339		22,931	
WIOA National Dislocated Worker Grants / WIA	USDOL	17.277	G00010757		30,114	
National Emergency Grants						
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	USDOL	17.282	G00009100		3,807,453	
Mine Health and Safety Grants	USDOL	17.600	G00009793		218,370	
AEECA/ESF PD Programs	USDOS	19.900	G00010492	R&DC	61,518	
Arctic Council SAO Meetings	USDOS	19.Unknown	G00010632		22,541	
Fulbright Arctic Initiative	USDOS	19.Unknown	S-ECAGD-14-CA-1032		12,307	
Highway Research and Development Program	USDOT	20.200	G00008347	R&DC	324,160	
Highway Planning and Construction	USDOT	20.205	G00009996	HPCC	118,182	
University Transportation Centers Program	USDOT	20.701	G00009212	R&DC	957,150	199,419
Pipeline Safety Research Competitive Academic Agreement Program (CAAP)	USDOT	20.724	G00010526	R&DC	34,466	
Transportation Planning, Research and Education	USDOT	20.931	G00009367	R&DC	652,713	
Steel Fiber Reinforced	USDOT	20.Unknown	G00010457	R&DC	9,014	
Science	NASA	43.001		R&DC	14,759,697	146,742
Space Operations	NASA	43.007	G00008389		55,521	
Education	NASA	43.008	G00008884	R&DC	698,275	
Climate Change: NASA's Eyes on the Arctic	NASA	43.Unknown	G00006590	R&DC	8,980	
A Cepheid-Based Distance Delivery	NASA	43.Unknown	G00010608	R&DC	1,782	
Promotion of the Arts_Grants to Organizations and Individuals	NEA	45.024	G00010828		15,002	
Promotion of the Humanities_Federal/State Partnership	NEH	45.129	SO-5057914		774	
Promotion of the Humanities_Division of Preservation and Access	NEH	45.149	G00010744		477	
Engineering Grants	NSF	47.041	AGS-1261659	R&DC	15,585	
Engineering Grants	NSF	47.041	G00009527	R&DC	126,083	
Mathematical and Physical Sciences	NSF	47.049	G00009337	R&DC	163,503	
Geosciences	NSF	47.050		R&DC	22,896,535	920,723
Computer and Information Science and Engineering	NSF	47.070	G00007744	R&DC	51,740	
Biological Sciences	NSF	47.074		R&DC	2,604,902	230,976
Social, Behavioral, and Economic Sciences	NSF	47.075	G00010323	R&DC	201,341	17,728
Education and Human Resources	NSF	47.076		R&DC	3,083,239	283,658
Polar Programs	NSF	47.078		R&DC	3,510,253	77,440
Office of International Science and Engineering	NSF	47.079	G00008958	R&DC	284,584	
Office of Cyberinfrastructure	NSF	47.080	G00008075	R&DC	5,214,635	12,980
Trans-NSF Recovery Act Research Support	NSF	47.082	G00005750	R&DC	3,236,751	
IOS: Circannual Rhythms	NSF	47.Unknown	G00010627	R&DC	12,134	
Small Business Development Centers	SBA	59.037	G00009733		751,157	
Federal and State Technology Partnership Program	SBA	59.058	G00009704		28,599	
Regional Wetland Program Development Grants	EPA	66.461	G00010516	R&DC	18,627	
Science To Achieve Results (STAR) Research Program	EPA	66.509	Subaward 12-866 MOD 3	R&DC	127,177	
Science To Achieve Results (STAR) Fellowship Program	EPA	66.514	G00009759	R&DC	13,000	
Office of Science Financial Assistance Program	ERGY	81.049	G00006529	R&DC	381,301	
Renewable Energy Research and Development	ERGY	81.087	G0152A-A	R&DC	139,765	
Fossil Energy Research and Development	ERGY	81.089	G00001492	R&DC	140,060	
Design Basis Framework	ERGY	81.Unknown	DE-AC36-08GO28308	R&DC	2,355	

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Federal Program Title	Federal Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Subrecipient
WPM DNF code Evaluation and WPN Hydro Support Subcontract	ERGY	81.Unknown	Subaward 649.5249.01 Amend #1	R&DC	35,844	
Adult Education - Basic Grants to States	USDOE	84.002	G00010290		131,227	
Federal Supplemental Educational Opportunity Grants	USDOE	84.007	G00009467	SFAC	576,284	
Special Education_Grants to States	USDOE	84.027	G00010532	SEC	87,963	
Higher Education_Institutional Aid	USDOE	84.031	G00006887		6,406,462	
Federal Work-Study Program	USDOE	84.033	G00009469	SFAC	424,781	
Impact Aid	USDOE	84.041	G00010761		8,799	
TRIO_Student Support Services	USDOE	84.042	G00006626	TRIOC	456,885	
TRIO_Talent Search	USDOE	84.044	G00007393	TRIOC	332,909	
TRIO_Upward Bound	USDOE	84.047	G00007982	TRIOC	840,814	163,964
Career and Technical Education - Basic Grants to States	USDOE	84.048	G00010196		510,496	
Federal Pell Grant Program	USDOE	84.063	G00009494	SFAC	21,522,539	
TRIO_Educational Opportunity Centers	USDOE	84.066	G00007570	TRIOC	382,746	
Career and Technical Education - Grants to Native Americans and Alaska Natives	USDOE	84.101	V101A130014		24,718	
Federal Direct Student Loans	USDOE	84.268		SFAC	55,892,631	
Alaska Native Educational Programs	USDOE	84.356	G00009677		3,511,267	184,000
English Language Acquisition State Grants	USDOE	84.365	G00008005		270,486	
Supporting Effective Instruction State Grant	USDOE	84.367	Agreement 14-AK01-SEED2014		16,424	
College Access Challenge Grant Program	USDOE	84.378	G00010796		2,400	
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	USDOE	84.379	G00010173	SFAC	54,309	
Strengthening Minority-Serving Institutions	USDOE	84.382	G00007571		347,022	
Transition Programs for Students with Intellectual Disabilities into Higher Education	USDOE	84.407	G00006807		337,078	
Postsecondary Education Scholarships for Veteran's Dependents	USDOE	84.408	G00009325	SFAC	(1,701)	
Investing in Innovation (i3) Fund	USDOE	84.411	G00007733		2,745,803	1,379,848
Architectural and Transportation Barriers Compliance Board	ATBC	88.001	201121454-19-2	R&DC	1,649	
Denali Commission Program	DC	90.100	G00010604	R&DC	31,964	
Special Programs for the Aging_Title IV_and Title II_Discretionary Projects	USDHHS	93.048	G00008130	R&DC	265,131	
Birth Defects and Developmental Disabilities - Prevention and Surveillance	USDHHS	93.073	G00007510		360,329	
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	USDHHS	93.107	G00007653		658,667	529,950
Maternal and Child Health Federal Consolidated Programs	USDHHS	93.110	G00006655		496,033	30,320
Environmental Health	USDHHS	93.113	G00006222		414,437	41,679
Injury Prevention and Control Research and State and Community Based Programs	USDHHS	93.136	G00010327	R&DC	51,735	
Human Genome Research	USDHHS	93.172	G00006875	R&DC	1,875	
Disabilities Prevention	USDHHS	93.184	G00010416	R&DC	74,806	
Traumatic Brain Injury State Demonstration Grant Program	USDHHS	93.234	G00010352		54,002	
State Rural Hospital Flexibility Program	USDHHS	93.241	G00010223		8,186	
Mental Health Research Grants	USDHHS	93.242	G00005628	R&DC	175,736	103,005
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	USDHHS	93.243	G00008925		1,031,898	
Occupational Safety and Health Program	USDHHS	93.262	G00005814	R&DC	274,600	
Alcohol Research Programs	USDHHS	93.273	G00010333	R&DC	392,169	
Drug Abuse and Addiction Research Programs	USDHHS	93.279	5R01DA029002-03	R&DC	(1)	
Teenage Pregnancy Prevention Program	USDHHS	93.297	G00010268	R&DC	25,000	
Minority Health and Health Disparities Research	USDHHS	93.307	G00008798	R&DC	544,587	76,962
Trans-NIH Research Support	USDHHS	93.310	G00009790	R&DC	4,546,427	65,024
Advanced Education Nursing Traineeships	USDHHS	93.358	G00009531		365,527	
Cancer Cause and Prevention Research	USDHHS	93.393	G00009293	R&DC	140,139	20,130
Cancer Research Manpower	USDHHS	93.398	ANTHC-15-U-61682	R&DC	17,024	

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Federal Program Title	Federal Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Subrecipient
ACL National Institute on Disability, Independent Living, and Rehabilitation Research	USDHHS	93.433	487842 E2379	R&DC	10,158	
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	USDHHS	93.505	G00010212		133,066	
Affordable Care Act (ACA) Public Health Training Centers Program	USDHHS	93.516	UWSC8209		59,642	
Temporary Assistance for Needy Families	USDHHS	93.558	Contract DTD 3/25/16	TANFC	25,089	
Developmental Disabilities Projects of National Significance	USDHHS	93.631	G00010260		129,111	
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	USDHHS	93.632	G00008782	R&DC	396,682	
Child Welfare Research Training or Demonstration	USDHHS	93.648	90CT7002-02-00	R&DC	112,178	
Adoption Assistance	USDHHS	93.659	16-746Q-UAA-BS15-00	R&DC	12,150	
Child Abuse and Neglect State Grants	USDHHS	93.669	G00010488		38,205	
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – financed in part by the Prevention and Public Health Fund (PPHF)	USDHHS	93.733	AWD DTD 9/10/15 / ALF NCE 10/2		8,000	
Lung Diseases Research	USDHHS	93.838	G00010293	R&DC	2,992	
Arthritis, Musculoskeletal and Skin Diseases Research	USDHHS	93.846	G00009347	R&DC	113,316	
Extramural Research Programs in the Neurosciences and Neurological Disorders	USDHHS	93.853	G00007938	R&DC	207,511	
Allergy and Infectious Diseases Research	USDHHS	93.855	G00010652	R&DC	28,747	
Biomedical Research and Research Training	USDHHS	93.859		R&DC	5,766,713	137,854
Child Health and Human Development Extramural Research	USDHHS	93.865	G00008863	R&DC	46,280	
Aging Research	USDHHS	93.866	R01AG046811-01	R&DC	12,542	
Demonstration Projects for Indian Health	USDHHS	93.933	HHS-2010-HIS-NARCH-0001	R&DC	28,460	
PPHF Geriatric Education Centers	USDHHS	93.969	U1QHP28706		210,946	
2014 Env Health Info Part (EnHIP)	USDHHS	93. Unknown	G00009767		70	
FY16 Early Childhood Mental Health	USDHHS	93. Unknown	G00010302		16,559	
FY16 Pediatric Principles of Care	USDHHS	93. Unknown	G00010599	R&DC	2,600	
Regional Inventory of Terrestrial Anthropods	USDHHS	93. Unknown	HHSN272201400008C	R&DC	75,800	
Volunteers in Service to America	CNCS	94.013	G00009692		15,302	
AmeriCorps VISTA Umbrella 2016	CNCS	94. Unknown	G00010749		574	
Social Security - Work Incentives Planning and Assistance Program	SSA	96.008	G00008840		89,513	
Centers for Homeland Security	USDHS	97.061	G00009634	R&DC	1,895,309	409,626
Total for University of Alaska					222,288,726	6,069,333
Total Federal Financial Assistance					4,146,381,605	295,544,018

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

STATEWIDE ABBREVIATIONS

A

AAC	Alaska Administrative Code <i>or</i> Alaska Aerospace Corporation
AAL	Actuarial Accrued Liabilities
AAM	Alaska Administrative Manual
AC	Aging Cluster
ACA	Affordable Care Act
ACM	Alaska Construction Manual
ACS	Alaska Court System or Affiliated Computer Systems, Inc.
ACWF	Alaska Clean Water Fund
ADFG	Alaska Department of Fish and Game
ADWF	Alaska Drinking Water Fund
AEA	Alaska Energy Authority
AFRI	Agriculture and Food Research Initiative
AGDC	Alaska Gasline Development Corporation
AHCC	Alaska Housing Capital Corporation
AHE	Alaska Health Enterprise
AHFC	Alaska Housing Finance Corporation
AHSO	Alaska Highway Safety Office
AIAS	Alaska International Airport System
AIDEA	Alaska Industrial Development and Export Authority
AIDS	Acquired Immunodeficiency Virus Syndrome
AK	Alaska
AKEPIC	Alaska Exotic Plants Information Clearinghouse
AJPAY	Alaska State Payroll System
AKSAS	Alaska State Accounting System
ALAE	Allocated Loss Adjustment Expenses
ALDER	Alaska Data Enterprise Reporting
AMBBA	Alaska Municipal Bond Bank Authority
AMHTA	Alaska Mental Health Trust Authority
AMT	Alternative Minimum Tax
APF	Alaska Permanent Fund
APFC	Alaska Permanent Fund Corporation
ARHCT	Alaska Retiree Health Care Trust
ARIES	Alaska's Resource for Integrated Eligibility Services
ARMB	Alaska Retirement Management Board
ARNG FMD	Army Guard Facilities Maintenance Division
ARRA	American Recovery and Investment Act
ARRC	Alaska Railroad Corporation
AS	Alaska Statute
ASD	Administrative Services Division
ASLC	Alaska Student Loan Corporation
ASMI	Alaska Seafood Marketing Institute

ASTHO	Association of State and Territorial Health Officials
ATBC	U.S. Architectural and Transportation Barriers Compliance Board

B

BOEM	Bureau of Ocean Energy Management
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C

CAAP	Competitive Academic Agreement Program
CAFR	Comprehensive Annual Financial Report
CAP	Corrective Action Plan
CAP-SSSE	Community Assistance Program State Support Services Element
CBR	Constitutional Budget Reserve Fund (Alaska)
CBRF	Constitutional Budget Reserve Fund (Alaska)
CCC	Child Care and Development Cluster
CCDF	Child Care and Development Fund
CEO	Chief Executive Officer
CFDA	Catalog of Federal Domestic Assistance
CFO	Chief Financial Officer
CFR	Code of Federal Regulations
CHIP	Children's Health Insurance Program
CIP	Construction in Progress
CISA	Certified Information Systems Auditor
CMS	Centers for Medicare and Medicaid Services
CNC	Child Nutrition Cluster
CNCS	U.S. Corporation for National and Community Services
COBIT	Control Objectives for Information and Related
COPs	Certificates of Participation
CPA	Certified Public Accountant
CY	Calendar Year

D

DAS	Division of Administrative Services
DC	Denali Commission
DCCED	Department of Commerce, Community, and Economic Development (Alaska)
DCP	Deferred Compensation Plan
DCRA	Division of Community and Regional Development
DEC	Department of Environmental Conservation (Alaska)
DEED	Department of Education and Early Development (Alaska)
DFG	Department of Fish and Game (Alaska)
DHSS	Department of Health and Social Services (Alaska)
DISSIC	Disability Insurance/SSI Cluster
DLA	Division of Legislative Audit
DLWD	Department of Labor and Workforce Development (Alaska)

DMVA	Department of Military and Veterans Affairs (Alaska)
DNR	Department of Natural Resources (Alaska)
DOA	Department of Administration (Alaska)
DOC	Department of Corrections (Alaska)
DOF	Division of Finance or Division of Forestry
DOL	Department of Law (Alaska)
DOR	Department of Revenue (Alaska)
DOTPF	Department of Transportation and Public Facilities (Alaska)
DPA	Division of Public Assistance
DPS	Department of Public Safety
DRB	Division of Retirement and Benefits
DVOP	Disabled Veterans' Outreach Program

E

EAC	Election Assistance Commission
EEOC	U.S. Equal Employment Opportunity Commission
EIP	Emerging Infections Program
EIS	Executive Information System
ELC	Epidemiology and Laboratory Capacity for Infection Disease
EPA	U.S. Environmental Protection Agency
ERGY	U.S. Department of Energy
ES	Environmental Studies
ESC	Employment Service Center
ESEA	Elementary and Secondary Education Act
ETA	Employment and Training Administration
ETS	Division of Enterprise Technology Services
ETV	Education and Training Vouchers

F

FAIN	Federal Award Identification Number
FAS	Fixed Asset System
FDC	Food Distribution Cluster
FDIC	Federal Deposit Insurance Corporation
FE	Funding Excess
FFATA	Federal Funding and Accountability and Transparency Act
FFELP	Federal Family Education Loan Program
FFY	Federal Fiscal Year
FHWA	Federal Highway Administration
FIFO	First In First Out
FMIS	Fiscal Management Information System
FMNP	WIC Farmers' Market Nutrition Program
FMS	Finance and Management Services
FTC	Federal Transit Cluster
Fund	Alaska Permanent Fund

FX	Foreign Currency
FX Forward	Foreign currency forward exchange contracts
FY	Fiscal Year

G

GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GASB	Governmental Accounting Standards Board
GASBS	Governmental Accounting Standards Board Statement
GeFONSI	General Fund and Other Non-Segregated Investments
GF	General Fund
GMS	Grants Management System
GOV	Office of the Governor
GSA	U.S. General Services Administration

H

HCS	Health Care Services or Highway Safety Cluster
HOPE	Health Opportunities for People Everywhere
HIV	Human Immunodeficiency Virus
HPCC	Highway Planning and Construction Cluster
HPP	Hospital Preparedness Program
HRA	Health Reimbursement Arrangement
HSC	Highway Safety Cluster
HUD	U.S. Department of Housing and Urban Development

I

IAF	International Airport Fund
IBU	Inlandboatmen's Union
IDEA	Individuals with Disabilities Act
IF	Infrastructure
IHS	Indian Health Service
IMLS	Institute of Museum and Library Services
ININ	Interfaces Inquiry
IOOS	Integrated Ocean Observing System
IPMOU	Incentive Payment Agreement
IRIS	Integrated Resource Information System
ISF	Information Services Fund
ISP	Information Security Policies
IT	Information Technology

J

JRS	Judicial Retirement System
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K

KABTA	Knik Arm Bridge and Toll Authority
KPMG	Klynveld Peat Marwick Goerdeler

L

LAW	Department of Law (Alaska)
LEA	Local Education Agencies
LIBOR	London Interbank Offered Rate
LIHEAP	Low-Income Home Energy Assistance Program
LLC	Limited Liability Company
LNG	Liquid Natural Gas
LUST	Leaking Underground Storage Tanks

M

MC	Medicaid Cluster
MD&A	Management's Discussion and Analysis
MFS	Maintenance of Fiscal Support
MOA	Memorandum of Agreement
MOE	Maintenance of Effort
MOU	Memorandum of Understanding
MSA	Master Settlement Agreement and Final Judgment

N

NABCS	New Alaska Background Check System
NASA	National Aeronautics and Space Administration
NAV	Net Asset Value
NCHIP	National Criminal History Improvement Program
NCRDS	National Coal Resources Data System
NGNMRS	National Guard and Alaska Naval Militia Retirement System (Alaska)
NHTSA	National Highway Traffic Safety Administration
NIST	National Institute of Standards and Technology
No.	Number
NOAA	National Oceanic and Atmospheric Administration
NPR	National Petroleum Reserve
NREL	National Renewable Energy Laboratory
NRSRO	Nationally Recognized Statistical Rating Organization
NSF	National Science Foundation
NTSC	Northern Tobacco Securitization Corporation

O

O&M	Operations and Maintenance
OA	Other Auditors
OAHA	Office of Administrative Hearings
OCS	Office of Children's Services

OD&D	Occupation Death & Disability
OG	Office of the Governor (Alaska)
OIT	Office of Information Technology
OMB	United States Office of Management and Budget
OPEB	Other Post-Employment Benefits
OSEP	Office of Special Education Programs

P

P & P	Policies and Procedures
PATH	Projects for Assistance in Transition from Homelessness
PERS	Public Employees' Retirement System
PERS-DB	Public Employees' Retirement System – Defined Benefits
PERS-DCR	Public Employees' Retirement System – Defined Contribution Retirement
PHEP	Public Health Emergency Preparedness
PI	Program Integrity
PILT	Payment in Lieu of Taxes
PL	Public Law
P.O.	Post Office
PPHF	Prevention and Public Health Fund
Pre-FEED	Pre Front End Engineering
PRPA	Postretirement Pension Adjustment
PSA	Professional Services Agreement

Q

QE	Quarter Ending
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R

R&D	Research and Development
R&DC	Research and Development Center
RE	Revenue Receivables
REAA	Regional Educational Attendance Area and Small Municipal School District
RHF	Retiree Health Fund
RMP	Retiree Major Medical Insurance
RSA	Reimbursable Services Agreement
RSI	Required Supplementary Information

S

SAVE	Systematic Alien Verification for Entitlements
SBA	U.S. Small Business Administration
SBJPA	Small Business Job Protection Act of 1996
SBRF	Statutory Budget Reserve Fund

SBS	Supplemental Benefits System (Alaska)
SCF	Swift, Certain, Fair
SEAK	Southeast Alaska
SEC	Special Education Cluster
SEFA	Schedule of Expenditures of Federal Awards
SFAC	Student Financial Assistance Program Cluster
SFY	State Fiscal Year
SIFMA	Securities Industry and Financial Markets Association
SIR	Self-Insured Retention
SLA	Session Laws of Alaska
SNAP	Supplemental Nutrition Assistance Program Cluster
Social Security	Social Security System
SOP	Standard Operating Procedures
SSA	Social Security Administration
SSI	Supplementary Security Income
STAR	Science To Achieve Results
STD	Sexually Transmitted Disease

T

T&E	Time and Equipment
TAACCCT	Trade Adjustment Assistance Community College and Career Training
TANF	Temporary Assistance for Needy Families
TANFC	TANF Cluster
TEACH	Teacher Assistance for College and Higher Education Grants
The Trustees	APFC's Board Members
TIPS	Treasury Inflation Protected Securities
TLS	Teaching and Learning Support
TMRS	Tax Revenue Management System
TPA	Third-Party Administrator
TRIOC	TRIO Cluster
TRS	Teachers' Retirement System
TRS-DB	Teachers' Retirement System – Defined Benefits
TRS-DCR	Teachers' Retirement System – Defined Contribution Retirement
TSPC	Transit Services Program Cluster
TSRs	Tobacco Settlement Revenues
Treasury	Treasury Division, Department of Revenue (Alaska)

U

UA	University of Alaska
UAAL	Unfunded Actuarial Accrued Liabilities
UAFPD	University of Alaska Fairbanks Police Department
UCF	Unitized Cash Fund and/or Unemployment Compensation Fund
UI	Unemployment Insurance
UofA	University of Alaska

U.S.	United States
UofA	University of Alaska
USC	United States Code
USDA	U.S. Department of Agriculture
USDHHS	U.S. Department of Health and Human Services
USDHS	U.S. Department of Homeland Security
USDOC	U.S. Department of Commerce
USDOD	U.S. Department of Defense
USDOE	U.S. Department of Education
USDOJ	U.S. Department of the Interior
USDOJ	U.S. Department of Justice
USDOL	U.S. Department of Labor
USDOT	U.S. Department of Transportation
USDVA	U.S. Department of Veterans Affairs
USED	U.S. Department of Education
USFS	U.S. Forest Service

V

VE	Value Engineering
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W

WGS	WIC Grants to States
WIA	Workforce Investment Act
WIC	Special Supplemental Nutrition Program for Women, Infants, and Children
WIOA	Workforce Innovation and Opportunity Act
WOTC	Work Opportunity Tax Credit Program