



Alaska Gasline Development Corporation

Financial Statements and Required
Supplementary Information
Year Ended June 30, 2021

Alaska Gasline Development Corporation

Financial Statements and Required Supplementary Information
Year Ended June 30, 2021

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To the Board of Directors
Alaska Gasline Development Corporation
Anchorage, Alaska

Opinions

We have audited the financial statements of the governmental activities and major fund of the Alaska Gasline Development Corporation (the Corporation), a component unit of the State of Alaska, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the governmental activities and major fund of the Corporation, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A, the financial statements present only the Alaska Gasline Development Corporation and do not purport to, and do not, present fairly the financial position of the State of Alaska as of June 30, 2021, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-10 , budgetary comparison information on page 36, and the Schedules of Net Pension and Other Postemployment Benefits (OPEB) Liability and Pension and OPEB Contributions on pages 37-38, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

BDO USA, LLP

Anchorage, Alaska
October 26, 2021

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Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report of the Alaska Gasline Development Corporation ("the Corporation") consists of four sections: *Management's Discussion and Analysis*, the *Basic Financial Statements*, Required Supplemental Information *Schedule of Governmental Fund Revenues, Expenditures & Changes in Fund Balance - Budget to Actual and Combining Statement of Net Position and Combining Statement of Activities Supplemental Information*. The Basic Financial Statements include the government-wide presentation, along with the governmental fund presentation and the Notes to Financial Statements. Summarized financial information for the year ended June 30, 2021 is also presented here in the Management's Discussion and Analysis to facilitate and enhance the understanding of the Corporation's financial position, and the results of operations for the current fiscal year as compared to the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Corporation's annual financial report presents management's discussion and analysis of the financial position and results of operations at and for the fiscal year ended June 30, 2021. This information is being presented to assist the reader in identifying significant financial issues and to provide additional information regarding the activities of the Corporation. This information should be read in conjunction with the Independent Auditors' Report, the audited financial statements and accompanying notes.

BASIC FINANCIAL STATEMENTS

The government-wide financial statements of the Corporation, which include the *Statement of Net Position (Exhibit A)* and the *Statement of Activities (Exhibit B)*, are presented to display information about the Corporation as a whole and are prepared using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The governmental fund financial statements of the Corporation, which include the *Governmental Fund Balance Sheet (Exhibit A)* and the *Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances (Exhibit B)*, are presented using the current financial resources measurement focus and the modified accrual basis of accounting which measures cash and other financial assets that can be readily converted to cash. Revenues are recognized when they become both measurable and available to finance expenditures and expenditures are recognized when they occur.

Differences between the government-wide and governmental fund financial statements are reconciled within Exhibits A and B. The adjustments are related to the timing of when expenses are recognized.

The *Statement of Net Position (Exhibit A)* provides information on the financial health of the Corporation and includes all assets and liabilities. Over time, changes in Net Position may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

The *Statement of Activities (Exhibit B)* accounts for all fiscal year revenues, expenses and change in fund balance or Net Position. This statement provides information on whether the Corporation has had all of its costs covered through state contributions for the fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The *Notes to Financial Statements* provide additional information that may enhance or provide for a better understanding of the information in the financial statements. The notes to the financial statements follow Exhibit (B).

The Required Supplemental Information, *Schedule of Governmental Fund Revenues, Expenditures & Changes in Fund Balance - Budget to Actual* (Exhibit C) presents the original and final legally authorized budgets compared to the actual amounts utilized by the Corporation and identifies any variances. Adoption of the Governmental Accounting Standards Board statement 68 present *Defined Benefit Pension Plan* information in Exhibits D and its footnote.

Adoption of the Governmental Accounting Standards Board statement 75 present *Other Post Employment Benefits* information in Exhibits F and its footnote.

MISSION

Advance the development, financing, construction and operation of a North Slope natural gas pipeline project, in-state natural gas pipelines and other transportation mechanisms capable of delivering natural gas and other non-oil hydrocarbons for the maximum benefit of Alaskans.

CORE SERVICES

- Provide economic benefit to the State by securing a stable, long-term supply of natural gas for Alaskans.
- Commercialize Alaska's enormous North Slope gas reserves.
- Structure the Alaska Liquefied Natural Gas (Alaska LNG) Project to make the project attractive to potential partners and investors.
- Maximize the ability for public utilities and industrial customers, within close proximity to a North Slope natural gas pipeline, to access gas.
- Advance and finalize commercial discussions with strategic parties to take leadership of the Alaska LNG Project and move it towards a final investment decision. The advancement encompasses analyzing in-state gas demand; discussions with producers; discussions with LNG buyers; determining federal and state support; and finalizing project financing.

MAJOR COMPONENT ACCOMPLISHMENTS IN 2021

- Developed the Phase One concept to build the initial phase of the Alaska LNG Project pipeline from Point Thomson to Fairbanks as an economic stimulus project. This concept would reduce the cost of energy in Interior Alaska as well as providing a cleaner burning fuel that would result in cleaner air in Fairbanks. The concept would also de-risk the entire Alaska LNG Project and provide an accelerated path to a final investment decision by the private sector strategic parties.
- Extended the Letter of the Agreement with Strategic Parties and continued advancing the commercial framework for private sector development of the Alaska LNG Project. Strategic Parties include LNG buyers, international oil and gas companies and owners and operators of oil and gas pipelines and facilities that have a combined capitalization of more than \$1 trillion.
- Identified Gas Treatment Plant and Pipeline subproject lead parties who have successfully developed and operated similar mega-projects. Actively working on identifying the lead party for the LNG facility subproject.
- Received all 36 major federal and state permits.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Received Records of Decision from the U.S. Army Corps of Engineers and the Bureau of Land Management for the Alaska LNG Project.
- Finalized 8-Star Alaska LLC Agreement revision and update which will enable private sector investment in the Alaska LNG Project.
- Secured Federal Right-of-Ways from the Bureau of Land Management (BLM) and the National Park Service (Denali National Park & Preserve).
- Received State of Alaska Department of Natural Resources (DNR) conditional Right-of-Way leases.
- Worked with Strategic Parties on a joint economic model to validate the economic viability of the Alaska LNG Project. Analysis of the overall reduction of the cost of supply to Asia indicates projected cost of service is achievable with high level of confidence.
- Advanced development agreements with Strategic Parties, signing a Confidential Letter of Intent (LOI) with an industry-leading Pipeline lead party.
- Worked with congressional delegation on an amendment to the Alaska Natural Gas Pipeline Act (2004) to allow federal loan guarantees of up to \$25.6 billion for the Alaska LNG Project.

The primary focus areas for FY22 include the Venture Development aspects of the Alaska LNG Project while maintaining the core project systems, permits and data and advancing the Environmental, Regulatory and Lands program.

- Lead the Alaska LNG Project development on behalf of Alaska, bring the Project to market and provide overall coordination for the project through transition to the private sector.
- Maintain the maximum value of State of Alaska investment in the Alaska LNG Project, while minimizing ongoing AGDC spend.
- Advance development agreements with additional Strategic Parties and pursue further participation with interested entities.
- Develop a comprehensive Permitting & Compliance Management system.
- Identify opportunities for “future-proofing” the LNG Facility subproject by evaluating on-site optionality and off-site synergies to produce low to no-carbon fuels such as hydrogen.
- Continue transition of Alaska LNG Project permits and authorizations to 8 Star Alaska, LLC.
- Work with the State of Alaska on supporting the project with lower property taxes for the Alaska LNG Project, addressing fiscal stability for project investors, and determining the level of ownership in the project that the State should retain.
- Finalize a Lead Party for LNG facility subproject.
- Finalize 8 Star Alaska, LLC governance and the Project Financing Plan.
- Develop an Alaska LNG Project timeline that establishes a reasonable schedule for a Front End Engineering Design (FEED) stage gate, Final Investment Decision (FID) and Commercial Operation Date (COD).
- Finalize the FEED Decision Support Package.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

KEY COMPONENT CHALLENGES

AGDC continues to operate with streamlined and expert staffing to ensure continuity of knowledge and leadership. AGDC activities are being directed under a Board of Directors approved Strategic Plan (April 2021) to focus on the areas of venture structuring, financial, regulatory, and technical processes. AGDC is continuing to work with Hilcorp, ExxonMobil, and BP, in looking at potential venture structure and financing for the next major phase of project development, Front End Engineering and Design (FEED). The parties are continuing to provide subject matter experts, as needed, to accomplish this effort. The new venture structure could include existing strategic parties in addition to new venture partners.

Communities on and off the road system will benefit when the Alaska LNG Project becomes operational. Interconnection points will provide communities on the road system with access to a reliable, clean, and affordable energy alternative. Communities off the road system will have access to the State of Alaska's Affordable Energy Fund (AS 37.05.610) that will make resources available to communities to reduce energy costs and/or modernize their energy production and distribution systems.

SIGNIFICANT CHANGES IN RESULTS TO BE DELIVERED IN FY2022

- Transition from sole ownership of Alaska LNG Project to a venture structure lead by private industry that will result in successful equity and debt financing of the Alaska LNG Project. Complete Confidential Information Memorandum and teaser pack of information that can be shared widely and hold meetings with interested parties at the highest level of target organization.
- Negotiate commercial agreement with an identified lead party for the LNG facility subproject.
- Draft and negotiate FEED-entry project development agreements.
- Solicit and receive investment from strategic parties in the Alaska LNG Project. Investment funding will support the project as it plans for the next major phase of project development (FEED).

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MANAGEMENT’S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

\$ in thousands	Governmental Fund				Government - Wide			
	<u>FY20</u>	<u>FY21</u>	<u>Variance</u>	<u>% Variance</u>	<u>FY20</u>	<u>FY21</u>	<u>Variance</u>	<u>% Variance</u>
Assets	24,437	17,291	(7,146)	-29%	26,009	18,381	(7,628)	-29%
Liabilities	865	526	(339)	-39%	7,223	5,488	(1,735)	-24%
Fund Balance/Net Position	23,572	16,765	(6,807)		18,786	12,893	(5,893)	
Revenue	11,901	21	(11,880)	-99%	12,037	155	(11,882)	-99%
Expenditures/Expenses	14,624	6,828	(7,796)	-53%	14,653	6,048	(8,605)	-59%
Position	(2,723)	(6,807)	(4,084)		(2,616)	(5,893)	(3,277)	

Government-Fund

Assets are \$17.3 million, Liabilities are \$.5 million and the fund balance is \$16.8 million.

Revenue is \$21 thousand in FY 21. Expenses are \$6.8 million, \$7.8 million less than in FY 20.

Government-Wide

Assets are \$18.4 million, Liabilities are \$5.5 million and Net Position is \$12.9 million. Net Position decreased \$5.9 million.

Revenue is \$155 thousand and expenses were \$6 million, resulting in a negative change of position of \$5.9 million.

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Financial Statements

ALASKA GASLINE DEVELOPMENT CORPORATION

Exhibit A

(A Component Unit of the State of Alaska)

Governmental Fund Balance Sheet / Statement of Net Position

As of June 30, 2021

(in thousands of dollars)

	Governmental Fund Balance Sheet	Adjustments*	Statement of Net Position
<u>ASSETS</u>			
Cash and Investments	\$ 17,314	\$ -	\$ 17,314
Prepaid Expenses	168	-	168
Due from State of Alaska	(191)	191	-
Equipment, Net of Depreciation	-	63	63
Net OPEB Assets	-	329	329
Total Assets	17,291	583	17,874
Deferred Pension Outflows	-	309	309
Deferred OPEB Outflows	-	198	198
Total Deferred Outflows	-	507	507
Total Assets and Deferred Outflows	\$ 17,291	\$ 1,090	\$ 18,381
<u>LIABILITIES</u>			
Accrued Payables	\$ 526	\$ -	\$ 526
Accrued Compensation	-	191	191
Net Pension Liabilities	-	4,040	4,040
Net OPEB Liabilities	-	6	6
Total Liabilities	526	4,237	4,763
Deferred Pension Inflows	-	434	434
Deferred OPEB Inflows	-	291	291
Total Deferred Inflows	-	725	725
<u>FUND BALANCES</u>			
Nonspendable	\$ 168		
Restricted	-		
Assigned	16,597		
Unassigned	-		
Total Fund Balance	\$ 16,765		
Total Liabilities and Fund Balance	\$ 17,291		
<u>Net Position</u>			
Total Net Position		\$ (3,872)	\$ 12,893

***Adjustments:**

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

Governmental funds don't accrue revenue that isn't collectable within 60 days of year end - reimbursement for compensated absences.	\$ 191
Governmental funds don't recognize General Fixed Assets as current financial resources.	63
Governmental funds don't accrue a receivable that isn't collectable within 60 days of year end - net OPEB assets.	329
Governmental funds don't accrue revenue that isn't collectable within 60 days of year end - deferred outflows and deferred OPEB outflows.	507
Governmental funds don't recognize accrued compensated absences as payable using current financial resources.	(191)
Governmental funds don't accrue liabilities that will be paid greater than 60 days of year end - net pension liabilities and net OPEB liabilities.	(4,046)
Governmental funds don't accrue liabilities that will be paid greater than 60 days of year end - deferred inflows and deferred OPEB inflows.	(725)
Total Adjustments to the Governmental Fund Balance Sheet	\$ (3,872)

See accompanying notes to the financial statements.

ALASKA GASLINE DEVELOPMENT CORPORATION

Exhibit B

(A Component Unit of the State of Alaska)

Statement of Governmental Fund Revenues, Expenditures & Changes in Fund Balance / Statement of Activities

For the Year Ended June 30, 2021

(in thousands of dollars)

	<u>Governmental Fund Income Statement</u>	<u>Adjustments*</u>	<u>Statement of Activities</u>
REVENUES			
Investment and Interest Income	\$ 21	\$ -	\$ 21
Retirement Funding State of Alaska	-	134	134
Total Revenues	<u>21</u>	<u>134</u>	<u>155</u>
EXPENDITURES / EXPENSES			
Contractual Services	4,362	-	4,362
Personnel	2,471	(946)	1,525
Office and Supplies	719	(19)	700
Travel	11	-	11
Retirement Funding State of Alaska	(948)	134	(814)
Depreciation	-	51	51
Insurance	108	-	108
Other Services	105	-	105
Total Expenditures / Expenses	<u>6,828</u>	<u>(780)</u>	<u>6,048</u>
Excess (Deficiency) of Revenues Over Expenditures / Expenses	<u>(6,807)</u>	<u>914</u>	<u>(5,893)</u>
Net change in fund balance / Change in Net Position	(6,807)	914	(5,893)
FUND BALANCE / Net Position			
Beginning of year balance	23,572	(4,786)	18,786
End of year balance	<u>\$ 16,765</u>	<u>\$ (3,872)</u>	<u>\$ 12,893</u>

***Adjustments:**

Amounts reported for governmental activities in the Statement of Activities

Governmental funds don't accrue liabilities that will be paid greater than 60 days of year end - this is the changes in net pension liabilities and related deferred outflows and inflows of resources.

\$ 887

Governmental funds don't accrue liabilities that will be paid greater than 60 days of year end - this is the changes in compensated absences.

59

Governmental funds don't recognize on behalf revenue equal to the nonemployer entities total proportionate share of the collective pension expense that is associated with the employer.

134

Governmental funds don't recognize on behalf revenue equal to the nonemployer entities total proportionate share of the collective pension expense that is associated with the employer.

(134)

Governmental funds don't recognize general fixed assets as current financial resources - this is fixed asset addition.

19

Governmental funds don't recognize general fixed assets as current financial resources - this is depreciation expense.

(51)

Change in Net Position of governmental activities

\$ 914

See accompanying notes to the financial statements.

Notes to Financial Statements

FOOTNOTE INDEX

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Notes to Financial Statements

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE A: THE ALASKA GASLINE DEVELOPMENT CORPORATION

The Alaska Gasline Development Corporation (“AGDC”) is a public corporation and government instrumentality of the State of Alaska (the “State”) located for administrative purposes within the Department of Commerce, Community, and Economic Development (“DCCED”) but with a separate and independent legal existence. The 2013 legislation identified as SCS CSSSHB 4 (FIN) became law on May 21, 2013, as Chapter 11, Session Laws of Alaska 2013 (“Ch. 11 SLA 13”). Ch. 11 SLA 13 continued the existence of AGDC but changed it from a wholly-owned subsidiary of the Alaska Housing Finance Corporation (“AHFC”) under AS 18.56.086 into an independent public corporation of the State of Alaska organized under AS 31.25 and having a legal existence independent of and separate from the State of Alaska. AGDC’s purpose is to advance the planning, constructing, financing and operations of an in-state natural gas pipeline project or an Alaska liquefied natural gas project or other transportation systems to deliver natural gas and other non-oil hydrocarbon products available to Fairbanks, the South-central region of the state, and other communities in the state at the lowest rates possible.

AGDC is authorized to borrow money and issue bonds on its own behalf to provide sufficient funds for carrying out its purpose but, at this time, mainly relies upon appropriations of state money for that purpose.

On September 13, 2013, the Governor appointed a new board of directors for AGDC to replace the AHFC Board of Directors which had served as AGDC’s board while AGDC was a subsidiary corporation of AHFC. The AGDC Board of Directors is comprised of five public members and two individuals designated by the Governor from among the heads of the principal departments of the State.

The in-state natural gas pipeline fund is established in AS 31.25.100 and consists of money appropriated to it. Effective June 30, 2013, AGDC’s FY12 and FY13 unexpended and unobligated appropriation balance of \$16.5 million (FY12 \$6.6 million and FY13 \$9.9 million) was re-appropriated to the in-state natural gas pipeline fund. In FY 14, AGDC received an appropriation of an additional \$355 million in state funds (\$427 million less the prior year’s appropriations of \$72 million) to the in-state natural gas pipeline fund to provide for AGDC’s ASAP project through sanction and the beginning of construction.

The Alaska liquefied natural gas project fund is established in AS 31.25.110. In FY 15, AGDC received an appropriation of \$69.8 million to provide funding for the state’s 25% ownership interest in the pipeline and marine facilities for the Alaska liquefied natural gas project. In FY 15, the legislature also appropriated \$166 million from the In-State Natural Gas Pipeline Fund to be used for other purposes.

In FY 16, AGDC received an appropriation of \$64.4 million to purchase the TransCanada share of the Alaska liquefied natural gas project for North Slope gas transmission lines, gas treatment plant, and the LNG facility. In FY 16, AGDC also received an appropriation of \$75.6 million to provide continued funding for the state’s share of preliminary front-end engineering and design work for the Alaska liquefied natural gas project. AGDC also received statutory designated program receipts received as reimbursed costs of field work paid from the Alaska liquefied natural gas project fund in the amount of \$2.9 million and field work paid from the in-state natural gas pipeline fund in the amount of \$1.3 million.

Notes to Financial Statements

In FY 17, the in-state natural gas pipeline fund and the Alaska liquefied natural gas project fund did not receive additional appropriations.

In FY 18, the in-state natural gas pipeline fund (AS 31.25.100) balance as of June 30, 2018 was appropriated to the Alaska liquefied natural gas project fund (AS 31.25.110), effective July 1, 2018. During FY 19 it was the intent of the Corporation to continue the purpose of the in-state natural gas pipeline fund through the Alaska liquefied natural gas project fund.

In FY 19, the Alaska liquefied natural gas project fund did not receive an additional appropriation.

In FY 20, the Alaska liquefied natural gas project fund did not receive an additional appropriation. The legislature did authorize up to \$20 million in designated program receipt authority allowing AGDC to receive funds from 3rd parties to advance the Alaska LNG Project.

In FY21, the Alaska liquefied natural gas project fund did not receive an additional appropriation.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

AGDC is a single purpose governmental fund and has elected to show a single combining presentation of its annual financial statements showing the Government-wide and Fund financial statements as Exhibit A - Governmental Fund Balance Sheet / Statement of Net position and Exhibit B Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance / Statement of Activities. The financial statements have been prepared in conformity with generally accepted accounting principles, including all applicable Governmental Accounting Standards Board (GASB) pronouncements.

Government-wide and Governmental Fund Financial Statements

The Statement of Net position and the Statement of Activities report information on all of the activities of AGDC. The Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances are provided for governmental funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental Fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, AGDC considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Notes to Financial Statements

NOTE C: NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued several new accounting standards with upcoming implementation dates (effective dates adjusted for the issuance of GASB 95). Management has not fully evaluated the potential effects of these statements, and actual impacts have not yet been determined. The statements are as follows:

GASB Statement No. 87 - Leases - Effective for year-end June 30, 2022, This Statement addresses accounting and financial reporting for certain lease assets and liabilities for leases that previously were classified as operating leases. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

GASB Statement No. 89 - Accounting for Interest Cost Incurred before the End of a Construction Period - Effective for year-end June 30, 2022. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

GASB Statement No. 90 - Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61 - Effective for year-end June 30, 2020. This Statement addresses accounting and financial reporting for a majority equity interest in a legally separate organization. It provides a definition of a majority equity interest and provides guidance for further presentation as either an investment or a component unit, based on specific criteria.

GASB Statement No. 91 - Conduit Debt Obligations - Effective for year-end June 30, 2023. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit obligations, and related note disclosures. This Statement clarifies the definition of a conduit debt obligation and establishes standards for related accounting and financial reporting.

GASB Statement No. 92 - Omnibus 2020 - Provisions of this Statement related to the effective date of Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The effective date for all other provisions of the Statement are to be implemented for year-end June 30, 2022. This Statement addresses a variety of topics such as leases, the applicability of Statement No. 73 and Statement No. 74 for reporting assets accumulated for postemployment benefits, the applicability of Statement No. 84 to postemployment benefit arrangements, the measurements of liabilities and assets related to asset retirement obligations in a government acquisition, reporting of public entity risk pools, referencing to nonrecurring fair value measurements, and terminology used to refer to derivative instruments.

GASB Statement No. 93 - Replacement of Interbank Offered Rates - The provisions of this Statement, except for paragraph 11b, 13 and 14, are required to be implemented for year-end June 30, 2021. The requirements in paragraph 11b, 13 and 14 are required to be implemented for year-end June 30, 2022. This Statement addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR).

GASB Statement No. 94 - Public-Private and Public-Public Partnerships and Availability Payment Arrangements - Effective for year-end June 30, 2023. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APA).

Notes to Financial Statements

GASB Statement No. 96 - Subscription-Based Information Technology Arrangements - Effective for year-end June 30, 2023. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement, among other things, defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability, provides capitalization criteria for outlays other than subscription payments, and requires note disclosures regarding a SBITA.

GASB Statement No. 97 - Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - Effective for year-end June 30, 2022, except the portion of the pronouncement related to component unit criteria, which is effective for year-end June 30, 2020. This statement modifies certain guidance contained in Statement No. 84 and enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

NOTE D: INVESTMENTS

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. The Corporation invests in the State’s internally managed General Fund and Other Non-Segregated Investments Pool (GeFONSI). The GeFONSI consists of investments in the State’s internally managed Short-term Fixed Income Pool, Short-term Liquidity Fixed Income Pool and the Intermediate-term Fixed Income Pool. The Complete financial activity of the Corporation is shown in the Comprehensive Annual Financial Report (Annual Report) available from the Department of Administration, Division of Finance.

Assets in the pools are reported at fair value. Investment purchases and sales are recorded on a trade-date basis. Securities are valued each business day using prices obtained from a pricing service.

The accrual basis of accounting is used for the investment income and GeFONSI investment income is distributed to pool participants monthly if prescribed by statute or if appropriated by state legislature. Income in the Short-term Liquidity and Intermediate-term Fixed Income Pools is allocated to the pool participants daily on a pro-rata basis.

As June 30, 2021, the Corporation’s share of pool investments was as follows:

	Fund 1235
GeFONSI balance	\$ 11,174,030

For additional information on interest rate risk, credit risk, foreign exchange, derivatives, fair value, and counterparty credit risk see the separately issued report on the Invested Assets of the Commissioner of Revenue at: <http://treasury.dor.alaska.gov/Investments/Annual-Investment-Reports.aspx>

Additional Governmental Accounting Standards Board (GASB) Disclosure Information

GASB 72, Appendix C, illustration 1 establishes the unit of account measure for an external investment pool as each share held, and the value of the position would be the fair value of the

Notes to Financial Statements

pool's share multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables. GASB 79, paragraph 41 states that if an external investment pool does not meet the criteria in paragraph 4, the pool's participants should measure their investments in that pool at fair value as provided in paragraph 11 of GASB 31, as amended.

According to GASB 31, paragraph 11, investment positions in external pools are measured by the fair value per share of the pool's underlying portfolio. Currently, all pools (State and ARMB) are priced using fair valuation. The underlying portfolio in each pool is priced, which then rolls up to individual mandates within each pool. Finally, the pools are priced. Participants have a number of shares in each pool which is then used to calculate the value of each participant's share of each pool.

NOTE E: ASSETS AND LIABILITIES

Equipment, Net of Depreciation

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets being depreciated/depleted:				
Intangible - Software	\$ 497	\$ -	\$ -	\$ 497
Equipment	1,186	19	(15)	1,190
Total capital assets being depreciated/depleted	\$ 1,683	\$ 19	\$ (15)	\$ 1,687
Less accumulated depreciation/depletion for:				
Intangible - Software	(497)	-	-	(497)
Equipment	(1,091)	(51)	15	(1,127)
Total accumulated depreciation/depletion	(1,588)	(51)	15	(1,624)
Total capital assets being depreciated/depleted, net	95	(32)	-	63
Capital assets, net	\$ 95	\$(32)	\$ -	\$ 63

NOTE F: LONG-TERM LIABILITIES

The activity for the year ended June 30, 2021 is summarized in the following schedule (in thousands):

	June 30, 2020	Additions	Reductions	June 30, 2021	Due Within 1 Year
Compensated absences	\$ 250	\$ 151	\$ (210)	\$ 191	\$ 191
Net Pension Liabilities	5,634	-	(1,594)	4,040	-
Net OPEB Liabilities	193	-	(187)	6	-

Notes to Financial Statements

NOTE G: RETIREMENT PLANS

General Information About the Plan

The Corporation participates in the Alaska Public Employees' Retirement System (PERS). PERS is a cost-sharing multiple employer plan which covers eligible State and local government employees, other than teachers. The Plan was established and is administered by the State of Alaska Department of Administration. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

The Plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. That report is available via the internet at <http://doa.alaska.gov/dr/pers>. Actuarial valuation reports, audited financial statements, and other detailed plan information are also available on this website.

The Plan provides for retirement, death and disability, and postemployment healthcare benefits. There are three tiers of employees, based on entry date. For all tiers within the Defined Benefit (DB) plan, full retirement benefits are generally calculated using a formula comprised of a multiplier times the average monthly salary (AMS) times the number of years of service. The multiplier is increased at longevity milestone markers for most employees. Police/Fire employees accrue benefits at an accelerated rate. The tiers within the Plan establish differing criteria regarding normal retirement age, early retirement age, and the criteria for calculation of AMS, COLA adjustments, and other postemployment benefits (OPEB). A complete benefit comparison chart is available at the website noted above.

(a) Defined Benefit (DB) Pension Plan

The PERS DB Plan was closed to new entrants effective July 1, 2006. New employees hired after that date participate in the PERS Defined Contribution (DC) Plan described later in these notes.

Historical Context and Special Funding Situation

In April 2008, the Alaska Legislature passed legislation converting the previously existing PERS plan from a DB agent-multiple employer plan to a DB cost-sharing plan with an effective date of July 1, 2008. In connection with this conversion, the State of Alaska passed additional legislation which statutorily capped the employer contribution rate, established a state funded "on-behalf" contribution (subject to funding availability), and required that employer contributions be calculated against all PERS eligible wages, including wages paid to participants of the PERS Tier IV defined contribution plan described later in these notes. The Alaska Legislature has the power and authority to change the aforementioned statute through the legislative process.

Alaska Statute 39.35.280 requires the State of Alaska to contribute to the Plan an amount such that, when combined with the employer contribution, is sufficient to pay the Plan's past service liability contribution rate as adopted by the Alaska Retirement Management Board (ARM Board). As such, the Plan is considered to be in a special funding situation as defined by GASB, and management has recorded all pension related liabilities, deferred inflows/outflows of resources, and disclosures on this basis.

The Corporation recorded the related on-behalf contributions as revenue and expense or expenditures as prescribed by GAAP, pursuant to the relevant basis of accounting based on fund type.

Notes to Financial Statements

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary. Police officers and firefighters are required to contribute 7.50% of their annual covered salary.

Employer and Other Contribution Rates

There are several contribution rates associated with the pension contributions and related liabilities. These amounts are calculated on an annual basis.

Employer Effective Rate: This is the contractual employer pay-in rate. Under current legislation, the amount calculated for the statutory employer effective contribution rate is 22% on eligible wages. This 22% rate is calculated on all PERS participating wages, including those wages attributable to employees in the DC plan. Contributions derived from the DC employee payroll is referred to as the Defined Benefit Unfunded Liability or DBUL contribution.

ARM Board Adopted Rate: This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2039. This change results in a lower ARM Board Rates than previously adopted.

State Contribution Rate: This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. In the proprietary funds and government-wide financial statements, the on-behalf amounts reflect revenue and expense only during the measurement period in which the Plan recognizes the payments, resulting in a significant timing difference between the cash transfers and revenue and expense recognition.

Contribution rates for the year ended June 30, 2021 were determined in the June 30, 2019 actuarial valuations. The Corporation's contribution rates for the 2021 fiscal year were as follows:

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate
Pension	22.00%	26.58%	8.85%
Postemployment healthcare (ARHCT)	-%	4.27%	-%
Total Contribution Rates	22.00%	30.85%	8.85%

Notes to Financial Statements

In 2021, the Corporation was credited with the following contributions to the pension plan.

	Measurement Period	Corporation Fiscal Year
	July 1, 2019 to June 30, 2020	July 1, 2020 to June 30, 2021
Employer contributions (including DBUL)	\$ 260,381	\$ 132,117
Nonemployer contributions (on-behalf)	136,207	81,728
Total Contributions	\$ 396,588	\$ 213,845

In addition, employee contributions to the Plan totaled \$30,274 during the Corporation's fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the Corporation reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to the Corporation. The amount recognized by the Corporation for its proportional share, the related State proportion, and the total portion of the net pension liability that was associated with the Corporation were as follows:

Corporation proportionate share of NPL	\$ 4,039,799
State's proportionate share of NPL associated with the Corporation	1,672,130
Total Net Pension Liability	\$ 5,711,929

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 to calculate the net pension liability as of that date. The Corporation's proportion of the net pension liability was based on a projection of the Corporation's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At the June 30, 2020 measurement date, the Corporation's proportion was 0.06846 percent, which was a decrease of 0.03446 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Corporation recognized a reduction in pension expense of \$594,916 and on-behalf revenue of \$216,089 for support provided by the State. At June 30, 2021, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Notes to Financial Statements

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 12,815	\$ -
Net difference between projected and actual earnings on pension plan investments	164,420	-
Changes in proportion and differences between Corporation contributions and proportionate share of contributions	-	(433,598)
Corporation contributions subsequent to the measurement date	132,117	
<hr/>		
Total Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions	\$ 309,352	\$ (433,598)

The \$132,117 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,

2021		\$ (417,877)
2022		57,822
2023		61,116
2024		42,576
2025		-
Thereafter		-
<hr/>		
Total Amortization		\$ (256,363)

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Notes to Financial Statements

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2019, using the actuarial assumptions listed below, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020:

Actuarial cost method	Entry age normal
Amortization method	Unfunded accrued actuarial liability, level percent of pay basis
Inflation	2.50% per year
Salary increases	For peace officer/firefighter, increases range from 7.75% to 2.75% based on service. For all others, increases range from 6.75% to 2.75% based on service.
Allocation methodology	Amounts for the June 30, 2020 measurement date were allocated to employers based on the present value of contributions for fiscal years 2022 to 2039 to the Plan, as determined by projections based on the June 30, 2019 valuation. The liability is expected to go to zero at 2039.
Investment rate of return	7.38%, net of pension plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.88%.
Mortality	Pre-commencement and post-commencement mortality rates were based upon the 2013-2017 actual mortality experience. Pre-commencement mortality rates were based on 100% of the RP-2014 table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement. Post-commencement mortality rates were based on 91% of male and 96% of female rates of the RP-2014 health annuitant table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement. Deaths are assumed to be occupational 75% of the time for peace officer/firefighters, 40% of the time for all others.

The actuarial assumptions used in the June 30, 2019 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017. As a result of this experience study, the ARM Board adopted updated actuarial assumptions for the June 30, 2018 actuarial valuation to better reflect expected future experience. The assumptions used in the June 30, 2019 actuarial valuation are the same as those used in the June 30, 2018 valuation, except the amount included in the Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid from defined benefit pension plan assets.

Notes to Financial Statements

Long-Term Expected Rate of Return

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. Best estimates of arithmetic rates of return, excluding the inflation component of 2.36%, for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	26%	6.24 %
Global equity (non-U.S.)	18%	6.67 %
Aggregate bonds	24%	(0.16)%
Opportunistic	8%	3.01 %
Real assets	13%	3.82 %
Private equity	11%	10.00 %
Cash equivalents	-%	(1.09)%

Discount Rate

The discount rate used to measure the total pension liability was 7.38%. The discount rate used did not change from the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy, which meets State statutes. 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 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.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Corporation's proportionate share of the net pension liability calculated using the discount rate of 7.38%, as well as what the Corporation's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	Proportional Share	1% Decrease (6.38%)	Current Discount Rate (7.38%)	1% Increase (8.38%)
Corporation's proportionate share of the net pension liability	0.06846%	\$ 5,252,592	\$ 4,039,799	\$ 3,022,603

Notes to Financial Statements

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

(b) Defined Contribution (DC) Pension Plan

Employees hired after July 1, 2006 participate in PERS Tier IV, a DC plan. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the DB plan noted above. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the Plan are individual pension accounts, a retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. This Plan is included in the comprehensive annual financial report for PERS, and at the following website, as noted above. <http://doa.alaska.gov/drb/pers>.

Contributions to the DC plan consist solely of employer and employee contributions with no special funding or other nonemployer contributions. In addition, actual remittances to the PERS system require that the Corporation contribute at 22%. After deducting the DC plan contributions (and related OPEB contributions), the remaining remittance (the DBUL) is deposited into the DB plan as noted earlier.

Benefit Terms

Employees are immediately vested in their own contributions and vest 25% with two years of service, plus an additional 25% per year thereafter for full vesting at five years of service. Nonvested employer contributions are forfeited upon termination of employment from the Plan. Such forfeitures were applied in the year ended June 30, 2021 to cover a portion of the Corporation's employer match contributions. For the year ended June 30, 2021, forfeitures reduced pension expense by \$13,427.

Employee Contribution Rate

Employees are required to contribute 8% of their annual covered salary. This amount goes directly to the individual's account.

Employer Contribution Rate

For the year ended June 30, 2021, the Corporation was required to contribute 5% of covered salary into the Plan.

The Corporation and employee contributions to PERS for pensions for the year ended June 30, 2021 were \$24,459 and \$39,134, respectively. The Corporation contribution amount was recognized as pension expense/expenditures.

(c) Defined Benefit OPEB Plans

As part of its participation in PERS, the Corporation participates in the following cost sharing multiple employer defined benefit OPEB plans: Alaska Retiree Healthcare Trust (ARHCT), Retiree Medical Plan (RMP) and Occupational Death and Disability Plan (ODD).

Notes to Financial Statements

The ARHCT, a healthcare trust fund, provides major medical coverage to retirees of the DB plan. The ARHCT is self-funded and self-insured. The ARHCT was closed to all new members effective July 1, 2006. Benefits vary by Tier level. The RMP provides major medical coverage to retirees of the PERS DC Plan (Tier IV). The RMP is self-insured. Members are not eligible to use the Plan until they have at least 10 years of service and are Medicare age eligible. The ODD provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within PERS. The Plans are administered by the State of Alaska, Department of Administration. The OPEB plans are included in the comprehensive annual financial report for PERS, at the following website, as noted above. <http://doa.alaska.gov/dr/pers>.

Employer Contribution Rate

Employer contribution rates are actuarially determined and adopted by and may be amended by the Board. Employees do not contribute.

Employer contribution rates for the year ended June 30, 2021 were as follows:

	Other	Police/Fire
Alaska Retiree Healthcare Trust	-%	-%
Retiree Medical Plan	1.27%	1.27%
Occupational Death and Disability Benefits	0.31%	0.70%
Total Contribution Rates	1.58%	1.97%

In 2021, the Corporation was credited with the following contributions to the OPEB plans:

	Measurement Period July 1, 2019 to June 30, 2020	Corporation Fiscal Year July 1, 2020 to June 30, 2021
Employer contributions - ARHCT	\$ 102,823	\$ 33,324
Employer contributions - RMP	16,008	6,212
Employer contributions - ODD	3,269	1,516
Total Contributions	\$ 122,100	\$ 41,052

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Notes to Financial Statements

OPEB Liabilities, OPEB Asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plans

At June 30, 2021, the Corporation reported an asset for its proportionate share of the net OPEB asset (NOA) that reflected a reduction for State OPEB support provided to the Corporation. The amount recognized by the Corporation for its proportional share, the related State proportion, and the total were as follows:

Corporation's proportionate share of NOA - ARHCT	\$ 310,206
Corporation's proportionate share of NOA - ODD	19,038
Total Corporation's Proportionate Share of Net OPEB Asset	\$ 329,244
<hr/>	
State's proportionate share of the ARHCT NOA associated with the Corporation	128,682
Total Net OPEB Asset	\$ 457,926

At June 30, 2021, the Corporation reported a liability for its proportionate share of the net OPEB liability (NOL) associated with the Corporation's participation in the RMP Plan. The amount recognized by the Corporation for its proportionate share was \$6,069.

The total OPEB liabilities (asset) for the June 30, 2020 measurement date was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 to calculate the net OPEB liabilities (asset) as of that date. The Corporation's proportion of the net OPEB liabilities (asset) is based on a projection of the Corporation's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating entities, actuarially determined.

	June 30, 2019 Measurement Date Employer Proportion	June 30, 2020 Measurement Date Employer Proportion	Change
Corporation's proportionate share of the net OPEB liabilities (asset):			
ARHCT	0.10290%	0.06850%	(0.03440)%
RMP	0.16830%	0.08556%	(0.08274) %
ODD	0.13380%	0.06984%	(0.06396) %

For the year ended June 30, 2021, the Corporation recognized OPEB expense of \$(62,669). Of this amount, \$(82,810) was recorded for on-behalf revenue and expense for support provided by the ARHCT plan. OPEB expense and on-behalf revenue is listed by plan in the table below:

Plan	OPEB expense	On-behalf revenue
ARHCT	\$ (78,803)	\$ (82,810)
RMP	13,508	-
ODD	2,626	-
Total	\$ (62,669)	\$ (82,810)

Notes to Financial Statements

At June 30, 2021, the Corporation reported deferred outflows of resources and deferred inflows of resources related to OPEB plans from the following sources:

<i>Deferred Outflows of Resources</i>	ARHCT	RMP	ODD	Total
Difference between expected and actual experience	\$ -	\$ 32	\$ -	\$ 32
Changes in assumptions	-	8,523	-	8,523
Difference between projected and actual investment earnings	124,463	2,717	653	127,833
Changes in proportion and differences between Corporation contributions and proportionate share of contributions	-	3,620	16,566	20,186
Corporation contributions subsequent to the measurement date	33,324	6,212	1,516	41,052
Total Deferred Outflows of Resources Related to OPEB Plans	\$ 157,787	\$ 21,104	\$ 18,735	\$ 197,626

<i>Deferred Inflows of Resources</i>	ARHCT	RMP	ODD	Total
Difference between expected and actual experience	\$ (24,886)	\$ (1,304)	\$ (6,387)	\$ (32,577)
Changes in assumptions	(216,232)	(15,689)	(279)	(232,200)
Changes in proportion and differences between Corporation contributions and proportionate share of contributions	(6,686)	(13,572)	(5,621)	(25,879)
Total Deferred Inflows of Resources Related to OPEB Plans	\$ (247,804)	\$ (30,565)	\$ (12,287)	\$ (290,656)

Amounts reported as deferred outflows of resources related to OPEB plans resulting from Corporation contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liabilities (asset) in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<i>Year Ending June 30,</i>	ARHCT	RMP	ODD	Total
2022	\$ (248,804)	\$ (1,920)	\$ 381	\$ (250,343)
2023	44,302	(1,378)	536	43,460
2024	47,568	(1,387)	539	46,720
2025	33,593	(1,595)	487	32,485
2026	-	(2,249)	322	(1,927)
Thereafter	-	(7,144)	2,667	(4,477)
Total Amortization	\$ (123,341)	\$ (15,673)	\$ 4,932	\$ (134,082)

Notes to Financial Statements

Actuarial Assumptions

The total OPEB liability for each plan for the measurement period ended June 30, 2020 was determined by actuarial valuations as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2020:

Actuarial cost method	Entry age normal
Amortization method	Unfunded accrued actuarial liability, level percent of pay basis
Inflation	2.50% per year
Salary increases	Graded by service, from 7.75% to 2.75% for Peace Officer/Firefighter. Graded by service from 6.75% to 2.75% for all others
Allocation methodology	Amounts for the June 30, 2020 measurement date were allocated to employers based on the present value of contributions for fiscal years 2022 to 2039 to the Plan, as determined by projections based on the June 30, 2019 valuation.
Investment return of return	7.38%, net of postemployment healthcare plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.88%.
Mortality	Pre-commencement and post-commencement mortality rates were based upon the 2013-2017 actual mortality experience. Pre-commencement mortality rates were based on 100% of the RP-2014 table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement. Post-commencement mortality rates were based on 91% of male and 96% of female rates of the RP-2014 health annuitant table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement. Deaths are assumed to be occupational 75% of the time for peace officer/firefighters, 40% of the time for all others.
Participation (ARHCT)	100% system paid of members and their spouses are assumed to elect the healthcare benefits paid as soon as they are eligible. 20% of non-system paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.

Notes to Financial Statements

The actuarial assumptions used in the June 30, 2019 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017. As a result of this experience study, the ARM Board adopted updated actuarial assumptions for the June 30, 2018 actuarial valuation to better reflect expected future experience. The assumptions used in the June 30, 2019 actuarial valuation are the same as those used in the June 30, 2018 valuation with the following exceptions:

Per capita claims costs were updated to reflect recent experience.

1. Retired member contribution trend rates were updated to reflect the ongoing shift in population from pre-Medicare to Medicare-eligible and a projection of expected future retiree contributions reflecting the 10% decrease from 2019 to 2020.
2. The Further Consolidated Appropriations Act, 2020 that was signed in December 2019 made several changes, including the repeal of the Cadillac Tax.
3. The amounts included in the Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid for postretirement healthcare plan assets.

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments for each plan was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of postretirement healthcare 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 best estimates of arithmetic rates of return, excluding the inflation component of 2.36% for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2020 are summarized in the following table:

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-Term Expected Real Rate of Return</i>
Broad domestic equity	26%	6.24 %
Global equity (non-U.S.)	18%	6.67 %
Aggregate bonds	24%	(0.16)%
Opportunistic	8%	3.01 %
Real assets	13%	3.82 %
Private equity	11%	10.00 %
Cash equivalents	-%	(1.09)%

Discount Rate

The discount rate used to measure the total OPEB liability for each plan as of June 30, 2020 was 7.38%. This discount rate used did not change from the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy which meets State statutes. Based on those assumptions, the fiduciary net position on each plan 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability for each plan.

Notes to Financial Statements

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the Corporation's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 7.38%, as well as what the Corporation's proportionate share of the respective plan's net OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Proportional Share	1% Decrease (6.38%)	Current Discount Rate (7.38%)	1% Increase (8.38%)
Corporation's proportionate share of the net OPEB liability (asset):				
ARHCT	0.06850%	\$ 323,694	\$ 310,206	\$ (835,262)
RMP	0.08556%	\$ 37,597	\$ 6,069	\$ (17,796)
ODD	0.06984%	\$ (17,889)	\$ (19,038)	\$ (19,955)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates

The following presents the Corporation's proportionate share of the net OPEB liability (asset) calculated using the healthcare cost trend rates as summarized in the 2020 actuarial valuation reports as well as what the Corporation's proportionate share of the respective plan's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	Proportional Share	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Corporation's proportionate share of the net OPEB liability (asset):				
ARHCT	0.06850%	\$ (896,824)	\$ 310,206	\$ 400,155
RMP	0.08556%	\$ (21,294)	\$ 6,069	\$ 43,288
ODD	0.06984%	\$ n/a	\$ n/a	\$ n/a

OPEB Plan Fiduciary Net Position

Detailed information about each OPEB plan's fiduciary net position is available in the separately issued PERS financial report.

(d) Defined Contribution OPEB Plans

PERS DC Pension Plan participants (PERS Tier IV) also participate in the Health Reimbursement Arrangement Plan (HRA Plan). The HRA Plan allows for medical care expense to be reimbursed from individual savings accounts established for eligible persons. The HRA Plan became effective July 1, 2006 at which time contributions by employers began.

Notes to Financial Statements

Contribution Rate

AS 39.30.370 establishes this contribution amount as “three percent of the average annual employee compensation of *all employees of all employers* in the plan”. As of July 1, 2020, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates \$2,159 per year for each full-time employee, and \$1.38 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In fiscal year 2021, the Corporation contributed \$8,658 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

NOTE H: OTHER COMMITMENTS, CONTINGENCIES

Exclusive of the Alaska LNG Project, and regarding the development of a proposed in-state natural gas pipeline from the North Slope to Cook Inlet (Bullet Line), the Corporation entered into a 2010 agreement where \$4,657,856 would become due and payable when (a) the State awards permits, work product, and other results of a Bullet Line 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 Bullet Line 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 Bullet Line 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 Bullet Line Development and Construction Expenses.

During the fiscal year ended June 30, 1998 the Alaska Housing Finance Corporation (AHFC) began a program of self-insurance for employee medical benefits. Costs are billed directly to AHFC by the Administrative Services Provider that processes all of the claims from the employees and their dependents. AHFC has purchased a stop-loss policy that limits its liability to \$175,000 per employee per year. AHFC has provided for an estimate of the Incurred But Not Reported (IBNR) liability in the amount of \$1,987,258 as of June 30, 2021. The Corporation reimbursed AHFC for the cost of their employee medical benefits and pays for the administration of those services through a reimbursable service agreement.

NOTE I: RISKS AND UNCERTAINTIES

In late January 2020 the World Health Organization (“WHO”) announced a global health emergency regarding a new strain of virus called coronavirus (COVID-19). This virus originated from within China, and spread globally, including Alaska. Further, in March 2020, the WHO classified the coronavirus as a pandemic. On March 12, 2020, the mayor of Anchorage declared a state of emergency to protect and preserve public health and safety, and subsequently closed all civic, cultural and recreational facilities in the Municipality. The governor of Alaska declared a public health disaster as did the President of the United States. The governor instituted a number of public health measures that affected intrastate and interstate travel and the movement of goods and services.

Notes to Financial Statements

Management is actively monitoring the global situation and assessing its effect on the Corporation's financial condition, liquidity, operations, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Corporation is not able to estimate the effects of the COVID-19 outbreak on its results of operations or financial condition for FY21.

On March 27, 2020 President Trump signed into law the "Coronavirus Aid, Relief and Economic Security (CARES) Act." The CARES Act, among other things, appropriated funds for the Coronavirus Relief Fund to be used to make payments for specified uses to States and certain local governments. The Corporation will continue to examine the impact that the Cares Act may have. Currently, the Corporation has not received any funds and is unable to determine the full impact that the CARES Act will have on the Corporation's financial condition, results of operations or liquidity.

Required Supplementary Information

ALASKA GASLINE DEVELOPMENT CORPORATION

Exhibit C

(A Component Unit of the State of Alaska)

Required Supplementary Information

Schedule of Governmental Fund Revenues, Expenditures & Changes in Fund Balance - Budget to Actual

For the Year Ended June 30, 2021

(in thousands of dollars)

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
<u>REVENUES</u>				
Revenues from the State of Alaska	-	-	(147)	(147)
Total Revenues	<u>-</u>	<u>-</u>	<u>(147)</u>	<u>(147)</u>
<u>EXPENDITURES</u>				
Contractual Services	5,475	5,475	4,194	1,281
Personnel	2,391	2,391	2,471	(80)
Office and Supplies	40	40	719	(679)
Travel	-	-	11	(11)
Retirement Funding State of Alaska	-	-	(948)	948
Insurance	-	-	108	(108)
Other Services	-	-	105	(105)
Total Expenditures	<u>7,906</u>	<u>7,906</u>	<u>6,660</u>	<u>1,246</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (7,906)</u>	<u>\$ (7,906)</u>	<u>\$ (6,807)</u>	<u>\$ 1,099</u>
Net change in fund balance			(6,807)	
<u>FUND BALANCE</u>				
Beginning of Year Balance			23,572	
End of year balance			<u>\$ 16,765</u>	

Notes to Required Supplementary Information:

Basis of Budgeting

The legislature's legal authorization for AGDC to incur obligations is enacted on a basis inconsistent with generally accepted accounting principles (GAAP). This schedule presents comparisons of the original and final adopted budget with actual data on a budgetary basis. Encumbrances are included for total authorized expenditures, although for GAAP purposes they are excluded. The actual data in this schedule is modified accrual basis of accounting with encumbrances.

Reconciliation of Budgetary to GAAP reporting:

Budgetary Basis - Total Revenue	\$ (147)
Prepaid items	168
Governmental Fund Income Statement - Total Revenue	<u>\$ 21</u>
Budgetary Basis - Expenditures	\$ 6,660
Prepaid items	168
Governmental Fund Income Statement - Expenditures	<u>\$ 6,828</u>

Public Employees' Retirement System (PERS) - Pension Plan
Schedule of the Corporation Proportionate Share of the Net Pension Liability

<i>Years Ended June 30,</i>	2021	2020	2019	2018	2017	2016	2015
Corporation Proportion of the Net Pension Liability	0.06846%	0.10292%	0.08173%	0.08760%	0.13170%	0.08147%	0.00000%
Corporation Proportionate Share of the Net Pension Liability	\$ 4,039,799	\$ 5,634,217	\$ 4,061,328	\$ 4,525,481	\$ 7,362,141	\$ 3,951,177	\$ 727,606
State of Alaska Proportionate Share of the Net Pension Liability	1,672,130	2,236,687	1,176,999	1,688,262	927,522	1,058,318	502,361
Total Net Pension Liability	\$ 5,711,929	\$ 7,870,904	\$ 5,238,327	\$ 6,213,743	\$ 8,289,663	\$ 5,009,495	\$ 1,229,967
Corporation Covered Payroll	1,861,344	3,075,316	3,204,487	3,314,034	3,021,153	3,306,920	*
Corporation Proportionate Share of the Net Pension Liability as a Percentage of Payroll	217.04%	183.21%	126.74%	136.56%	243.69%	119.48%	*
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	61.61%	63.42%	65.19%	63.37%	59.55%	63.96%	62.37%

Schedule of Corporation's Contributions

<i>Years Ended June 30,</i>	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contributions	\$ 137,919	\$ 260,381	\$ 359,641	\$ 402,177	\$ 352,236	\$ 319,810	\$ 346,160
Contributions Relative to the Contractually Required Contribution	137,919	260,381	359,641	402,177	352,236	319,810	346,160
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Corporation Covered Payroll	937,668	1,861,344	3,075,316	3,204,487	3,314,034	3,021,153	3,306,920
Contributions as a Percentage of Covered Payroll	14.71%	13.99%	11.69%	12.55%	10.63%	10.59%	10.47%

* Information for this year is not available

See accompanying notes to Required Supplementary Information.

**Alaska Gasline Development Corporation
Public Employees' Retirement System - OPEB Plans
Schedule of the Corporation's Proportionate Share of the Net OPEB Liability (Asset)**

Years Ended June 30,	ARHCT				RMP				ODD			
	2021	2020	2019	2018	2021	2020	2019	2018	2021	2020	2019	2018
Corporation's Proportion of the Net OPEB Liability (Asset)	0.06850%	0.10290%	0.08168%	0.08757%	0.08556%	0.16830%	0.20244%	0.21583%	0.06984%	0.13380%	0.20244%	0.21583%
Corporation's Proportionate Share of the Net OPEB Liability (Asset)	\$ (310,206)	\$ 152,717	\$ 838,287	\$ 739,768	\$ 6,069	\$ 40,265	\$ 25,761	\$ 11,256	\$ (19,038)	\$ (32,439)	\$ (39,318)	\$ (30,624)
State of Alaska Proportionate Share of the Net OPEB Liability (Asset)	(128,682)	60,719	244,442	275,664	-	-	-	-	-	-	-	-
Total Net OPEB Liability (Asset)	\$ (438,888)	\$ 213,436	\$ 1,082,729	\$ 1,015,432	\$ 6,069	\$ 40,265	\$ 25,761	\$ 11,256	\$ (19,038)	\$ (32,439)	\$ (39,318)	\$ (30,624)
Corporation's Covered Payroll	758,635	1,260,880	1,313,840	*	1,102,709	1,814,436	1,890,647	*	1,102,709	1,814,436	1,890,647	*
Corporation's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Payroll	-40.89%	12.11%	63.80%	*	0.55%	2.22%	1.36%	*	-1.73%	-1.79%	-2.08%	*
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	106.15%	98.13%	88.12%	89.91%	95.23%	83.17%	88.71%	93.98%	283.80%	297.43%	270.62%	212.97%

Schedule of Corporation's Contributions

Years Ended June 30,	ARHCT				RMP				ODD			
	2021	2020	2019	2018	2021	2020	2019	2018	2021	2020	2019	2018
Contractually Required Contributions	\$ 35,641	\$ 102,823	\$ 129,712	*	\$ 6,602	\$ 16,008	\$ 19,751	*	\$ 1,593	\$ 3,269	\$ 5,463	*
Contributions Relative to the Contractually Required Contribution	\$ 35,641	\$ 102,823	\$ 129,712	*	\$ 6,602	\$ 16,008	\$ 19,751	*	\$ 1,593	\$ 3,269	\$ 5,463	*
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	*	\$ -	\$ -	\$ -	*	\$ -	\$ -	\$ -	*
Corporation's Covered Payroll	\$ 448,501	\$ 758,635	\$ 1,260,880	\$ 1,313,840	\$ 489,168	\$ 1,102,709	\$ 1,814,436	\$ 1,890,647	\$ 489,168	\$ 1,102,709	\$ 1,814,436	\$ 1,890,647
Contributions as a Percentage of Covered Payroll	7.947%	13.554%	10.287%	*	1.350%	1.452%	1.089%	*	0.326%	0.296%	0.301%	*

* Information for this year is not available

See accompanying notes to Required Supplementary Information.

Notes to Required Supplemental Information

1. Public Employees' Retirement System Pension Plan

Schedule of the Corporation's Proportionate Share of the Net Pension Liability

This table is presented based on the Plan measurement date. For June 30, 2021, the Plan measurement date is June 30, 2020.

Changes in Assumptions:

The actuarial assumptions used in the June 30, 2019 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017. As a result of this experience study, the ARM Board adopted updated actuarial assumptions for the June 30, 2018 actuarial valuation to better reflect expected future experience. The assumptions used in the June 30, 2019 actuarial valuation are the same as those used in the June 30, 2018 valuation, except the amount included in the Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid from defined benefit pension plan assets.

In 2020, the discount rate was lowered from 8% to 7.38%.

Amounts reported reflect a change in assumptions between 2016 and 2017 in the method of allocating the net pension liability from actual contributions to present value of projected future contributions.

GASB requires ten years of information be presented. However, until a full ten years of information is available, the Corporation will present only those years for which information is available.

Schedule of Corporation Contributions

This table is based on the Corporation's contributions for each fiscal year presented. These contributions have been reported as a deferred outflow of resources on the Statement of Net Position.

GASB requires ten years of information be presented. However, until a full ten years of information is available, the Corporation will present only those years for which information is available.

Notes to Required Supplemental Information

2. Public Employees' Retirement System OPEB Plans

Schedule of the Corporation's Proportionate Share of the Net OPEB Asset and Liability

This table is presented based on the Plan measurement date. For June 30, 2021, the Plan measurement date is June 30, 2020.

Changes in Assumptions:

The actuarial assumptions used in the June 30, 2019 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017. As a result of this experience study, the ARM Board adopted updated actuarial assumptions for the June 30, 2018 actuarial valuation to better reflect expected future experience. The assumptions used in the June 30, 2019 actuarial valuation are the same as those used in the June 30, 2018 valuation with the following exceptions:

1. Per capita claims costs were updated to reflect recent experience.
2. Retired member contribution trend rates were updated to reflect the ongoing shift in population from pre-Medicare to Medicare-eligible and a projection of expected future retiree contributions reflecting the 10% decrease from 2019 to 2020.
3. The Further Consolidated Appropriations Act, 2020 that was signed in December 2019 made several changes, including the repeal of the Cadillac Tax.
4. The amount included in the Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid for postretirement healthcare plan assets.

In 2020, the discount rate was lowered from 8% to 7.38%.

In 2020, an Employer Group Waiver Plan (EGWP) was implemented effective January 1, 2019. This arrangement replaced the Retiree Drug Subsidy (RDS) under Medicare Part D and resulted in largest projected subsidies to offset the cost of prescription drug coverage.

GASB requires ten years of information be presented. However, until a full 10 years of information is available, the Corporation will present only those years for which information is available.

Schedule of Corporation Contributions

This table is based on the Corporation's contributions for each fiscal year presented. These contributions have been reported as a deferred outflow of resources on the Statement of Net Position.

GASB requires ten years of information be presented. However, until a full ten years of information is available, the Corporation will present only those years for which information is available.