



Alaska Gasline Development Corporation

Financial Statements and
Required Supplemental Information
Year Ended June 30, 2013

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of Alaska Gasline Development Corporation (the Corporation), a component unit of the State of Alaska, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Corporation'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 conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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 the 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 we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Corporation, as of June 30, 2013, 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 a Matter

As discussed in Note H to the financial statements for fiscal year 2013, the Corporation adopted the provisions of Governmental Accounting Standards Board (GASB) Statement number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison on pages 3 through 6 and 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

BDO USA, LLP

Anchorage, Alaska
October 31, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report of the Alaska Gasline Development Corporation ("the Corporation") consists of three sections: Management's Discussion and Analysis, the Basic Financial Statements and the Schedule of Governmental Fund Revenues, Expenditures & Changes in Fund Balance – Budget to Actual. 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, 2012 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 in comparison to the prior activity.

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, 2013. 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. Revenues are recognized when they become both measurable and available to finance expenditures.

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.

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 *Schedule of Governmental Fund Revenues, Expenditures & Changes in Fund Balance – Budget to Actual* presents the original and final legal budgets compared to the actual amounts utilized by the Corporation and any variances are shown.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ACCOMPLISHMENTS AND PLANS

In FY13, AGDC progressed the planning, construction, and financing of the in-state nature gas pipeline by conducting the following activities:

- Informed project stakeholders of progress by presenting project updates to the State of Alaska and other stakeholder groups. Provided technical information and answers to State of Alaska questions related to HB4 which was passed into law (AS 31.25).
- Filed on October 26, 2012, the ASAP Final Environmental Impact Statement (FEIS) with the Federal Register which would support the USACE Record of Decision (ROD) and project permitting. The EIS process is being conducted to comply with the National Environmental Policy Act (NEPA).
- Progressed Federal and Private Right of Way (ROW) land status and permitting for the pipeline route.
- Worked with U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration (PHMSA) to define their requirements and answer their questions about the project.
- Progressed conceptual facilities and pipeline engineering needed for an open season or offering within funding constraints. AGDC awarded the facility design contract on February 3, 2013 to Fluor / Worley Parsons (joint venture Arctic Solutions).
- Conducted planning and field work to survey, study and collect geotechnical (borehole), hydrological/stream, cultural and wetlands data and information along the Right of Way to support pipeline design and project permitting.

In FY14, AGDC plans to advance the development, financing, construction and operation of in-state natural gas pipelines and other transportation systems to deliver natural gas and other non-oil hydrocarbon products for in-state use at the lowest possible cost by conducting the following activities:

- Inform project stakeholders of progress.
- Pursue partners and customers from the integrated natural gas industry.
- Progress facilities and pipeline engineering towards a Class III cost estimate to support an open season tariff estimate.
- Conduct planning and field work to survey, study and collect geotechnical (borehole), hydrological/stream, cultural and wetlands data and information along the Right of Way to support pipeline design and project permitting.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

| \$ in thousand | Governmental Fund | | | | Government-Wide | | | |
|-----------------------------|-------------------|-------------|-----------------|-------------------|-----------------|-------------|-----------------|-------------------|
| | <u>FY12</u> | <u>FY13</u> | <u>Variance</u> | <u>% Variance</u> | <u>FY12</u> | <u>FY13</u> | <u>Variance</u> | <u>% Variance</u> |
| Assets | 3,365 | 21,154 | 17,789 | 529% | 4,060 | 21,742 | 17,682 | 436% |
| Liabilities | 3,161 | 4,487 | 1,326 | 42% | 3,211 | 4,558 | 1,347 | 42% |
| Fund Balance / Net Position | 204 | 16,667 | 16,463 | | 849 | 17,184 | 16,335 | |
| Revenue | 18,338 | 32,781 | 14,443 | 79% | 18,356 | 32,803 | 14,447 | 79% |
| Expenditures / Expenses | 18,134 | 16,318 | (1,816) | -10% | 17,507 | 16,468 | (1,039) | -6% |
| Position | 204 | 16,463 | 16,259 | | 849 | 16,335 | 15,486 | |

Government-Fund

Assets are \$21.2 million, Liabilities are \$4.5 million and the fund balance is \$16.7 million.

Revenue is \$32.8 million in FY13, \$14.4 million more than the \$18.3 million in FY12. Expenditures are \$16.3 million, \$1.8 million less than the \$18.1 million in FY12.

Government-Wide

Assets are \$21.7 million, Liabilities are \$4.6 million and Net Position is \$17.2 million. Net Position increased \$16.3 million due to SB 18 re-appropriation funding, depreciation of equipment and prepayment of expenses.

Revenue increased \$14.5 million to \$32.8 million in FY13 from \$18.4 million in FY12. Expenses decreased \$1.0 million to \$16.5 million in FY13 from \$17.5 million in FY12.

Budgetary Basis

The Alaska Legislature appropriated the following amounts to the In-state natural gas pipeline fund in AGDC and AGDC incurred the following budgetary expenditures:

| \$ in thousand | Budgetary Basis | | |
|--|----------------------|---------------------|-----------------|
| | <u>Appropriation</u> | <u>Expenditures</u> | <u>Variance</u> |
| FY14 | 355,000 | - | 355,000 |
| FY13 | 21,000 | 11,089 | 9,911 |
| FY12 | 28,200 | 21,631 | 6,569 |
| FY11 | 15,640 | 15,640 | - |
| Total In-state natural gas pipeline fund | 419,840 | 48,360 | 371,480 |

Notes:

FY14 - The \$355 million In-state natural gas pipeline fund appropriation includes \$330 million for Alaska Gasline Development Corporation and \$25 million for other State of Alaska Agencies.

FY14 expenditures are unknown at this time. The budget for FY14 expenditures is \$72.6 million.

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) has been re-appropriated to the In-state natural gas pipeline fund (AS 31.25.100) in the AGDC corporation following SB 18.

FY14 including FY12 and FY13 reappropriated balances may be carried forward for five years as capital funding.

FY12 includes \$21 million appropriation and \$7.2 million supplemental appropriation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

On April 13, 2013, the 28th Alaska Legislature passed SCS CSSSHB 4 (FIN), and the Governor signed the legislation into law (AS 31.25) on May 21, 2013. The State of Alaska appropriated \$355 million for FY14 to fund the In-state natural gas pipeline fund for the purposes of the advancement, development, financing, construction and operation of in-state natural gas pipelines and other transportation systems to deliver natural gas and other non-oil hydrocarbon products for in-state use at the lowest possible cost.

CONTACTING AGDC'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives during the periods reported. If you have questions about this report or need additional financial information, please visit the Corporation's web site <http://www.agdc.us/>.

ALASKA GASLINE DEVELOPMENT CORPORATION

(A Component Unit of the State of Alaska)

Governmental Fund Balance Sheet / Statement of Net Position

As of June 30, 2013

(in thousands of dollars)

Exhibit A

| | <u>Governmental Fund Balance Sheet</u> | <u>Adjustments*</u> | <u>Statement of Net Position</u> |
|---|--|---------------------|--------------------------------------|
| <u>ASSETS</u> | | | |
| Prepaid Expenses | \$ 187 | \$ - | \$ 187 |
| Due from State of Alaska | 20,967 | 71 | 21,038 |
| Equipment, Net of Depreciation | - | 517 | 517 |
| Total Assets | <u>\$ 21,154</u> | <u>\$ 588</u> | <u>\$ 21,742</u> |
| <u>LIABILITIES</u> | | | |
| Accrued payables | \$ 3,780 | \$ - | \$ 3,780 |
| Accrued Compensated Absences | - | 71 | 71 |
| Due to Alaska Housing Finance Corporation | 707 | - | 707 |
| Total Liabilities | <u>\$ 4,487</u> | <u>\$ 71</u> | <u>\$ 4,558</u> |
| <u>FUND BALANCES</u> | | | |
| Nonspendable | \$ 187 | | |
| Assigned | 12,722 | | |
| Unassigned | 3,758 | | |
| Total Fund balance | <u>16,667</u> | | |
| Total Liabilities and Fund Balance | <u>\$ 21,154</u> | | |
| <u>Net Position</u> | | | |
| Total Net Position | | <u>\$ 517</u> | <u>\$ 17,184</u> |

***Adjustments:**

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

Governmental funds don't accrue Program revenue that isn't collectable within 60 days of year end - reimbursement for compensated absences.

\$ 71

Governmental funds don't recognize General Fixed Assets as current financial resources.

517

Governmental funds don't recognize accrued compensated absences as payable using current financial resources.

(71)

Total Adjustments to the Governmental Fund Balance Sheet

\$ 517

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, 2013

(in thousands of dollars)

| | Governmental Fund Income Statement | Adjustments* | Statement of Activities |
|---|---|---------------------|------------------------------------|
| <u>REVENUES</u> | | | |
| Revenues from the State of Alaska | \$ 16,161 | \$ 22 | \$ 16,183 |
| SB18 re-appropriation from the State of Alaska | 16,480 | - | 16,480 |
| Retirement Funding State of Alaska | 140 | - | 140 |
| Total Revenues | 32,781 | 22 | 32,803 |
| <u>EXPENDITURES / EXPENSES</u> | | | |
| Contractual Services | 13,845 | | 13,845 |
| Personnel | 1,570 | 22 | 1,592 |
| Office and Supplies | 425 | (44) | 381 |
| Travel | 242 | - | 242 |
| Retirement Funding State of Alaska | 140 | - | 140 |
| Depreciation | - | 172 | 172 |
| Insurance | 50 | - | 50 |
| Other Services | 42 | - | 42 |
| Advertising | 4 | | 4 |
| Total Expenditures / Expenses | 16,318 | 150 | 16,468 |
| Excess (Deficiency) of Revenues Over Expenditures / Expenses | 16,463 | (128) | 16,335 |
| Net change in fund balance / Change in Net Position | 16,463 | (128) | 16,335 |
| <u>FUND BALANCE / Net Position</u> | | | |
| Beginning of Year Balance | 204 | 645 | 849 |
| End of year balance | \$ 16,667 | \$ 517 | \$ 17,184 |

***Adjustments:**

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

Governmental funds don't accrue Program revenue that isn't collectable within 60 day of year end - reimbursement for compensated absences.

\$ 22

Governmental funds don't recognize accrued compensated absences as an expenditure.

(22)

Governmental funds don't recognize General Fixed Assets as current financial resources.

44

Governmental funds don't recognize General Fixed Assets as current financial resources.

(172)

Change in Net Position of governmental activities

\$ (128)

See accompanying notes to the financial statements.

Notes to Financial Statements

FOOTNOTE INDEX

| NOTE | DESCRIPTION | PAGE |
|-------------|--|-------------|
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Notes to Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

Note A: The Alaska Gasline Development Corporation

The Alaska Gasline Development Corporation (AGDC) is a public corporation of the State in the Department of Commerce, Community and Economic Development (DCCED) but with a separate and independent legal existence (AS 31.25). The 2013 legislation SCS CSSSHB 4 (FIN) was signed into State of Alaska law (AS 31.25) on May 21, 2013 and continued the existence of AGDC but changed it from a wholly-owned subsidiary of Alaska Housing Finance Corporation (AHFC) (AS 18-56-086) into an independent public corporation of the State of Alaska located for administrative purposes in the DCCED, but having legal existence independent of and separate from the State. AGDC's purpose is to advance the planning, constructing, financing and operations of in-state natural gas pipeline projects 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 was incorporated on May 14, 2010, under the Alaska Nonprofit Corporation Act. AGDC is legally independent and separate from DCCED and there is no financial accountability between AGDC and DCCED. AGDC is authorized to borrow money and issue bonds on its own behalf to provide sufficient funds for carrying out its purpose.

AGDC is a component unit of the State of Alaska (State) and is a government instrumentality of the State of Alaska. On September 13, 2013, the Governor appointed AGDC's new board of directors which is comprised of five public members and two individuals designated by the Governor that is each the head of a principal department of the State. The Legislature appropriates funds to AGDC to fund its purpose.

The in-state natural gas pipeline fund was established in the corporation and consists of money appropriated to it (AS 31.25.100). 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) has been re-appropriated to the In-state natural gas pipeline fund in the AGDC corporation following SB 18.

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 AGDC's 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 or contributed 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: RELATED PARTY TRANSACTIONS

AGDC utilizes certain AHFC administrative and support services and products such as general commercial liability insurance and risk management, employee medical plans, accounting and financial systems and treasury, IS equipment and software, contract support and other administrative services.

The following amounts were owed, paid or received by AHFC on behalf of AGDC in FY13.

| | |
|---------------------------------|----------|
| Due to AHFC as of 6/30/12 | 407 |
| Payments to Vendors and payroll | 15,291 |
| Received from State of Alaska | (15,024) |
| AGDC Insurance | 33 |
| Due to AHFC as of 6/30/13 | 707 |

NOTE D: ASSETS AND LIABILITIES

Due from State of Alaska

The outstanding balance is for reimbursement of payments made by AHFC to vendors on behalf of AGDC that have not been yet been reimbursed by the State of Alaska and the SB 18 re-appropriation that was funded effective June 30, 2013.

Due to Alaska Housing Finance Corporation

AGDC utilizes AHFC's cash disbursement system to pay for costs incurred. As a result the outstanding balance is the net result of payments made by AHFC to vendors on behalf of AGDC and the periodic reimbursements from the State of Alaska for AGDC's vendor costs.

NOTE E: LONG TERM LIABILITIES

The activity for the year ended June 30, 2013 is summarized in the following schedule (in thousands):

| | June 30, 2012 | Additions | Reductions | June 30, 2013 | Due Within One Year |
|----------------------|------------------|-----------|------------|------------------|------------------------|
| Compensated absences | \$ 50 | \$ 105 | \$ (84) | \$ 71 | \$ 63 |

NOTE F: PENSION AND POST EMPLOYMENT HEALTH CARE

Plan Description

As of June 30, 2013, all regular employees of the Corporation who work more than fifteen hours per week participate in the Alaska Public Employees' Retirement System (PERS). PERS administers the State of Alaska Public Employees' Retirement System Defined Benefit Retirement Plan which includes both pension and post employment healthcare plans for all employees hired prior to July 1, 2006. The defined benefit plan was an agent multiple-employer, statewide plan until July 1, 2008 when Senate Bill 125 converted the plan to a multiple-employer cost-sharing plan. PERS also administers the State of Alaska Public Employees' Retirement System Defined Contribution Retirement Plan which includes both pension and post employment healthcare plans for all employees hired on or after July 1, 2006.

PERS is administered by the State of Alaska. Benefits and contribution provisions are established by Chapter 35 of Alaska Statute Title 39, and may be amended only by State Legislature. Amendments do not affect existing employees. A publicly available financial report that includes financial statements and required supplementary information is issued annually by PERS. That report may be obtained by writing to State of Alaska, Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska 99811-0202.

Notes to Financial Statements

Defined Benefit Plans (Employees hired prior to July 1, 2006):

Employees hired prior to July 1, 1986 with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 55 or early retirement age 50. The normal pension benefit is equal to 2% of the member's three-year highest average monthly compensation for the first ten years of service and for all service prior to July 1, 1986, 2¼% for the second ten years of service and 2½% for all remaining years of service. Employees with 30 or more years of credited service may retire at any age and receive a normal benefit. The plan pays the retiree medical plan premium and also provides death and disability benefits.

Employees hired after June 30, 1986 with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 60 or early retirement age 55. The normal pension benefit is equal to 2% of the member's three-year highest average monthly compensation for the first ten years of service, 2¼% for the second ten years of service and 2½% for all remaining years of service. Employees with 30 or more years of credited service may retire at any age and receive a normal benefit. Also the plan does not pay the retiree medical plan premium for retirees under the age of 60 unless the retiree has 30 years of credited service. The employee may elect to pay the full premium cost for medical coverage.

Employees hired after June 30, 1996 with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 60 or early retirement age 55. The normal pension benefit is equal to 2% of the member's five-year highest average monthly compensation for the first ten years of service, 2¼% for the second ten years of service and 2½% for all remaining years of service. Employees with 30 or more years of credited service may retire at any age and receive a normal benefit. The plan does not pay the retiree medical plan premium for retirees with less than 10 years of service at age 60. The employee may elect to pay the full premium cost for medical coverage.

Defined Contribution Plan (Employees hired on or after July 1, 2006):

There is no retirement age set, however taxes and penalties may apply if withdrawn prior to age 59 ½. Retirement benefits are equal to the Defined Contribution account balance plus interest. The employee may direct the investment of the account if so desired. The account balance is 100% of the employees contribution plus 25% of the Corporation's contribution after two years of service, 50% of the Corporation's contribution after three years of service, 75% of the Corporation's contribution after four years of service, and 100% of the Corporation's contribution after 5 years of service. The plan pays a portion of the retiree medical plan premium if the retiree retires directly from the plan and is eligible for Medicare. The portion of premium paid by the plan is determined by years of service. Disability benefits are also provided.

Funding Policy

Defined Benefit Plans:

Under State law, covered employees are required to contribute 6¾% of their annual covered salary to the pension plan and are not required to contribute to the Post Employment Healthcare Plan.

Under State law the Corporation is required to contribute 22% of annual covered salary. For the fiscal year 2013, 9.67% of covered salary is for the pension plan and 12.33% of covered salary is for the Post Employment Healthcare Plan.

Under AS39.35.255, the difference between the actuarial required contribution of 35.84% for the fiscal year 2013 and the employer rate of 22% will be funded by the State.

The State contribution to the pension plan for the Corporation for the twelve months ended June 30, 2013 was \$48,183.

The Corporation's contributions to the pension plan for the twelve months ended June 30, 2013 and June 30, 2012 was \$79,838 and \$53,867 respectively.

The State contribution to the post employment healthcare plan for the Corporation for the twelve months ended June 30, 2013 was \$61,497.

Notes to Financial Statements

The Corporation's contributions to the post employment healthcare plan for the twelve months ended June 30, 2013 and June 30, 2012 was \$101,799 and \$65,599 respectively.

Defined Contribution Plans:

Under State law, covered employees are required to contribute 8% of their annual covered salary. For the fiscal year 2013, the Corporation is required to contribute 5.14% of the annual covered salary to the pension plan.

Under State law, covered employees are not required to contribute to the post employment healthcare plan. For the fiscal year 2013, the Corporation is required to contribute 0.48% of the annual covered salary plus an annual flat dollar amount of \$1,848.43 for each covered employee.

If the total amount that the Corporation has contributed for the defined contribution pension and post employment healthcare plans is less than 22% of covered payroll, the Corporation must pay that additional amount. For the year ended June 30, 2013, the Corporation paid additional contributions of \$24,328.

The contributions to the pension plan for the year ended June 30, 2013 by the employees was \$14,141, by the Corporation was \$9,914 and by the State was \$10,226.

The contributions to the post employment healthcare plan for the year ended June 30, 2013 by the Corporation was \$4,631 and by the State was \$13,051.

NOTE G: OTHER COMMITMENTS AND CONTINGENCIES

The Corporation entered into an agreement for project information where \$4,657,856 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 (l) 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 (ll) 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.

NOTE H: NEW ACCOUNTING PRONOUNCEMENTS

For the Year Ended June 30, 2013, the Corporation adopted the provisions of *GASB Statement Number 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement resulted in a change to the government's presentation of government-wide statement from a traditional "Balance Sheet" format to a new "Statement of Net Position" format which segregated deferred inflows and deferred outflows from assets and liabilities respectively.

ALASKA GASLINE DEVELOPMENT CORPORATION

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, 2013

(in thousands)

| | <u>Original Budgeted Amounts</u> | <u>Final Budgeted Amounts</u> | <u>Actual Amounts on Budgetary Basis</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|---|--|---------------------------------------|--|---|
| <u>REVENUES</u> | | | | |
| Revenues from the State of Alaska | \$ 32,707 | \$ 32,707 | \$ 29,070 | \$ 3,637 |
| Total Revenues | <u>32,707</u> | <u>32,707</u> | <u>29,070</u> | <u>3,637</u> |
| <u>EXPENDITURES</u> | | | | |
| Contractual Services | 29,996 | 29,996 | 26,676 | 3,320 |
| Personnel | 1,766 | 1,766 | 1,570 | 196 |
| Office and Supplies | 566 | 566 | 503 | 63 |
| Travel | 272 | 272 | 242 | 30 |
| Retirement Funding State of Alaska | - | - | - | - |
| Depreciation | - | - | - | - |
| Insurance | 56 | 56 | 50 | 6 |
| Other Services | 47 | 47 | 42 | 5 |
| Advertising | 4 | 4 | 4 | - |
| Total Expenditures | <u>32,707</u> | <u>32,707</u> | <u>29,087</u> | <u>3,620</u> |
| Excess of Revenues Over Expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (17)</u> | <u>\$ 17</u> |
| Net change in fund balance | | | (17) | |
| <u>FUND BALANCE</u> | | | | |
| Beginning of Year Balance | | | 204 | |
| End of year balance | | | <u>\$ 187</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 | \$ 29,070 |
| SB 18 re-appropriation | 16,480 |
| Retirement funding made by State of Alaska on-behalf of AGDC | 140 |
| Prepaid items | (187) |
| Encumbrances | (12,722) |
| Governmental Fund Income Statement - Total Revenue | <u>\$ 32,781</u> |
| Budgetary Basis - Expenditures | \$ 29,087 |
| Retirement funding made by State of Alaska on-behalf of AGDC | 140 |
| Prepaid items | (187) |
| Encumbrances | (12,722) |
| Governmental Fund Income Statement - Expenditures | <u>\$ 16,318</u> |
| Budgetary Basis Fund Balance | \$ 187 |
| SB 18 re-appropriation | 16,480 |
| Governmental Fund Balance | <u>\$ 16,667</u> |