



**Alaska Gasline Development
Corporation**
(a component unit of the State of Alaska)

Basic Financial Statements
Year Ended June 30, 2014

(With Independent Auditor's Report Thereon)

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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, 2014, 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2014, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements. The combining statements of net position and activities are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements of net position and activities is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements of net position and activities is fairly stated, in all material respects, in relation to the basic financial statements.

BDO USA, LLP

Anchorage, Alaska
October 10, 2014

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, 2013 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, 2014. 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.

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.

The Supplemental Information, *Combining Statement of Net Position (Exhibit D)* and *Combining Statement of Activities (Exhibit E)* present AGDC's financial activity by the In State Natural Gas Pipeline Fund and the Alaska Liquefied Natural Gas Project Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ACCOMPLISHMENTS AND PLANS

In FY14, AGDC progressed its mission by conducting the following activities:

- Signed a Joint Venture Agreement (JVA) with three Alaska North Slope ("ANS") producers and a pipeline company for the proposed Alaska Liquefied Natural Gas project ("Alaska LNG"), which would provide gas to Alaskans for in-state use and export liquefied natural gas ("LNG") to markets around the world.
- Progressed the Alaska Stand Alone Pipeline (ASAP) project facilities and pipeline engineering towards a Class 3 cost estimate. Facility engineering work included process, civil, structural, architectural, fire and gas detection / suppression, heating, ventilation, and air conditioning (HVAC), piping, mechanical control systems / instrument design. Pipeline work included more detailed engineering, a geotechnical field program, coordination work with the Pipeline and Hazardous Materials Safety Administration (PHMSA) regulatory authority and waterways, pipeline, civil, material sites, geohazard work plans.
- Selected CH2M HILL to provide integrated-team Program Management for the ASAP Project. Major areas of CHM2 HILL's work includes owner's engineering oversight, project controls, safety, permitting, licensing, quality, procurement, logistics and other services during the development phase of the ASAP project.
- Initiated the ASAP Supplemental Environmental Impact Statement (SEIS) process with the Alaska District, U.S. Army Corps of Engineers (Corps). The SEIS will evaluate the size, design and location of the ASAP project, analyze potential impacts associated with its construction and operation, and consider alternatives. The SEIS ensures National Environmental Policy Act (NEPA) compliance and provides a basis for the Corps to issue a permit.
- Progressed federal and private Right of Way (ROW) land status and permitting for the ASAP project route.
- Informed project stakeholders of progress by presenting project updates to the State of Alaska and other stakeholder groups.
- Transitioned AGDC from being a subsidiary of Alaska Housing Finance Corporation (AHFC), to being an independent, public corporation of the State of Alaska, with a legal existence separate and independent of the State. The AGDC Corporation is located for administrative purposes within the Department of Commerce, Community and Economic Development.

In FY15, AGDC plans to advance the development, financing, construction and operation of natural gas pipelines, related facilities and other transportation systems by conducting the following activities:

- Participate in the Alaska LNG project as a co-venturer by: funding its share of project expenditures; providing owner's representation and oversight on technical, commercial, and management committees; negotiating Alaska LNG project agreements for future phases of project development; and providing appropriate information to oversight agencies as to the activities of the venture.
- Progress the ASAP project in concert with the Alaska LNG project by: ensuring the ASAP project schedule is aligned with the Alaska LNG project schedule; and maintaining the ASAP project as a viable alternative for delivering North Slope natural gas to Alaskans.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

\$ in thousands	Governmental Fund				Government - Wide			
	FY 13	FY 14	Variance	% Variance	FY 13	FY 14	Variance	% Variance
Assets	21,154	391,265	370,111	1750%	21,742	392,762	371,020	1706%
Liabilities	4,487	21,664	17,177	383%	4,558	22,251	17,693	388%
Fund Balance / Net Position	16,667	369,601	352,934		17,184	370,511	353,327	
Revenue	32,781	426,662	393,881	1202%	32,803	427,178	394,375	1202%
Expenditures / Expenses	16,318	73,728	57,410	352%	16,468	73,851	57,383	348%
Position	16,463	352,934	336,471		16,335	353,327	336,992	

Government-Fund

Assets are \$391.3 million, liabilities are \$21.7 million and the fund balance is \$369.6 million.

Revenue is \$426.7 million in FY14, \$393.9 million more than the \$32.8 million in FY13. Expenses are \$73.7 million, \$57.4 million more than the \$16.3 million in FY13.

Government-Wide

Assets are \$392.8 million, liabilities are \$22.3 million and net position is \$370.5 million. Net position increased \$353.3 million primarily due to the State of Alaska HB4 and SB 138 appropriations.

Revenue increased \$394.4 million to \$427.2 million in FY14 from \$32.8 million in FY13. Expenses increased \$57.4 million to \$73.9 million in FY14 from \$16.5 million in FY13.

Budgetary Basis

The Alaska Legislature appropriated the following amounts to AGDC for the Instate Natural Gas Pipeline Fund and the Alaska Liquefied Natural Gas Project Fund. AGDC incurred the following budgetary expenditures including encumbrances:

\$ in thousands	<u>Budgetary Basis</u>		
	<u>Appropriation</u>	<u>Expenditures</u>	<u>Variance</u>
FY14	424,835	143,797	281,038
FY13	21,000	21,000	-
FY12	28,200	28,200	-
FY11	15,640	15,640	-
Total	489,675	208,637	281,038

Notes:

FY14 - The \$355 million In State Gasline Fund appropriation includes \$330 million for Alaska Gasline Development Corporation and \$25 million for other State of Alaska Agencies.

FY14 - \$69.8 million was appropriated to the Alaska Liquefied Natural Gas Project Fund with the passage of SB 138 and includes \$2.57 million for reimbursable service agreements with other State of Alaska Agencies.

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 (AS 31.25.100 in the ACDC corporation following SB 18.

FY14 including FY12 and FY13 re-appropriated 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 on May 21, 2013. The Legislature appropriated \$355 million to fund the In State Natural Gas Pipeline Fund (AS 31.25.100) for the purposes of the advancement, development, financing, construction and operation of an in-state natural gas pipeline and other transportation systems to deliver natural gas and other non-oil hydrocarbon products for in-state use at the lowest possible cost.

On April 20, 2014, the 28th Alaska Legislature passed HCS CSSB 138(FIN) am H, and the Governor signed the legislation into law on May 8, 2014. The Legislature appropriated \$69.8 million to fund the Alaska Liquefied Natural Gas Project Fund (AS 31.25.110) for the purposes of enabling the State to participate as an equity owner in the Alaska LNG project which is focused on liquefying North Slope natural gas for the Asian export market and making gas available for domestic use in Alaska.

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 at www.agdc.us.

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, 2014

(in thousands of dollars)

	Governmental Fund Balance Sheet	Adjustments*	Statement of Net Position
<u>ASSETS</u>			
Cash and Investments	\$ 391,162	\$ -	\$ 391,162
Prepaid Expenses	690	-	690
Due from State of Alaska	(587)	587	-
Equipment, Net of Depreciation	-	910	910
Total Assets	<u>\$ 391,265</u>	<u>\$ 1,497</u>	<u>\$ 392,762</u>
<u>LIABILITIES</u>			
Accrued payables	\$ 16,968	\$ -	\$ 16,968
Accrued Compensated Absences	-	587	587
Due to Alaska Housing Finance Corporation	4,696	-	4,696
Total Liabilities	<u>21,664</u>	<u>587</u>	<u>22,251</u>
<u>FUND BALANCES</u>			
Nonspendable	\$ 690		
Assigned	368,911		
Unassigned	-		
Total Fund balance	<u>\$ 369,601</u>		
Total Liabilities and Fund Balance	<u>\$ 391,265</u>		
<u>Net Position</u>			
Total Net Position		<u>\$ 910</u>	<u>\$ 370,511</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.

\$ 587

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

910

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

(587)

Total Adjustments to the Governmental Fund Balance Sheet

\$ 910

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, 2014

(in thousands of dollars)

	Governmental Fund Income Statement	Adjustments*	Statement of Activities
<u>REVENUES</u>			
Program Revenues from the State of Alaska	\$ 424,319	\$ 516	\$ 424,835
Investment and Interest Income	2,047		\$ 2,047
Retirement Funding State of Alaska	296		296
Total Revenues	426,662	516	427,178
<u>EXPENDITURES / EXPENSES</u>			
Contractual Services	66,683		66,683
Personnel	3,287	516	3,803
Office and Supplies	2,801	(625)	2,176
Travel	536		536
Retirement Funding State of Alaska	296		296
Depreciation	-	232	232
Insurance	62		62
Other Services	49		49
Advertising	14		14
Total Expenditures / Expenses	73,728	123	73,851
Excess (Deficiency) of Revenues Over Expenditures / Expenses	352,934	393	353,327
Net change in fund balance / Change in Net Position	352,934	393	353,327
<u>FUND BALANCE / Net Position</u>			
Beginning of Year Balance	16,667	517	17,184
End of year balance	\$ 369,601	\$ 910	\$ 370,511

***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 of for compensated absences.	\$ 516
Governmental funds don't recognize accrued compensated absences as an expenditure.	(516)
Governmental funds don't recognize General Capital Assets as current financial resources - additions.	625
Governmental funds don't recognize General Capital Assets as current financial resources - depreciation.	(232)
Change in Net Position of governmental activities	\$ 393

See accompanying notes to the financial statements.

Notes to Financial Statements

FOOTNOTE INDEX

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Notes to Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

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 CSSH 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 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 located within DCCED solely for state administrative purposes, 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 but, at this time, relies upon appropriations of state money for that purpose.

AGDC is a component unit of the State of Alaska (the "State") and is a government instrumentality of the State. 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 AGDC. 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 FY 13 \$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 States 25% ownership interest in the Alaska liquefied natural gas project.

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.

Notes to Financial Statements

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.

NOTE C: INVESTMENTS

The Department of Revenue, Treasury Division (Treasury) has created an investment pool in which it manages certain investments of various State and State-related entities. Investment activity 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 GeFONSI is shown in the Comprehensive Annual Financial Report available from the Division of Finance in the Department of Administration.

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 national security pricing service.

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

Notes to Financial Statements

At June 30, 2014, the Corporation's share of pool investments was as follows:

Investment Type	Fund 34077			
	Short-Term Fixed Income Pool	Short-term Liquidity Fixed	Intermediate-term Fixed Income	Total
Corporate Bonds	\$ 10,417,121.50	-	6,580,648.45	\$ 16,997,769.95
Mortgage Backed	715,813.88	-	3,032,515.46	3,748,329.34
Other Asset Backed	50,273,453.19	-	3,286,097.82	53,559,551.01
Overnight Sweep Account (Imcs)	16,325,007.40	-	-	16,325,007.40
Repo	10,200,757.93	-	-	10,200,757.93
U.S. Government Agency	-	-	146,650.34	146,650.34
Treasury Bills	87,999,107.10	43,790,472.23	6,383,904.08	138,173,483.41
Treasury Notes	19,796,109.10	1,466,269.77	86,604,861.19	107,867,240.06
Treasury Strips	-	-	234,381.85	234,381.85
Yankees:				
Yankee Corporate	2,362,621.20	-	1,515,642.69	3,878,263.89
Yankee Government	-	-	499,480.29	499,480.29
Total Invested Assets	198,089,991.30	45,256,742.00	108,284,182.17	351,630,915.47
Pool related net assets (liabilities)	(41,671,151.20)	18,230.30	8,677,609.94	(32,975,310.96)
Net Invested Assets	156,418,840.10	45,274,972.30	116,961,792.11	318,655,604.51
Participant Unalloted Cash	-	-	-	-
Net Cash and Investments	\$ 156,418,840.10	45,274,972.30	116,961,792.11	\$ 318,655,604.51

Investment Type	Fund 34078			
	Short-Term Fixed Income Pool	Short-term Liquidity Fixed	Intermediate-term Fixed Income	Total
Corporate Bonds	\$ 2,282,803.77	-	1,442,080.63	\$ 3,724,884.40
Mortgage Backed	156,863.16	-	664,544.21	821,407.37
Other Asset Backed	11,016,904.11	-	720,114.14	11,737,018.25
Overnight Sweep Account (Imcs)	3,577,455.49	-	-	3,577,455.49
Repo	2,235,389.95	-	-	2,235,389.95
U.S. Government Agency	-	-	32,136.90	32,136.90
Treasury Bills	19,284,088.58	9,596,226.30	1,398,966.15	30,279,281.03
Treasury Notes	4,338,111.31	321,317.76	18,978,554.10	23,637,983.17
Treasury Strips	-	-	21,362.34	21,362.34
Yankees:				
Yankee Corporate	517,743.85	-	332,137.32	849,881.17
Yankee Government	-	-	109,455.91	109,455.91
Total Invested Assets	43,409,360.22	9,917,544.06	23,699,351.70	77,026,255.98
Pool related net assets (liabilities)	(9,088,218.16)	3,994.98	1,901,607.92	(7,182,615.26)
Net Invested Assets	34,321,142.06	9,921,539.04	25,600,959.62	69,843,640.72
Participant Unalloted Cash	-	-	-	-
Net Cash and Investments	\$ 34,321,142.06	9,921,539.04	25,600,959.62	\$ 69,843,640.72

Notes to Financial Statements

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Short-term Fixed Income Pool

As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to 14 months to maturity or 14 months expected average life upon purchase. Floating rate securities are limited to 3 years to maturity or 3 years expected average life upon purchase. These constraints apply to trade date, except for securities bought at new issue, for which settlement date applies. At June 30, 2014, the expected average life of individual fixed rate securities ranged from one day to 2.2 years and the expected average life of floating rate securities ranged from 8 days to 3.2 years.

Short-term Liquidity Fixed Income Pool

Treasury's investment policy limits individual fixed rate securities to six months to maturity. These constraints apply to trade date, except for securities bought at new issue, for which settlement date applies. At June 30, 2014, the expected average life of fixed rate securities ranged from 31 to 179 days.

Intermediate-term Fixed Income Pool

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

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

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

Intermediate-term Fixed Income Pool - \pm 20% of the Barclays 1-3 Year Government Bond Index. The effective duration for the Barclays 1-3 Year Government Bond Index at June 30, 2014 was 1.94 years.

Notes to Financial Statements

At June 30, 2014, the effective duration by investment type was as follows:

	Intermediate-term Fixed Income Pool
Corporate Bonds	1.40
Mortgage Backed	0.99
Other Asset Backed	0.70
Treasury Bills	0.42
Treasury Notes	2.14
Treasury Strips	3.27
U.S. Government Agency	1.71
Yankee Corporate	0.62
Yankee Government	0.78
Portfolio Effective Duration	1.72

Credit Risk

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

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

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

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

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

Notes to Financial Statements

At June 30, 2014, the State's internally managed Pools consisted of investments with credit quality ratings issued by nationally recognized statistical rating organizations as follows (using Standard and Poor's Corporation rating scale):

<u>Investment Type</u>	<u>Rating</u>	<u>Short-term Fixed Income Pool</u>	<u>Short-term Liquidity Fixed Income Pool</u>	<u>Intermediate Term Fixed Income Pool</u>
Corporate Bonds	AAA	0.06 %	-	0.10 %
Corporate Bonds	AA	2.90	-	1.33
Corporate Bonds	A	3.71	-	2.98
Corporate Bonds	BBB	-	-	0.73
U.S. Government Agency	AA	-	-	0.11
Overnight Sweep Account (Imcs)	Not Rated	10.44	-	-
Mortgage Backed	AAA	0.23	-	1.19
Mortgage Backed	AA	0.04	-	0.69
Mortgage Backed	A	0.06	-	0.15
Mortgage Backed	BBB	-	-	0.01
Mortgage Backed	Not Rated	0.12	-	0.32
Other Asset Backed	AAA	22.93	-	1.71
Other Asset Backed	AA	0.21	-	0.34
Other Asset Backed	A	0.79	-	-
Other Asset Backed	Not Rated	8.20	-	0.51
Other Pool Ownership	Not Rated	-	0.01	8.81
Repurchase Agreement	AA	6.52	-	-
Treasury Bills	AA	56.25	96.71	4.98
Treasury Notes	AA	12.65	3.24	67.52
Treasury Strips	AA	-	-	0.18
Yankee Corporate	AA	0.77	-	0.63
Yankee Corporate	A	0.74	-	0.38
Yankee Corporate	BBB	-	-	0.06
Yankee Corporate	Not Rated	-	-	0.11
Yankee Government	AA	-	-	0.35
Yankee Government	Not Rated	-	-	0.04
No Credit Risk		(26.62)	0.04	6.77
		<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>

Concentration of Credit Risk

Treasury's policy with regard to concentration of credit risk is to prohibit the purchase of more than five percent of a pool's holdings in corporate bonds backed by any one company or affiliated group.

At June 30, 2014, the Corporation did not have more than five percent of their investments in any one company or affiliated group.

Notes to Financial Statements

NOTE D: RELATED PARTY TRANSACTIONS

AGDC utilized 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 FY14.

Due to AHFC as of 6/30/13	707
Payments to Vendors and payroll	23,053
Received from State of Alaska	(19,098)
AGDC Insurance	34
Due to AHFC as of 6/30/14	4,696

NOTE E: ASSETS AND LIABILITIES

Equipment Net of Depreciation

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets being depreciated/depleted:				
Intangible - Software	99	97	-	196
Equipment	661	527	-	1,188
Total capital assets being depreciated/depleted	760	624	-	1,384
Less accumulated depreciation/depletion for:				
Intangible - Software	(41)	(49)	-	(90)
Equipment	(202)	(182)	-	(384)
Total accumulated depreciation/depletion	(243)	(231)	-	(474)
Total capital assets being depreciated/depletion, net	517	393	-	910
Capital assets, net	\$ 517	\$ 393	\$ -	\$ 910

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 yet been reimbursed by the State of Alaska.

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 F: LONG TERM LIABILITIES

The activity for the year ended June 30, 2014 is summarized in the following schedule (in thousands):

	June 30, 2013	Additions	Reductions	June 30, 2014	Due Within One Year
Compensated absences	\$ 71	\$ 688	\$ (172)	\$ 587	\$ 216

Notes to Financial Statements

NOTE G: PENSION AND POST EMPLOYMENT HEALTH CARE

Plan Description

As of June 30, 2014, 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 the 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.

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.

Notes to Financial Statements

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 2014, 10.64% of covered salary is for the pension plan and 11.36% of covered salary is for the Post Employment Healthcare Plan.

Under AS39.35.255, the difference between the actuarial required contribution of 35.68% for the fiscal year 2014 and the employer rate of 22% will be funded by the State.

The State contribution to the pension plan for the Corporation for the year ended June 30, 2014 was \$118,151.

The Corporation's contributions to the pension plan for the years ended June 30, 2014 and June 30, 2013 was \$162,635 and \$79,838, respectively.

The State contribution to the post employment healthcare plan for the Corporation for the year ended June 30, 2014 was \$90,674.

The Corporation's contributions to the post employment healthcare plan for the years ended June 30, 2014 and June 30, 2013 was \$173,666 and \$101,799, respectively.

Defined Contribution Plans:

Under State law, covered employees are required to contribute 8% of their annual covered salary. For the fiscal year 2014, the Corporation is required to contribute 5.20% 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 2014, the Corporation is required to contribute 0.48% of the annual covered salary plus an annual flat dollar amount of \$1,896.60 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, 2014, the Corporation paid additional contributions of \$92,161.

The contributions to the pension plan for the year ended June 30, 2014 by the employees was \$52,049, by the Corporation was \$36,053 and by the State was \$50,357.

The contributions to the post employment healthcare plan for the year ended June 30, 2014 by the Corporation was \$14,485 and by the State was \$38,646.

NOTE H: OTHER COMMITMENTS AND CONTINGENCIES

The Corporation entered into an agreement 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 (I) the Legislature of the State of Alaska appropriates some or all of the funding for the North Slope to Tidewater Development and Construction Expenses, or (II) bonds are issued by the State or a public corporation owned by the State intended to finance some or all of the North Slope to Tidewater Development and Construction Expenses.

Notes to Financial Statements

The Corporation entered into a Joint Venture Agreement effective July 1, 2014, with affiliates of ExxonMobil, BP, ConocoPhillips, and TransCanada Corp., for a proposed Alaska LNG (AK LNG) project. The project is to jointly fund and conduct Pre Front End Engineering (Pre-FEED) work consisting of engineering, design, permitting and related studies for a North Slope treatment plant, large-diameter pipeline from the North Slope to Nikiski and liquefied natural gas plant and marine terminal at Nikiski. Costs of the overall project are estimated to be \$45 billion to \$65 billion and the estimated export of LNG is 15 million to 18 million tons per year. Under the agreement, the Corporation would contribute \$31 million and \$22.4 million in FY15 and FY16, respectively, to carry out the Pre-FEED work for the Alaska LNG project.

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, 2014

(in thousands)

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
<u>REVENUES</u>				
Program Revenues from the State of Alaska	\$ 121,096	\$ 121,096	\$ 121,096	\$ -
Total Revenues	<u>121,096</u>	<u>121,096</u>	<u>121,096</u>	<u>-</u>
<u>EXPENDITURES</u>				
Contractual Services	169,200	169,200	169,200	-
Personnel	3,287	3,287	3,287	-
Office and Supplies	3,369	3,369	3,369	-
Travel	536	536	536	-
Retirement Funding State of Alaska	-	-	-	-
Depreciation	-	-	-	-
Insurance	62	62	62	-
Other Services	49	49	49	-
Advertising	14	14	14	-
Total Expenditures	<u>176,517</u>	<u>176,517</u>	<u>176,517</u>	<u>-</u>
Excess of Revenues Over Expenditures	<u>\$ (55,421)</u>	<u>\$ (55,421)</u>	<u>\$ (55,421)</u>	<u>\$ -</u>
Net change in fund balance			(55,421)	
<u>FUND BALANCE</u>				
Beginning of Year Balance			187	
End of year balance			<u>\$ (55,234)</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	\$ 121,096
HB 4 appropriation	355,000
SB 138 appropriation	69,835
SB 18 re-appropriation receipt	(16,480)
Retirement funding made by State of Alaska on-behalf of AGDC	296
Prepaid items	(690)
Encumbrances	(102,395)
Governmental Fund Income Statement - Total Revenue	<u>\$ 426,662</u>
Budgetary Basis - Expenditures	\$ 176,517
Retirement funding made by State of Alaska on-behalf of AGDC	296
Prepaid items	(690)
Encumbrances	(102,395)
Governmental Fund Income Statement - Expenditures	<u>\$ 73,728</u>

ALASKA GASLINE DEVELOPMENT CORPORATION

(A Component Unit of the State of Alaska)

Combined Statement of Net Position

As of June 30, 2014

(in thousands of dollars)

Exhibit D

	<u>Instate Natural Gas Pipeline Fund (INGPF)</u>	<u>Alaska Liquefied Natural Gas Project Fund (ALNGPF)</u>	<u>Combined Statement of Net Position</u>
<u>ASSETS</u>			
Cash and Investments	\$ 321,289	\$ 69,873	\$ 391,162
Prepaid Expenses	690	-	690
Due from State of Alaska	-	-	-
Equipment, Net of Depreciation	910	-	910
Total Assets	<u>\$ 322,889</u>	<u>\$ 69,873</u>	<u>\$ 392,762</u>
<u>LIABILITIES</u>			
Accrued payables	\$ 16,968	\$ -	\$ 16,968
Accrued Compensated Absences	587	-	587
Due to Alaska Houseing Finance Corporation	4,696	-	4,696
Due to From Other Fund	(1,051)	1,051	-
Total Liabilities	<u>\$ 21,200</u>	<u>\$ 1,051</u>	<u>\$ 22,251</u>
<u>Net Position</u>			
Total Net Position	<u>\$ 301,689</u>	<u>\$ 68,822</u>	<u>\$ 370,511</u>

ALASKA GASLINE DEVELOPMENT CORPORATION

(A Component Unit of the State of Alaska)

Combined Statement of Activities

For the Year Ended June, 30, 2014

*(in thousands of dollars)***Exhibit E**

	Instate Natural Gas Pipeline Fund (INGPF)	Alaska Liquefied Natural Gas Project Fund (ALNGPF)	Combined Statement of Activities
<u>REVENUES</u>			
Program Revenues from the State of Alaska	\$ 355,000	\$ 69,835	\$ 424,835
Investment and Interest Income	2,008	39	2,047
Retirement Funding State of Alaska	296	-	296
Total Revenues	\$ 357,304	\$ 69,874	\$ 427,178
<u>EXPENDITURES / EXPENSES</u>			
Contractual Services	\$ 65,784	\$ 899	\$ 66,683
Personnel	3,673	130	3,803
Office and Supplies	2,176		2,176
Travel	513	23	536
Retirement Funding State of Alaska	296		296
Depreciation	232		232
Insurance	62		62
Other Services	49		49
Advertising	14		14
Total Expenditures / Expenses	\$ 72,799	\$ 1,052	\$ 73,851
Excess (Deficiency) of Revenues Over Expenditures / Expenses	284,505	68,822	353,327
Net change in fund balance / Change in Net Position	284,505	68,822	353,327
<u>FUND BALANCE / Net Position</u>			
Beginning of Year Balance	17,184	-	17,184
End of year balance	\$ 301,689	\$ 68,822	\$ 370,511