

A REVIEW OF THE
DEPARTMENT OF REVENUE
DIVISION OF TREASURY
ALASKA PERMANENT FUND

July 1, 1978 - June 30, 1979

Commissioner of the
Department of Revenue
Deputy Commissioner of
Taxation
Deputy Commissioner of
Treasury

Thomas K. Williams
Joseph K. Donohue
Peter A. Bushre

TABLE OF CONTENTS

	<u>Page</u>
Purpose of the Review.	3
Organization and Function.	4
Auditor's Opinion.	5
Financial Statements:	
Statement of Net Assets	6
Statement of Investment Income.	7
Statement of Changes in Net Assets.	8
Notes to the Financial Statements.	9
Agency Response:	
Department of Revenue.	10

PURPOSE OF THE REVIEW

In accordance with the provisions of Title 24 of the Alaska Statutes, a review of the Department of Revenue, Division of Treasury, Alaska Permanent Fund, was conducted to determine:

1. If the financial statements appearing in the State's Annual Financial Report for the Fiscal Year ended June 30, 1979 are fairly presented; and
2. the compliance by the Department of Revenue, Division of Treasury, Alaska Permanent Fund, with applicable State statutes and regulations governing fiscal activities.

ORGANIZATION AND FUNCTION

The Alaska Permanent Fund was created on February 21, 1977 by the adoption of Article IX, Section 15 to the State Constitution. This provides that at least 25 per cent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral sharing payments and bonuses received by the State be placed in a permanent fund, the principal of which shall be used only for investments designated by law. All income from these investments shall be deposited in the general fund unless otherwise provided by statute.

AS 37.10.65 empowers the Commissioner of Revenue to deposit Permanent Fund revenues at least once a month, invest the money in certain types of income producing investments and provide for the custody of investments.

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W—ALASKA OFFICE BUILDING

FINANCE DIVISION
POUCH WF—STATE CAPITOL

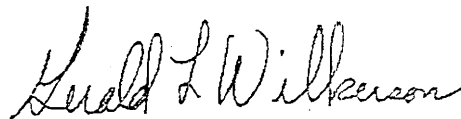
JUNEAU, ALASKA 99811

December 5, 1979

Members of the
Legislative Budget and Audit Committee:

We have examined the Statement of Net Assets of the Alaska Permanent Fund as of June 30, 1979 and the related Statements of Investment Income and Changes in Net Assets for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the net assets of the Alaska Permanent Fund as of June 30, 1979 and its investment income and changes in its net assets for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit

STATE OF ALASKA

ALASKA PERMANENT FUND

STATEMENT OF NET ASSETS
AS OF JUNE 30, 1979

CASH IN SAVINGS ACCOUNT	\$ <u>30,714</u>
CONTRIBUTIONS RECEIVABLE	<u>239,701</u>
INTEREST RECEIVABLE	<u>2,441,133</u>
MARKETABLE SECURITIES - At cost:	
United States Government and Federal agency obligations	80,429,774
Corporate bonds	13,487,625
Bankers acceptances (includes \$271,054 amortized discount)	28,352,723
Commercial paper	10,000,000
Certificates of deposit	5,013,836
Securities purchased under agreements to resell	<u>500,000</u>
Total	<u>137,783,958</u>
AMOUNTS DUE TO GENERAL FUND	<u>(1,948,764)</u>
NET ASSETS	<u>\$138,546,742</u>

See accompanying notes to financial statements

STATE OF ALASKA

ALASKA PERMANENT FUND

STATEMENT OF INVESTMENT INCOME
FOR THE YEAR ENDED JUNE 30, 1979

INTEREST:

Marketable securities	\$7,920,773
Savings account	<u>5,961</u>
Total	<u>\$7,926,734</u>

GAINS REALIZED FROM TRANSACTIONS IN
MARKETABLE SECURITIES

40,397

INVESTMENT INCOME

\$7,967,131

See accompanying notes to financial statements

STATE OF ALASKA

ALASKA PERMANENT FUND

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 1979

ASSETS WERE PROVIDED BY:

Investment income	\$ 7,967,131
Transfers from the General Fund for royalties and other State receipts	84,054,222
Total assets provided	<u>92,021,353</u>

TRANSFERS OF INVESTMENT INCOME TO THE GENERAL FUND	<u>(7,967,131)</u>
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INCREASE IN NET ASSETS	<u>\$84,054,222</u>
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INCREASE (DECREASE) IN NET ASSETS:

Cash in savings account	\$ 10,154
Contributions receivable	147,147
Interest receivable	1,853,004
United States Government and Federal agency obligations	56,960,809
Commercial paper	10,000,000
Bankers acceptances	17,621,343
Certificates of deposit	(685,839)
Securities purchased under agreements to resell	(500,000)
Amounts due to General Fund	<u>(1,352,396)</u>

INCREASE IN NET ASSETS	<u>\$84,054,222</u>
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See accompanying notes to financial statements

STATE OF ALASKA

ALASKA PERMANENT FUND

NOTES TO FINANCIAL STATEMENTS

1. ENTITY

In fiscal 1977 the voters approved an amendment to the Constitution of the State of Alaska which requires certain mineral lease rentals, bonuses, royalties, royalty sale proceeds, and Federal mineral revenue-sharing payments received by the State to be set aside for the use and benefit of present and future Alaskans. The amendment also provides that, in the absence of further legislation, income realized from investment of such amounts be transferred to the States' General Fund.

2. SIGNIFICANT ACCOUNTING POLICIES

Marketable securities are generally intended to be held until maturity and are stated at cost except for Bankers acceptances which are stated at amortized cost. The market value of such securities was approximately \$136,140,000 at June 30, 1979.

Contributions receivable represent those amounts that are due the Alaska Permanent Fund but not transferred to it from the General Fund as of June 30, 1979.

Security transactions are generally recorded on their settlement date.

Interest income is recognized using the accrual method of accounting.

Administrative and other expenses are paid by the State and are not included in the accompanying statements.

3. BALANCES AVAILABLE FOR INVESTMENT

Due to the timing of receipts, balances as of the end of June are not necessarily representative of average balances available to the Fund for investment purposes. The average balances available to the Fund were approximately \$96,700,000 during fiscal 1979.

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

POUCH S
JUNEAU, ALASKA 99811

December 26, 1979

RECEIVED

DEC 31 1979

**LEGISLATIVE
AUDIT**

Gerald L. Wilkerson, CPA
Legislative Auditor
Legislative Budget & Audit Committee
Division of Legislative Audit
Pouch W
Juneau, Alaska 99811


Dear Mr. Wilkerson:

This is in response to your Preliminary Audit report on:

A Review of the Department of Revenue
Division of Treasury
Alaska Permanent Fund
July 1, 1978 - June 30, 1979

Although no specific recommendations are made in the report, we appreciate the helpful suggestions made during the course of the audit and have acted accordingly on them.

Sincerely,


Thomas K. Williams
Commissioner