

ALASKA STATE LEGISLATURE
(A Department within the State of Alaska General Fund)

Schedule of Appropriations, Expenditures and Encumbrances
and Schedule of Revenues

For the Year Ended June 30, 2016

Together With Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Legislative Council
and the Legislative Budget and Audit Committee
of the Alaska State Legislature

Report on the Schedules

We have audited the accompanying Schedule of Appropriations, Expenditures and Encumbrances, and the Schedule of Revenues of the Alaska State Legislature (the Legislature) as of and for the year ended June 30, 2016, and the related notes to the schedules.

Management's Responsibility for the Schedules

The Legislature's management is responsible for the preparation and fair presentation of these schedules referred to above 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 these schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these schedules 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 schedules are free from material misstatements.

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

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

Opinion

In our opinion, the schedules referred to above present fairly, in all material respects, the appropriations, expenditures, encumbrances and revenues of the Legislature, as of June 30, 2016, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

As discussed in Note 1, the schedules of the Legislature are intended to present the appropriations, expenditures and encumbrances, and the revenues of only that portion of the State of Alaska General Fund that is attributable to the transactions of the Legislature. They do not purport to, and do not, present fairly the appropriations, expenditures and encumbrances, and the revenues of the State of Alaska General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement basic governmental financial statements or recommend for schedules of a department or agency. Such missing information, although not a part of the presented schedules, is recommended by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the schedules in an appropriate operational, economic, or historical context. Our opinion on the schedules is not affected by this missing information.

ERM

January 6, 2017

ALASKA STATE LEGISLATURE
(A Department within the State of Alaska General Fund)
Schedule of Appropriations, Expenditures and Encumbrances
For the year ended June 30, 2016

	Appropriations	Expenditures	Encumbrances	Unencumbered Balance	
				Continuing	Lapsed
Operating:					
Legislative Budget and Audit Committee:					
Legislative Audit:					
Personal Services	\$ 4,840,163	\$ 4,389,790	\$ -	\$ -	\$ 450,373
Travel	105,682	104,682	-	-	1,000
Services	1,289,946	1,188,031	67,507	-	34,408
Commodities	88,296	87,094	1,202	-	-
Capital Outlay	59,648	59,648	-	-	-
Total Legislative Audit	6,383,735	5,829,245	68,709	-	485,781
Legislative Finance:					
Personal Services	6,181,684	6,181,684	-	-	-
Travel	187,128	187,128	-	-	-
Services	89,864	89,564	-	-	300
Commodities	26,719	24,218	2,501	-	-
Total Legislative Finance	6,485,395	6,482,594	2,501	-	300
Committee Expenses:					
Personal Services	363,805	363,805	-	-	-
Travel	30,455	30,455	-	-	-
Services	604,637	601,137	-	-	3,500
Commodities	71	71	-	-	-
Total Committee Expenses	998,968	995,468	-	-	3,500
Total Legislative Budget and Audit Committee	13,868,098	13,307,307	71,210	-	489,581
Legislative Council:					
Legislators' Salaries and Allowances:					
Personal Services	4,864,068	4,864,068	-	-	-
Travel	2,054,544	2,054,544	-	-	-
Services	462,402	462,047	-	-	355
Commodities	136,282	136,282	-	-	-
Total Legislators' Salaries and Allowances	7,517,296	7,516,941	-	-	355
Administrative Services:					
Personal Services	6,568,067	6,568,067	-	-	-
Travel	65,272	65,272	-	-	-
Services	1,994,085	1,993,585	-	-	500
Commodities	300,487	298,693	1,794	-	-
Capital Outlay	159,620	159,620	-	-	-
Total Administrative Services	9,087,531	9,085,237	1,794	-	500
Council and Subcommittees:					
Personal Services	491,606	477,647	-	-	13,959
Travel	156,085	108,675	-	-	47,410
Services	469,378	467,656	-	-	1,722
Commodities	38,803	38,803	-	-	-
Total Council and Subcommittees	1,155,872	1,092,781	-	-	63,091
Legal and Research Services:					
Personal Services	4,029,459	4,029,459	-	-	-
Travel	17,066	17,066	-	-	-
Services	39,978	39,478	-	-	500
Commodities	90,386	73,743	16,643	-	-
Total Legal and Research Services	4,176,889	4,159,746	16,643	-	500

(continued)

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Schedule of Appropriations, Expenditures and Encumbrances
For the year ended June 30, 2016

	Appropriations	Expenditures	Encumbrances	Unencumbered Balance	
				Continuing	Lapsed
Select Committee on Legislative Ethics:					
Personal Services	198,741	198,741	-	-	-
Travel	12,117	12,117	-	-	-
Services	4,362	4,262	-	-	100
Commodities	1,259	1,259	-	-	-
Total Select Committee on Legislative Ethics	216,479	216,379	-	-	100
Office of Victims' Rights:					
Personal Services	869,873	869,873	-	-	-
Travel	4,715	4,715	-	-	-
Services	18,314	17,814	-	-	500
Commodities	1,517	1,517	-	-	-
Total Office of Victims' Rights	894,419	893,919	-	-	500
Ombudsman:					
Personal Services	1,136,973	1,136,973	-	-	-
Travel	10,905	10,905	-	-	-
Services	17,891	17,491	-	-	400
Commodities	8,533	8,533	-	-	-
Total Ombudsman	1,174,302	1,173,902	-	-	400
Legislative State Facilities Rent:					
Services	5,529,944	5,529,880	64	-	-
Commodities	1,656	1,656	-	-	-
Total Legislative State Facilities Rent	5,531,600	5,531,536	64	-	-
Total Legislative Council	29,754,388	29,670,441	18,501	-	65,446
Information & Teleconference -					
Information & Teleconference:					
Personal Services	2,927,469	2,927,469	-	-	-
Travel	4,330	4,330	-	-	-
Services	273,950	273,450	-	-	500
Commodities	49,354	49,354	-	-	-
Total Information & Teleconference	3,255,103	3,254,603	-	-	500
Legislative Operating Budget:					
Legislative Operating Budget:					
Personal Services	9,707,929	9,707,929	-	-	-
Travel	187,932	187,932	-	-	-
Services	229,525	229,125	-	-	400
Commodities	10,335	10,335	-	-	-
Total Legislative Operating Budget	10,135,721	10,135,321	-	-	400
Session Expenses:					
Personal Services	7,735,020	7,735,020	-	-	-
Travel	807,632	807,668	-	-	(36)
Services	730,244	721,592	-	-	8,652
Commodities	275,950	277,713	-	-	(1,763)
Total Session Expenses	9,548,846	9,541,993	-	-	6,853
Special Session Contingency -					
Travel	215,623	215,523	-	-	100
Total Legislative Operating Budget	19,900,190	19,892,837	-	-	7,353
Total Operating	66,777,779	66,125,188	89,711	-	562,880
Capital Improvements	40,585,180	14,264,771	8,003,987	18,316,422	-
Total	\$ 107,362,959	80,389,959	\$ 8,093,698	\$ 18,316,422	\$ 562,880
Current year expenditures against prior year encumbrances		295,133			
Total		\$ 80,685,092			

See accompanying notes to schedules.

ALASKA STATE LEGISLATURE
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Schedule of Revenues

For the year ended June 30, 2016

	Appropriated Revenues	Actual Revenues
Unrestricted Revenues:		
Prior Year Recovery	\$ -	\$ 2,446
Miscellaneous	-	91,888
Total Unrestricted Revenues	-	94,334
Restricted Revenues:		
Federal Compliance Audit	750,000	300,000
Lounge	55,000	74,753
Print Shop	45,000	56,209
Teleconferences	5,000	9,075
Statute Handling Charges	9,800	4,931
Subscriptions	6,000	4,480
Press Message Center	2,400	2,450
Total Restricted Revenues	873,200	451,898
Total Revenues	\$ 873,200	\$ 546,232

See accompanying notes to schedules.

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Notes to Schedules

For the Year Ended June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Alaska State Legislature (the Legislature) consists of legislative committees and the Legislative Affairs Agency (the Agency), the Legislative Finance Division, the Legislative Audit Division, the Office of the Ombudsman, and the Office of Victims' Rights.

The Agency provides legal services and office space as well as general administrative support services to the Legislature. The Agency also provides teleconference sites throughout Alaska along with other information services to the public. The Agency is responsible to the Legislative Council, which is a permanent interim committee of the Legislature. The Legislative Council is comprised of the President of the Senate and six other Senators appointed by the President, and the Speaker of the House of Representatives and six other Representatives appointed by the Speaker.

The Legislative Finance Division is responsible for performance of fiscal analysis and budget review functions. The Legislative Audit Division is responsible for completion of the post-audit function. These divisions report to the Legislative Budget and Audit Committee. This committee is comprised of six members of the Senate and six members of the House.

The Office of the Ombudsman is responsible for the receipt and independent investigation of citizen complaints about the administrative acts of state government. The Ombudsman makes findings and recommendations to rectify governmental actions found to violate standards outlined in AS 24.55.150. The Office of the Ombudsman performs a portion of the legislative responsibility for providing oversight of the other branches of government including their boards, commissions, corporations, and the university system.

The Office of Victims' Rights, established under AS 24.65.010, provides free legal services to victims of crime to help them obtain the rights they are guaranteed under the Alaska Constitution and Statutes with regard to their contacts with police, prosecutors, judges and other criminal justice agencies in the State of Alaska.

The Legislature is accounted for by the State of Alaska as a department within the State of Alaska General Fund (the General Fund). The accompanying schedules of appropriations, expenditures and encumbrances, and the schedule of revenues (Schedules) present only the activity attributable to the Legislature within the General Fund and not the General Fund as a whole.

Measurement Focus and Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the schedules. The Legislature uses a flow of current financial resources measurement focus and the modified accrual basis of accounting.

Appropriations

The appropriations are authorized by the Legislature from the General Fund. Appropriations lapse at June 30 of each year except for those pertaining to capital improvements which are carried forward to the completion of the project and those which have been specifically extended by the Legislature.

Expenditures

Expenditures are recognized in the period in which the liability incurred.

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Notes to Schedules

Encumbrances

Encumbrance accounting, under which commitments for the expenditure of funds are recorded in order to reserve appropriated funds, is employed as an extension of formal budgetary integration in the accounting system.

Encumbrances outstanding at year-end do not constitute expenditures or liabilities.

Revenue Recognition

Reimbursements for expenditures are recorded against the corresponding expenditure accounts and all other receipts and interagency charges are recorded in revenue accounts when measurable and available.

NOTE 2 – LEASES

The Legislature leases certain office space and equipment under various lease agreements. These leases expire in various years through 2021. These leases generally contain renewal options for periods ranging from one to five years, but are cancelable by the Legislature in the event sufficient funds are not appropriated by the Legislature. The office space rental rates are subject to periodic escalation based on changes in the Anchorage Consumer Price Index.

The following is a schedule of future minimum lease payments for office space and equipment leases (with recognition of remaining terms in excess of one year) as of June 30, 2016:

	Office	Equipment
2017	\$ 2,453,578	\$ 24,027
2018	926,085	24,027
2019	651,599	12,013
2020	590,307	-
2021	588,245	-
Total minimum lease payments	<u>\$ 5,209,814</u>	<u>\$ 60,067</u>

Rental expenditures related to all leases for office space totaled \$5,033,493 in 2016.

NOTE 3 – RETIREMENT COMMITMENTS

Alaska Public Employees' Tiers I-III Defined Benefit Retirement Plan

Plan Description

The Legislature contributes to the State of Alaska Employees' Retirement System (PERS), which was originally established as an agent multiple-employer defined benefit plan. Prior to July 1, 2006, PERS was a defined benefit, agent, multiple-employer public employee retirement plan. The Legislature passed Senate Bill 141, which was signed by the Governor on July 27, 2005. This law converted the PERS to a cost-sharing plan under which the unfunded liability will be shared among all employers. This legislation also established a uniform contribution rate of 22% of participating employees' covered payroll.

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PERS provides pension and post-employment healthcare, death and disability benefits, and cost of living adjustments for eligible State and local government employees. Benefit and contribution provisions are established by State law and may be amended only by the Legislature.

With the exception of contract employees, all legislative employees participate in PERS if they work any portion of the year during the legislative session. All full-time employees, except contract employees, are active members of PERS even if they do not work during the legislative session. Elected officials have the option of not participating in PERS.

Each fiscal year, PERS issues a stand-alone financial report which includes financial statements and required supplementary information. That report may be obtained by writing to the State of Alaska, Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska, 99811-0203 or by calling (907) 465-4460.

Funding Policy

The Legislature's contribution requirements are established and may be amended by legislation. Defined benefit PERS plan members are required by statute to contribute 6.75% (4.07% for pension and 2.68% for healthcare) of their annual covered salary.

AS 39.35.255 established a statutory employer contribution rate of 22%. Out of the 22%, 13.25% funded pension benefits and 8.75% funded other postemployment benefits (OPEB).

AS 39.35.280 required additional State contributions to make up the difference between 22%, and the actuarially determined fiscal year 2016 contribution rate of 27.19%. The Legislature is legally responsible only for the payments of up to 22% of covered payroll. Total contributions for pensions were \$2,176,838 in 2016.

The Legislature's employees are employees of the State of Alaska. The Legislature's proportionate share of the State's net pension liability and related accounts is included with the State of Alaska's proportionate share as disclosed in the State of Alaska Comprehensive Annual Financial Report for Fiscal Year 2016.

The Legislature's OPEB costs for the years ended June 30, 2016, 2015, and 2014, and the amounts actually contributed are listed below.

Period Ended	Annual OPEB Cost	Percentage of
		Required Contribution Contributed
June 30, 2016	\$ 1,437,534	100%
June 30, 2015	\$ 1,835,966	100%
June 30, 2014	\$ 2,292,877	100%

Alaska Public Employees' Tier IV Defined Contribution Retirement Plan

The Legislature enacted into law Senate Bill 141 to create the Public Employees' Retirement System (PERS) Tier IV defined contribution retirement plan for all new employees who first became members on July 1, 2006, including elected officials. The plan was established and is administered by the State of Alaska to provide pension and other post-employment benefits for eligible state and local government employees. Benefit and contribution provisions are established by State law and may be amended only by the Legislature.

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Benefits depend solely on the amount contributed to the plan and investment earnings. Employees are eligible to participate from the date of employment. Contributions made by employees and any investment earnings on the account are vested to the employee immediately. Qualified employees contribute 8% of their annual covered wages.

Annual contributions by the Legislature for the year ended June 30, 2016, were 22% of annual covered payroll. This rate consisted of 5% pension, 0.22% occupational death and disability, 1.68% retiree medical, and 6.9% Health Reimbursement Arrangement, with the rest of the rate funding PERS Tiers I-III defined benefit unfunded liability.

The Legislature made PERS Tier IV employer pension, other post-employment benefits and Tiers I-III defined benefit unfunded liability contributions of \$561,735, \$535,740, and \$1,273,501, respectively, for the year ended June 30, 2016. The Legislative PERS Tier IV employees made pension contributions of \$979,566 during fiscal year 2016.

NOTE 4 – ON-BEHALF PAYMENTS FOR FRINGE BENEFITS

The State of Alaska provided financial relief to entities participating in PERS by making direct contribution to the PERS plan and reducing annual contribution rates paid by employers. PERS on-behalf amounts were not recognized by the Legislature in the schedules.

NOTE 5 – CONTINGENCIES

In the normal course of its activities, the Legislature is involved in various claims and litigation. In the opinion of management and the Legislature's legal counsel, ultimate resolution of these matters is not expected to have a material adverse effect on the Legislature.

NOTE 6 – COMMITMENTS

In the normal course of its activities, the Legislature has entered into various contracts, including construction contracts which are not reflected as outstanding encumbrances in the Schedule of Appropriations, Expenditures and Encumbrances as the encumbrance is closed at year end and re-appropriated in the next fiscal year.