

LEG. FINANCE - BILLS 1977 - 1978 851

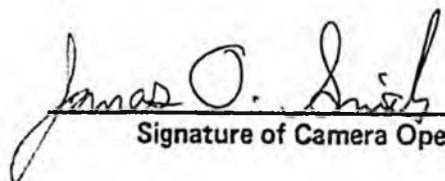
HB 934am thru HB 938 851

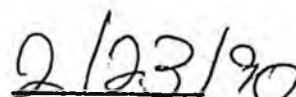


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Signature of Camera Operator


Date

COMMITTEE REPORT
SENATE

FURTHER: _____

6/5/78

Date: June 9, 1978

Mr. President:

The Committee on FINANCE has had HB 934 on sick leave and certificated employees of school districts

under consideration and (a majority of the committee) (the committee reports it back as follows)

- recommends it do pass () recommends it do not pass
- () recommends it do pass with attached amendment(s)
- () recommends it be replaced with CS for _____
- and _____ () new title () same title
- () AND attaches a Letter of Intent () New Fiscal Note
- () reports it back without recommendation
- () and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

[Handwritten signatures]

OTHER RECOMMENDATIONS:

[Handwritten signature]
_____ Chairman

Introduced: 4/14/78
Referred: Health, Education &
Social Services

BY THE LABOR AND MANAGEMENT
COMMITTEE

1 IN THE HOUSE

2 HOUSE BILL NO. 934 am

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to sick leave and certificated em-
7 ployees of school districts; and providing for an
8 effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 14.14.107 is repealed and re-enacted to read:

11 Sec. 14.14.107. SICK LEAVE AND SICK LEAVE TRANSFER. (a) Every
12 school district shall allow its certificated employees one and
13 one-third days of sick leave a month with unlimited accumulation of
14 sick leave days.

15 (b) A certificated school district employee who changes employment
16 from one school district to another district, or from a school district
17 to the Department of Education, or from the department to a school
18 district, may transfer all of the cumulative sick leave to the new em-
19 ployer. It is the responsibility of the employee to notify the new
20 employer, within 90 days of commencing work, of the number of days to
21 be transferred.

22 (c) The department may implement this section by regulation.

23 * Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-
24 070(c).

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COMMITTEE REPORT

SENATE

FURTHER: COMMUNITY & REGIONAL AFFAIRS

5/9/78

Date: 5-24-78

Mr. President:

HEALTH, EDUCATION AND SOCIAL

The Committee on SERVICES has had Hb 934 am sick leave and certificated employees of school districts

under consideration and (a majority of the committee) (the committee reports it back as follows)

- recommends it do pass ^{may} () recommends it do not pass
- () recommends it do pass with attached amendment(s)
- () recommends it be replaced with CS for _____

and _____ () new title () same title

- () AND attaches a Letter of Intent () New Fiscal Note
- () reports it back without recommendation
- () and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

Patrick Roney
[Signature]

[Signature]
 Chairman

COMMITTEE REPORT

SENATE

Line

FURTHER: _____

6/2/78

Date: June 3, 1978

Mr. President:

The Committee on RULES has had HB 934 on sick leave and certificated employees of school districts

under consideration and (a majority of the committee) (the committee

~~reports it back as follows):~~ ~~Refer to the Education Committee for 6/2/78~~

- recommends it do pass recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for _____

and _____ new title same title

AND attaches a Letter of Intent New Fiscal Note

reports it back without recommendation *without recite*

~~and~~ recommends it be referred to the FINANCE Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

Zwick

Million

Collins

Zwick

 Chairman

COMMITTEE REPORT
SENATE

Russ

FURTHER: _____

5/25/78

Date: 6/1/78

Mr. President:

The Committee on COMMUNITY & REGIONAL AFFAIRS has had HB 934 am
sick leave and certificated employees of school districts

under consideration and (a majority of the committee) (the committee reports it back as follows)

- recommends it do pass recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for _____

and _____ new title same title

- AND attaches a Letter of Intent New Fiscal Note
- reports it back without recommendation
- and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

Allen Haden ✓

OTHER RECOMMENDATIONS:

Donna - no rec
Bill - no rec

J. Orma
Chairman

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB-934 SB-577
 Title Relating to sick leave and certificated employees of school districts
 Requested by Senate and House HESS Committees Date 4-14-78

II. FISCAL DETAIL

Agency Affected N/A
 Program Category Affected N/A
 Budget Request Unit(s) Affected N/A

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL			-0-	-0-	-0-	-0-

FUNDING (Thousands of Dollars)

GENERAL FUND			-0-	-0-	-0-	-0-
FEDERAL FUNDS			-0-	-0-	-0-	-0-
OTHER (Specify)			-0-	-0-	-0-	-0-

POSITIONS

FULL TIME			-0-	-0-	-0-	-0-
PART TIME			-0-	-0-	-0-	-0-
TEMPORARY			-0-	-0-	-0-	-0-

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

This legislation carries no fiscal impact. It merely places in statute the process concerning sick leave benefits afforded certificated employees of districts which has been traditionally followed by school districts and regulated by the department for several years. This procedure is being requested because the attorney general's office has informed the department that its present regulation concerning district sick leave policy, which dates from pre-statehood days, has no statutory authority.

IV. DATE May 2, 1978

PREPARED BY Nathaniel Cole, Deputy Commissioner

AGENCY Education

PHONE 465-2800

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

Introduced: 4/14/78
Referred: Health, Education &
Social Services

BY THE LABOR AND MANAGEMENT
COMMITTEE

1 IN THE HOUSE

2 HOUSE BILL NO. 934 am

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

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20 employer, within 90 days of commencing work, of the number of days to
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22 (c) The department may implement this section by regulation.

23 * Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-
24 070(c).

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29
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Introduced: 4/14/78
Referred: Health, Education &
Social Services

BY THE LABOR AND MANAGEMENT
COMMITTEE

1 IN THE HOUSE

2 HOUSE BILL NO. 934

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

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22 (c) The department may implement this section by regulation.

23 * Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-
24 070(c).

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COMMITTEE REPORT

SENATE

5/23/78

FURTHER: NONE

Date: June 7, 1978

Mr. President:

The Committee on FINANCE has had CSHB 935
supplemental appropriation to the University of Alaska

under consideration and (a majority of the committee) (the committee reports it back as follows)

- recommends it do pass () recommends it do not pass
() recommends it do pass with attached amendment(s)
() recommends it be replaced with CS for _____

- and _____ () new title () same title
() AND attaches a Letter of Intent () New Fiscal Note
(~~2~~) reports it back without recommendation
() and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:
[Signature]
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[Signature]
[Signature]
[Signature]
[Signature]

OTHER RECOMMENDATIONS:
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[Signature]
[Signature]
[Signature]
[Signature]
[Signature]

[Signature]
Chairman

31-01LH

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W—ALASKA OFFICE BUILDING

FINANCE DIVISION
POUCH WF—STATE CAPITOL

JUNEAU 99801

TO: ~~W~~ Senator Meland

FROM: ~~W~~ Dave Scott
Fiscal Analyst

DATE: June 2, 1978

SUBJECT: CSHB 935

Chapter 50, SLA 1973 established AS 14.40.295 - Working Capital Reserve Fund, to alleviate a University cash-flow problem. Subsequently, \$1.2 million was appropriated for this purpose. SB 261, 1977 Session repealed this section.

The University is carrying the \$1.2 million as a liability on its books, contributing to its "book" deficit. The supplemental appropriation requested in this bill will balance the liability, reducing the book deficit, and relieving the University of the requirement of returning \$1.2 million in cash to the State Treasury.

128935



UNIVERSITY OF ALASKA

FAIRBANKS, ALASKA 99701

April 17, 1978

The Honorable Steve Cowper
Alaska State House of Representatives
Chairman, House Finance Committee
Pouch V, State Capitol Building
Juneau, Alaska 99811

RE: \$4.9M FY78 Special Appropriation

Dear Mr. Cowper:

In response to your Committee's request for information relating to the referenced matter, please find enclosed the following documentation:

- (a) Ray Kohler & Company Audit Report, FY77. Attention is directed in particular to Exhibit D - Statement of Changes in Fund Balance (Deficit), 1977 column, i.e., which reflects the \$(3,909,491) deficit accrued in the FY77, and the \$(1,002,398) deficit carried forth from the FY76, thereby totalling the \$(4,911,889) deficit spoken to in my recent 4/6/77 testimony before the Committee.
- (b) A recent memo copy directed to President Foster F. Diebold which is felt fairly presents the rationale for the \$4.9M (rounded) special appropriation requested. Attention is directed to my Recommendation at the beginning of the memo which rather succinctly presents the case for the \$4.9M special appropriation.

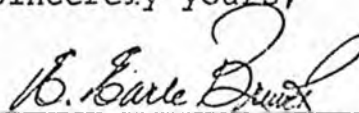
Should the Committee require any additional information on this matter, I would be most pleased to comply upon request.

UNIVERSITY OF ALASKA

Page 2

In closing, may I again convey, on behalf of the Board of Regents and the administration of the University, sincere appreciation of the courtesy extended each participant before the Committee.

Sincerely yours,



Dr. E. Earle Brewer
Vice President for Finance
University of Alaska System

EEB:kw

cc: Foster F. Diebold, President

Enclosure




UNIVERSITY OF ALASKA

FAIRBANKS, ALASKA 99701

March 16, 1978

TO: Foster F. Diebold, President

FROM: Dr. E. Earle Brewer, Vice President for Finance 

SUBJECT: Cash Flow/Special Appropriation Need, FY 78

Apropos of the \$4.9 million net deficit (i.e., \$3.9 million plus \$1.0 million from the FY 76) and in response to your memo of 3/8/78, I wish to advance the following for your consideration:

Recommendation

As a function of the "lapsing" of funds requirement (i.e., thus any personnel/travel/capital outlay freeze 'savings' having to technically "lapse", as opposed to any retention to 'offset' the deficit facing the University), coupled with the fact that if we went the cash flow route (i.e., \$3.5 million cash shortfall, plus \$1.2 million repayment of the Working Capital "loan" = \$4.7 million) vs. the accrual accounting route (i.e. beginning deficit of \$4.9 million) the University would end the year with a \$200,000 deficit...I recommend that we request a Special Appropriation of \$4.9 million to: (a) cover our projected cash shortfall and (b) to eliminate carrying forward the prior years' deficit. See: attached Exhibit "A".

Background

The audited report for the University of Alaska financial statements as of June 30, 1977 has been received from Ray Kohler & Company. The Balance Sheet shows an Unallocated Fund Balance Deficit of approximately \$4.9 million. This deficit was computed in accordance with generally accepted accounting principles apropos of universities and colleges.

Considerations

There are basically two ways of viewing the "treatment" of this deficit, as follows:

- I. This deficit (as of June 30, 1977) really means that the University started the FY 78 with a "deficit" of \$4.9 million; consequently, if revenue and expenditures were exactly equal in the FY 78, there would be a shortage of \$4.9 million at the end

UNIVERSITY OF ALASKA

Cash Flow/Special Appropriation Need, F.Y. 78

March 16, 1978

Page 2

of the year. In order for the University to regain fiscal solvency in the current fiscal year, it must obtain a special appropriation of \$4.9 million. This approach is from an accrual accounting viewpoint, as opposed to a cash flow approach to be discussed below.

II. The other way of viewing the University's requirement is from a projected cash flow basis. As you know, a projected cash flow represents estimated future cash receipts and disbursements. A cash flow differs from the accrual accounting approach in that a "transaction" is recognized when the cash is received and/or disbursed rather than when it is earned. Under the cash flow approach, accounts receivables (i.e., services performed for others, such as contracts or grants), or payables (obligations to vendors or employees such as payroll earned but not paid), are not recognized. The University of Alaska maintains its "books" under the accrual accounting system, where receivables and payables are recognized as earned or as they occur.

The University's most recent cash flow projection (i.e., Department of Administration "drawdown" submittal) shows that it will require loans and/or a special appropriation in the approximate amount of \$7.5 million during the month of June, 1978 to fund necessary disbursements through June 30, 1978. Another \$1.2 million can be added to the above amount if the special working capital loan (advanced the University in 1973) has to be repaid to the State of Alaska in the FY 78. However, the \$7.5 million amount can be reduced by \$4.0 million since the University is permitted by statute (i.e., A.S. 37.10) to borrow money from the State of Alaska on its accounts receivable. Assuming that the working capital loan of \$1.2 million has to be repaid by the University, such would then require a special appropriation of \$4.7 million in the current fiscal year.

III. "Working Capital" Funds/Loan. "Working Capital" funds are required because expenditures utilize cash in the form of "current assets" (e.g., accounts receivables, inventories, and prepaid expenses).

Accounts Receivables. The University will always have a considerable amount of accounts receivables (currently projected to exceed \$7 million). This is a result of the large research effort at the University (i.e., 16 research institutes). Consider the following example:

Assume a total research effort of \$40 million, with contracts totalling \$24 million and grants of \$16 million. Payment is received in advance for grants; consequently,

UNIVERSITY OF ALASKA

Cash Flow/Special Appropriation Need, FY 78

March 16, 1978

Page 3

there should be no related receivables. Assumptions relating to the contracts include a 30-day monthly cycle: 10 days to process and distribute Status Reports; 20 days to prepare and mail the invoices; finally, 45 days to collect the billing. This results in a total cycle of 105 days. A \$24 million annual contract level would result in approximately \$7 million in accounts receivables (the minimum accounts receivable that the University can anticipate under the most efficient circumstances).

Furthermore, the University will always need inventories (e.g., spare parts for the boilers, books in the bookstore, etc.).

Liabilities: The University has accounts payable and accrued expenses. These items result from the "time lag" between when an obligation is incurred and when it is paid. The University has approximately \$3.9 million in accrued vacation pay which is payable, but does not require immediate payment.

In conclusion, due to the large amount of accounts receivable, the original/1973 \$1.2 million "working capital loan" is simply inadequate; thus accounting for the University's need to borrow \$4.0 million in June, 1978.

(UNIVERSITY OF ALASKA (

Special Appropriation

Projected Activity

Exhibit "A"

<u>Recommendation</u>	(In Million \$)
Deficit as of June 30, 1977	\$4.9
1978 Fiscal Year Activity (Any excess of revenue over expenditures lapses to the State)	0
Special Appropriation	<u>4.9</u>
Unallocated Fund Balance as of June 30, 1978	<u>\$ 0</u>

Cash Flow Implications

Projected cash flow shortage for June, 1978	\$7.5
Repayment of the working capital loan fund	<u>1.2</u>
Potential cash flow shortage	8.7
Special appropriation (i.e., Deficit as of June 30, 1977)	<u>4.9</u>
Remaining cash flow shortage	3.8
Borrowing (note: 1)	<u>3.8</u>
Remaining cash flow shortage	<u>\$ 0</u>

Note 1: The University is permitted by statute to borrow money on its accounts receivable from the State. The law limits the maximum amount to 10 percent of the non-State appropriation revenue or an amount equal to 80 per cent of the non-State accounts receivable, whichever is less.

NB 935

UNIVERSITY OF ALASKA

Accountants' Report

Financial Statements

June 30, 1977

RAY KOHLER & CO.
CERTIFIED PUBLIC ACCOUNTANTS
P. O. BOX 607
FAIRBANKS, ALASKA 99707

The Board of Regents
University of Alaska

We have examined the balance sheets of the University of Alaska as of June 30, 1977 and 1976 and the related statements of current funds revenues, expenditures and other changes and the several statements of changes in fund balances (deficit) for the years then ended. Our examinations were 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 except as stated in the following paragraphs.

Assets representing the investment in plant are recorded at cost, or at fair value when acquired by gift. However, disposals of certain of these assets have not been recorded. It was not practicable for us to determine the full extent of such disposals in the current or prior years.

Because of inadequate records, resulting from a conversion of data processing systems, it was not practicable for us to extend our auditing procedures to verify the appropriateness of payroll expenditures and the related liabilities as of June 30, 1976. During 1977 the University changed its method of recording payroll for certain employees. As a result of the change, 1977 current funds include approximately \$650,000 of expenditures applicable to prior years. Restricted current fund payroll expenditures in the amount of \$458,738 have not been distributed to the appropriate expenditure accounts as of June 30, 1977. Payroll changes are more fully described in note 12.

In our report dated August 18, 1977, our opinion on the 1976 financial statements was qualified as being subject to the effects on the 1976 financial statements of such adjustments, if any, as might have been required by legislation enacted in the 1977 session of the Alaska legislature. This legislation required the University to bring its accounting practices into conformity with State accounting procedures. These funds were lapsed during 1977 as explained in note 4.

In our report dated August 18, 1977, our opinion on the 1976 financial statements was qualified as being subject to the effects on the 1976 financial statements of such adjustments, if any, as might have been required had the amounts due employees for salary increases been determined. Subsequent determination of amount due employees has resulted in a reduction of \$494,127 in estimated amounts due employees, receivable from the State of Alaska, revenues and expenditures as of June 30, 1976. The reduction has no effect on changes in fund balances on the 1977 and 1976 financial statements.

The reserve for encumbrances includes approximately \$560,000 which, in our opinion, is comprised of future period expenditures and contractual commitments not entered into prior to June 30, 1977. As explained in note 1 to the financial statements, this amount does not affect current year expenditures but would decrease the unrestricted unallocated current fund deficit by approximately \$560,000 at June 30, 1977.

In our opinion, except for the effect of encumbrances on unrestricted unallocated current fund deficit as described in the sixth paragraph, the balance sheet of the University of Alaska current funds presents fairly the financial position of the University of Alaska current funds at June 30, 1977 in accordance with generally accepted accounting principles applied on a consistent basis. Because of the materiality of the possible effects on the financial statements of the items noted in paragraph three, we do not express an opinion on the statements of revenues, expenditures, and other changes and changes in fund balances of the current funds for the year ended June 30, 1977 and the financial statements of the current funds at June 30, 1976. Further, in our opinion, except for the basis of stating the assets representing the investment in plant as described in the second paragraph, the financial statements of the University of Alaska endowment and similar funds, loan funds, plant funds and agency funds present fairly the financial position of the University of Alaska endowment and similar funds, loan funds, plant funds and agency funds at June 30, 1977 and 1976 and the changes in fund balances for the years then ended in conformity with generally accepted accounting principles applied on a consistent basis.

Ray Kohler & Co.

February 16, 1978

<u>Liabilities and Fund Balances</u>	<u>1977</u>	<u>1976</u>
Current funds:		
Unrestricted:		
Bank overdrafts	\$ 1,014,029	\$ 4,132,154
Accounts payable and accrued expenses (note 3)	11,603,070	9,811,542
Student deposits and other	397,696	704,102
Accrued annual leave	3,929,622	2,405,098
Due to other funds	3,190,890	1,499,956
Working capital fund	1,200,000	1,200,000
Fund balances (deficit):		
Gifts (Exhibit C)	1,556	1,556
Unallocated (Exhibit D)	→ (4,911,889)	(1,002,398) ←
Reserve for encumbrances (Exhibit D)	<u>2,065,322</u>	<u>1,017,815</u>
Total unrestricted current funds	<u>18,490,296</u>	<u>19,769,825</u>
Restricted:		
Due to unrestricted current funds	154,440	546,292
Fund balances (Exhibit E)	<u>6,268,008</u>	<u>4,465,238</u>
Total restricted current funds	<u>6,422,448</u>	<u>5,011,530</u>
Total current funds	<u>\$24,912,744</u>	<u>\$24,781,355</u>
Endowment and similar funds:		
Cash deficit in state treasury	-	22,603
Due to unrestricted current funds	27,111	-
	<u>27,111</u>	<u>22,603</u>
Fund balances (Exhibit F):		
Endowment	3,024,538	2,831,305
Quasi-endowment	290,995	290,995
Total fund balances	<u>3,315,533</u>	<u>3,122,300</u>
Total endowment and similar funds	<u>\$ 3,342,644</u>	<u>\$ 3,144,903</u>
Loan funds:		
Due to unrestricted current funds	-	107,117
Fund balances (Exhibit G):		
U. S. Government grants refundable	1,257,093	906,667
Established by donors	140,165	138,065
Established by University	128,444	89,516
Accumulated deficit	(54,472)	(48,991)
Total fund balances	<u>1,471,230</u>	<u>1,085,257</u>
Total loan funds	<u>\$ 1,471,230</u>	<u>\$ 1,192,374</u>

UNIVERSITY OF ALASKA
Statement of Current Funds Revenues, Expenditures, and Other Changes
Year ended June 30, 1977
with comparative figures for 1976

	1977		Total	1976 Total
	<u>Unrestricted</u>	<u>Restricted</u>		
Revenues:				
Educational and general:				
Student fees	\$ 5,297,308	\$ -	\$ 5,297,308	\$ 5,165,342
Government appropriations	58,869,301	-	58,869,301	47,720,689
Endowment income (including \$27,861 funds held in trust by others)	199,453	22,535	221,988	220,134
Gifts applied	-	-	-	13,501
Sponsored programs	-	26,554,937	26,554,937	23,081,989
Recovery of indirect costs	3,434,277	-	3,434,277	3,424,794
Sales and services of educational departments	14,804	-	14,804	19,543
Organized activities relating to educational departments	138,528	-	138,528	108,554
Student aid	-	1,019,140	1,019,140	932,733
Other sources	<u>1,392,108</u>	<u>-</u>	<u>1,392,108</u>	<u>1,183,260</u>
Total educational and general	69,345,779	27,596,612	96,942,391	81,870,539
Auxiliary enterprises (including \$790,458 state appropriation)	<u>6,474,877</u>	<u>-</u>	<u>6,474,877</u>	<u>6,180,255</u>
Total revenues	<u>75,820,656</u>	<u>27,596,612</u>	<u>103,417,268</u>	<u>88,050,794</u>
Expenditures and mandatory transfers:				
Educational and general:				
Instruction	26,728,606	4,231,835	30,960,441	24,722,803
Academic support	7,814,994	557,728	8,372,722	7,141,861
Organized research	9,547,793	20,829,928	30,377,721	26,179,178
Public service	3,240,186	807,326	4,047,512	3,844,310
Student services	3,514,703	89,791	3,604,494	2,074,326

Operation and maintenance of plant	8,912,119	-	8,912,119	8,116,927
General administration and general institutional expense	10,459,059	36,183	10,495,242	6,065,548
Student aid	68,920	1,041,525	1,110,445	1,016,685
Educational and general expenditures	70,286,380	27,594,316	97,880,696	79,161,638
Mandatory transfers for:				
Principal and interest	1,120,310	-	1,120,310	1,148,283
Research matching funds	108,538	-	108,538	129,503
Loan matching funds	38,936	-	38,936	40,138
Unexpended plant	138,358	-	138,358	-
Total educational and general	<u>71,692,522</u>	<u>27,594,316</u>	<u>99,286,838</u>	<u>80,479,562</u>
Auxiliary enterprises:				
Expenditures	6,627,366	2,296	6,629,662	6,331,532
Mandatory transfers for:				
Principal and interest	1,201,080	-	1,201,080	1,080,211
Total auxiliary enterprises	<u>7,828,446</u>	<u>2,296</u>	<u>7,830,742</u>	<u>7,411,743</u>
Total expenditures and mandatory transfers	<u>79,520,968</u>	<u>27,596,612</u>	<u>107,117,580</u>	<u>87,891,305</u>
Other transfers and additions (deductions):				
Excess of (transfers to revenue over restricted receipts) restricted receipts over transfers to revenue	-	1,802,770	1,802,770	37,974
Nonmandatory transfers to unexpended plant funds	(213,902)	-	(213,902)	(161,775)
Transfers from unexpended plant funds (note 4)	1,052,230	-	1,052,230	-
Change in reserve for encumbrances	(1,047,507)	-	(1,047,507)	130,479
Other	-	-	-	2,286
Total other transfers and additions (deductions)	<u>(209,179)</u>	<u>1,802,770</u>	<u>1,593,591</u>	<u>8,964</u>
Net increase (decrease) in fund balances	<u>\$(3,909,491)</u>	<u>\$ 1,802,770</u>	<u>\$ (2,106,721)</u>	<u>\$ 168,453</u>

1496
1,002,378
4,911,889

See accompanying notes to financial statements.

Duffy -

When we receive the award.
to SR37 & back up be

available - make 2 packets.

↓ need to get it to EA

So he can have up on

it.

back-up attached -



awardment being

analyzed by legal affairs

will be ready soon

AMENDMENT TO CSSB 7 (Finance) By Willis

The proposed amendment would grant tax credits on individual income taxes, beginning in tax year 1978. This credit could not exceed the tax liability of the taxpayer and would apply to each resident taxpayer. For married taxpayers filing jointly, the credit may be claimed for each spouse.

The tax credit as provided for in this amendment would be as follows:

1978 tax year	-	\$100
1979 tax year	-	\$200
After 1979 tax year	-	\$300

Part-year residents could claim a partial credit prorated according to the number of months of residency.

This legislation can be implemented at no additional administrative cost to the State. The loss of revenue is estimated as follows:

FY 79	-	\$22.3 Million
FY 80	-	44.5 Million
FY 81	-	68.0 Million

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FY 79	-	\$22.3 Million
FY 80	-	44.5 Million
FY 81	-	68.0 Million

Introduced: 4/17/78
Referred: Finance

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 HOUSE BILL NO. 935

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making a supplemental appropriation to the
7 University of Alaska; and providing for an effective
8 date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. The sum of \$4,911,880 is appropriated from the general fund
11 to the University of Alaska for the purpose of funding the 1976 deficit of
12 \$1,002,389 and the 1977 deficit of \$3,909,491 as shown by the audit report
13 of Kohler and Company dated February 16, 1978.

14 * Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-
15 070(c).

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Original sponsor: Finance Committee

Offered: 4/25/78
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2

CS FOR HOUSE BILL NO. 935

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

TENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act making a supplemental appropriation to the
7 University of Alaska; and providing for an effective
8 date."

9

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10

* Section 1. The sum of \$1,200,000, appropriated from the general fund to
11 the University of Alaska working capital reserve fund by ch. 51 SLA 1973, is
12 hereby appropriated to the unallocated current fund balance of the university.

13

* Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-
14 070(c).

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RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Irish

Signature of Camera Operator

2/23/90

Date

Committee Report

S E N A T E

April 31, 1971

Mr. President:

Date

The Committee on Finance has had SB 953 under consideration. A majority of the members of the Committee

- recommends it do pass
- recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for _____ and that CS for _____ do pass
- (and) recommends it be referred to the _____ committee
- reports it back without recommendation
- (other) letter of intent

MEMBERS SIGNING THE MAJORITY REPORT:

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____ recommends:
_____ recommends:
_____ recommends:
_____ recommends:
_____ recommends:

CHAIRMAN

HOUSE JOURNAL

HOUSE FINANCE COMMITTEE LETTER OF INTENT HB _____

(For an Act Entitled: "Department of Administration authorized to make advances to the University of Alaska; and providing for an effective date.)

HB _____, in conjunction with CSHB 935, addresses the cash flow/deficit problems of the University of Alaska. The University's Annual Statement is prepared in conformance with national guidelines for colleges and universities, which conflict with audit guidelines for state agencies. During its transition into conformance with the Executive Budget Act, the Legislature recognizes that items that are acceptable as accrual liabilities in the college and universities guidelines are not acceptable as entries under current state agencies guidelines. This conflict may result in a University Annual Statement with a deficit, which would not be reflected as a deficit if state agencies guidelines were utilized.

The Legislature intends that the University direct its auditors to note this conflict as an exception to any future Annual Statements prepared under college and universities guidelines. This exception notice is for the benefit of legislators and the public, and would indicate that the conflict results in an "accounting" deficit, but is not recognized as a fiscal deficit by state standards.

The changes reflected in HB _____ will provide additional necessary flexibility for University cash management in dealing with the large amounts of federal and private source grant and contract reimbursements.

Steve Cowper, Chairman
House Finance Committee

Chenault

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 HOUSE BILL NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act authorizing the Department of Administration to
7 make advances to the University of Alaska; and providing
8 for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 *Section 1. AS 37.10.088(b) is amended to read:

11 (b) The total of advances in any fiscal year may not exceed 20
12 [10] per cent of the total of nonstate funds appropriated to the
13 university for that fiscal year. The amounts advanced in any fiscal
14 year shall be repaid in full to the department within 120 [90] days
15 following the close of that fiscal year. If the repayment is not made
16 on a timely basis, the department may withhold amounts due from state
17 fund appropriations for the university.

18 * Sec. 2. AS 37.10.088 is amended by adding a new subsection to read:

19 (e) In this section, the term "nonstate funds" means grants and
20 contracts from federal and private sources; the term excludes state
21 general fund appropriations, university fees, and program and interagency
22 receipts of the university.

23 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
24 070(c).

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COMMITTEE REPORT

HOUSE

4/17/78

FURTHER: _____

Date: 4/21/78

Mr. Speaker:

The Committee on FINANCE has had HB 935
"An Act making a supplemental appropriation to the University of Alaska;
eff. date."

under consideration and (a majority of the committee) (the committee reports it back as follows)

() recommends it do pass () recommends it do not pass

() recommends it do pass with attached amendment(s)

(X) recommends it be replaced with CS for HF 935

and that it do pass () new title (X) same title

() AND attaches a Letter of Intent () New Fiscal Note

() reports it back without recommendation

() and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

Freeman
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OTHER RECOMMENDATIONS:

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Chairman

Bennet

Original sponsor: Finance Committee

IN THE HOUSE

BY THE FINANCE COMMITTEE

CS FOR HOUSE BILL NO. 935

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act making a supplemental appropriation to the University of Alaska; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. The sum of \$1,200,000, appropriated from the general fund to the University of Alaska working capital reserve fund by ch. 51 SLA 1973, is hereby appropriated to the unallocated current fund balance of the university.

* Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-070(c).

HB 935

RETURN TO
HFC FILE



UNIVERSITY OF ALASKA
FAIRBANKS, ALASKA 99701

April 17, 1978

The Honorable Steve Cowper
Alaska State House of Representatives
Chairman, House Finance Committee
Pouch V, State Capitol Building
Juneau, Alaska 99811

RE: \$4.9M FY78 Special Appropriation

Dear Mr. Cowper:

In response to your Committee's request for information relating to the referenced matter, please find enclosed the following documentation:

- (a) Ray Kohler & Company Audit Report, FY77. Attention is directed in particular to Exhibit D - Statement of Changes in Fund Balance (Deficit), 1977 column, i.e., which reflects the \$(3,909,491) deficit accrued in the FY77, and the \$(1,002,398) deficit carried forth from the FY76, thereby totalling the \$(4,911,889) deficit spoken to in my recent 4/6/77 testimony before the Committee.
- (b) A recent memo copy directed to President Foster F. Diebold which is felt fairly presents the rationale for the \$4.9M (rounded) special appropriation requested. Attention is directed to my Recommendation at the beginning of the memo which rather succinctly presents the case for the \$4.9M special appropriation.

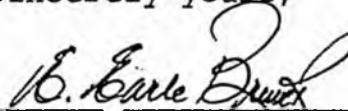
Should the Committee require any additional information on this matter, I would be most pleased to comply upon request.

UNIVERSITY OF ALASKA

Page 2

In closing, may I again convey, on behalf of the Board of Regents and the administration of the University, sincere appreciation of the courtesy extended each participant before the Committee.

Sincerely yours,



Dr. E. Earle Brewer
Vice President for Finance
University of Alaska System

EEB:kw

cc: Foster F. Diebold, President

Enclosure




UNIVERSITY OF ALASKA

FAIRBANKS, ALASKA 99701

March 16, 1978

TO: Foster F. Diebold, President

FROM: Dr. E. Earle Brewer, Vice President for Finance 

SUBJECT: Cash Flow/Special Appropriation Need, FY 78

Apropos of the \$4.9 million net deficit (i.e., \$3.9 million plus \$1.0 million from the FY 76) and in response to your memo of 3/8/78, I wish to advance the following for your consideration:

Recommendation

As a function of the "lapsing" of funds requirement (i.e., thus any personnel/travel/capital outlay freeze 'savings' having to technically "lapse", as opposed to any retention to 'offset' the deficit facing the University), coupled with the fact that if we went the cash flow route (i.e., \$3.5 million cash shortfall, plus \$1.2 million repayment of the Working Capital "loan" = \$4.7 million) vs. the accrual accounting route (i.e. beginning deficit of \$4.9 million) the University would end the year with a \$200,000 deficit...I recommend that we request a Special Appropriation of \$4.9 million to: (a) cover our projected cash shortfall and (b) to eliminate carrying forward the prior years' deficit. See: attached Exhibit "A".

Background

The audited report for the University of Alaska financial statements as of June 30, 1977 has been received from Ray Kohler & Company. The Balance Sheet shows an Unallocated Fund Balance Deficit of approximately \$4.9 million. This deficit was computed in accordance with generally accepted accounting principles apropos of universities and colleges.

Considerations

There are basically two ways of viewing the "treatment" of this deficit, as follows:

I. This deficit (as of June 30, 1977) really means that the University started the FY 78 with a "deficit" of \$4.9 million; consequently, if revenue and expenditures were exactly equal in the FY 78, there would be a shortage of \$4.9 million at the end

UNIVERSITY OF ALASKA

Cash Flow/Special Appropriation Need, F.Y. 78

March 16, 1978

Page 2

of the year. In order for the University to regain fiscal solvency in the current fiscal year, it must obtain a special appropriation of \$4.9 million. This approach is from an accrual accounting viewpoint, as opposed to a cash flow approach to be discussed below.

II. The other way of viewing the University's requirement is from a projected cash flow basis. As you know, a projected cash flow represents estimated future cash receipts and disbursements. A cash flow differs from the accrual accounting approach in that a "transaction" is recognized when the cash is received and/or disbursed rather than when it is earned. Under the cash flow approach, accounts receivables (i.e., services performed for others, such as contracts or grants), or payables (obligations to vendors or employees such as payroll earned but not paid), are not recognized. The University of Alaska maintains its "books" under the accrual accounting system, where receivables and payables are recognized as earned or as they occur.

The University's most recent cash flow projection (i.e., Department of Administration "drawdown" submittal) shows that it will require loans and/or a special appropriation in the approximate amount of \$7.5 million during the month of June, 1978 to fund necessary disbursements through June 30, 1978. Another \$1.2 million can be added to the above amount if the special working capital loan (advanced the University in 1973) has to be repaid to the State of Alaska in the FY 78. However, the \$7.5 million amount can be reduced by \$4.0 million since the University is permitted by statute (i.e., A.S. 37.10) to borrow money from the State of Alaska on its accounts receivable. Assuming that the working capital loan of \$1.2 million has to be repaid by the University, such would then require a special appropriation of \$4.7 million in the current fiscal year.

III. "Working Capital" Funds/Loan. "Working Capital" funds are required because expenditures utilize cash in the form of "current assets" (e.g., accounts receivables, inventories, and prepaid expenses).

Accounts Receivables. The University will always have a considerable amount of accounts receivables (currently projected to exceed \$7 million). This is a result of the large research effort at the University (i.e., 16 research institutes). Consider the following example:

Assume a total research effort of \$40 million, with contracts totalling \$24 million and grants of \$16 million. Payment is received in advance for grants; consequently,

UNIVERSITY OF ALABAMA

Cash Flow/Special Appropriation Need, FY 78

March 16, 1978

Page 3

there should be no related receivables. Assumptions relating to the contracts include a 30-day monthly cycle: 10 days to process and distribute Status Reports; 20 days to prepare and mail the invoices; finally, 45 days to collect the billing. This results in a total cycle of 105 days. A \$24 million annual contract level would result in approximately \$7 million in accounts receivables (the minimum accounts receivable that the University can anticipate under the most efficient circumstances).

Furthermore, the University will always need inventories (e.g., spare parts for the boilers, books in the bookstore, etc.).

Liabilities. The University has accounts payable and accrued expenses. These items result from the "time lag" between when an obligation is incurred and when it is paid. The University has approximately \$3.9 million in accrued vacation pay which is payable, but does not require immediate payment.

In conclusion, due to the large amount of accounts receivable, the original/1973 \$1.2 million "working capital loan" is simply inadequate; thus accounting for the University's need to borrow \$4.0 million in June, 1978.

(UNIVERSITY OF ALASKA (

Special Appropriation

Projected Activity

Exhibit "A"

Recommendation

(In Million \$)

Deficit as of June 30, 1977	\$4.9
1978 Fiscal Year Activity (Any excess of revenue over expenditures lapses to the State)	0
Special Appropriation	<u>4.9</u>
Unallocated Fund Balance as of June 30, 1978	<u>\$ 0</u>

Cash Flow Implications

Projected cash flow shortage for June, 1978	\$7.5
Repayment of the working capital loan fund	<u>1.2</u>
Potential cash flow shortage	8.7
Special appropriation (i.e., Deficit as of June 30, 1977)	<u>4.9</u>
Remaining cash flow shortage	3.8
Borrowing (note: 1)	<u>3.8</u>
Remaining cash flow shortage	<u>\$ 0</u>

Note 1: The University is permitted by statute to borrow money on its accounts receivable from the State. The law limits the maximum amount to 10 percent of the non-State appropriation revenue or an amount equal to 80 per cent of the non-State accounts receivable, whichever is less.

Introduced: 4/17/78
Referred: Finance

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 HOUSE BILL NO. 935

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making a supplemental appropriation to the
7 University of Alaska; and providing for an effective
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11 to the University of Alaska for the purpose of funding the 1976 deficit of
12 \$1,002,389 and the 1977 deficit of \$3,909,491 as shown by the audit report
13 of Kohler and Company dated February 16, 1978.

14 * Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-
15 070(c).

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UNIVERSITY OF ALASKA

Accountants' Report

Financial Statements

June 30, 1977

RAY KOHLER & CO.
CERTIFIED PUBLIC ACCOUNTANTS
P. O. BOX 607
FAIRDANKS, ALASKA 99707

The Board of Regents
University of Alaska

We have examined the balance sheets of the University of Alaska as of June 30, 1977 and 1976 and the related statements of current funds revenues, expenditures and other changes and the several statements of changes in fund balances (deficit) for the years then ended. Our examinations were 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 except as stated in the following paragraphs.

Assets representing the investment in plant are recorded at cost, or at fair value when acquired by gift. However, disposals of certain of these assets have not been recorded. It was not practicable for us to determine the full extent of such disposals in the current or prior years.

Because of inadequate records, resulting from a conversion of data processing systems, it was not practicable for us to extend our auditing procedures to verify the appropriateness of payroll expenditures and the related liabilities as of June 30, 1976. During 1977 the University changed its method of recording payroll for certain employees. As a result of the change, 1977 current funds include approximately \$650,000 of expenditures applicable to prior years. Restricted current fund payroll expenditures in the amount of \$458,738 have not been distributed to the appropriate expenditure accounts as of June 30, 1977. Payroll changes are more fully described in note 12.

In our report dated August 18, 1977, our opinion on the 1976 financial statements was qualified as being subject to the effects on the 1976 financial statements of such adjustments, if any, as might have been required by legislation enacted in the 1977 session of the Alaska legislature. This legislation required the University to bring its accounting practices into conformity with State accounting procedures. These funds were lapsed during 1977 as explained in note 4.

In our report dated August 18, 1977, our opinion on the 1976 financial statements was qualified as being subject to the effects on the 1976 financial statements of such adjustments, if any, as might have been required had the amounts due employees for salary increases been determined. Subsequent determination of amount due employees has resulted in a reduction of \$494,127 in estimated amounts due employees, receivable from the State of Alaska, revenues and expenditures as of June 30, 1976. The reduction has no effect on changes in fund balances on the 1977 and 1976 financial statements.

The reserve for encumbrances includes approximately \$560,000 which, in our opinion, is comprised of future period expenditures and contractual commitments not entered into prior to June 30, 1977. As explained in note 1 to the financial statements, this amount does not affect current year expenditures but would decrease the unrestricted unallocated current fund deficit by approximately \$560,000 at June 30, 1977.

In our opinion, except for the effect of encumbrances on unrestricted unallocated current fund deficit as described in the sixth paragraph, the balance sheet of the University of Alaska current funds presents fairly the financial position of the University of Alaska current funds at June 30, 1977 in accordance with generally accepted accounting principles applied on a consistent basis. Because of the materiality of the possible effects on the financial statements of the items noted in paragraph three, we do not express an opinion on the statements of revenues, expenditures, and other changes and changes in fund balances of the current funds for the year ended June 30, 1977 and the financial statements of the current funds at June 30, 1976. Further, in our opinion, except for the basis of stating the assets representing the investment in plant as described in the second paragraph, the financial statements of the University of Alaska endowment and similar funds, loan funds, plant funds and agency funds present fairly the financial position of the University of Alaska endowment and similar funds, loan funds, plant funds and agency funds at June 30, 1977 and 1976 and the changes in fund balances for the years then ended in conformity with generally accepted accounting principles applied on a consistent basis.

Ray Kohler & Co.

February 16, 1978

<u>Liabilities and Fund Balances</u>	<u>1977</u>	<u>1976</u>
Current funds:		
Unrestricted:		
Bank overdrafts	\$ 1,014,029	\$ 4,132,154
Accounts payable and accrued expenses (note 3)	11,603,070	9,811,542
Student deposits and other	397,696	704,102
Accrued annual leave	3,929,622	2,405,098
Due to other funds	3,190,890	1,499,956
Working capital fund	1,200,000	1,200,000
Fund balances (deficit):		
Gifts (Exhibit C)	1,556	1,556
Unallocated (Exhibit D)	(4,911,889)	(1,002,398)
Reserve for encumbrances (Exhibit D)	<u>2,065,322</u>	<u>1,017,815</u>
Total unrestricted current funds	<u>18,490,296</u>	<u>19,769,825</u>
Restricted:		
Due to unrestricted current funds	154,440	546,292
Fund balances (Exhibit E)	<u>6,268,008</u>	<u>4,465,238</u>
Total restricted current funds	<u>6,422,448</u>	<u>5,011,530</u>
Total current funds	<u>\$24,912,744</u>	<u>\$24,781,355</u>
Endowment and similar funds:		
Cash deficit in state treasury	-	22,603
Due to unrestricted current funds	<u>27,111</u>	-
	<u>27,111</u>	<u>22,603</u>
Fund balances (Exhibit F):		
Endowment	3,024,538	2,831,305
Quasi-endowment	<u>290,995</u>	<u>290,995</u>
Total fund balances	<u>3,315,533</u>	<u>3,122,300</u>
Total endowment and similar funds	<u>\$ 3,342,644</u>	<u>\$ 3,144,903</u>
Loan funds:		
Due to unrestricted current funds	-	<u>107,117</u>
Fund balances (Exhibit G):		
U. S. Government grants refundable	1,257,093	906,667
Established by donors	140,165	138,065
Established by University	128,444	89,516
Accumulated deficit	<u>(54,472)</u>	<u>(48,991)</u>
Total fund balances	<u>1,471,230</u>	<u>1,085,257</u>
Total loan funds	<u>\$ 1,471,230</u>	<u>\$ 1,192,374</u>

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

UNIVERSITY OF ALASKA
Balance Sheet
June 30, 1977
with comparative figures for June 30, 1976

<u>Assets</u>	<u>1977</u>	<u>1976</u>
Current funds:		
Unrestricted:		
Cash and temporary investments	\$ 757,032	\$ 2,680,786
Investments, at cost (market value \$9,998 in 1977 and \$10,880 in 1976) (note 2)	9,998	10,880
Accounts receivable (net of allowance for doubtful accounts of \$1,073,673 in 1977 and \$764,380 in 1976)	13,586,917	11,385,531
Due from State of Alaska for salary increases (note 3)	2,066,900	3,875,079
Inventories, at lower of cost (first-in, first-out) or market	1,296,117	1,168,961
Prepaid expenses	<u>773,332</u>	<u>648,588</u>
Total unrestricted current funds	<u>18,490,296</u>	<u>19,769,825</u>
Restricted:		
Grant awards receivable	6,420,732	5,009,819
Investments, at cost (market value \$1,822 in 1977 and \$1,711 in 1976) (note 2)	<u>1,716</u>	<u>1,711</u>
Total restricted current funds	<u>6,422,448</u>	<u>5,011,530</u>
Total current funds	<u>\$24,912,744</u>	<u>\$24,781,355</u>
Endowment and similar funds:		
Cash	135,063	-
Investment, at cost or fair market value at date of gift (market value \$3,103,734 in 1977 and \$2,900,627 in 1976) (note 2)	3,207,581	3,014,489
Due from unrestricted funds	<u>-</u>	<u>130,414</u>
Total endowment and similar funds	<u>\$3,342,644</u>	<u>\$ 3,144,903</u>
Loan funds:		
Cash	392,917	456,914
Notes receivable (net of allowance for doubtful notes of \$31,373 in 1977 and \$25,000 in 1976)	987,014	734,987
Due from unrestricted current funds	91,125	-
Other receivables	<u>174</u>	<u>473</u>
Total loan funds	<u>\$ 1,471,230</u>	<u>\$ 1,192,374</u>

The reserve for encumbrances includes approximately \$560,000 which, in our opinion, is comprised of future period expenditures and contractual commitments not entered into prior to June 30, 1977. As explained in note 1 to the financial statements, this amount does not affect current year expenditures but would decrease the unrestricted unallocated current fund deficit by approximately \$560,000 at June 30, 1977.

In our opinion, except for the effect of encumbrances on unrestricted unallocated current fund deficit as described in the sixth paragraph, the balance sheet of the University of Alaska current funds presents fairly the financial position of the University of Alaska current funds at June 30, 1977 in accordance with generally accepted accounting principles applied on a consistent basis. Because of the materiality of the possible effects on the financial statements of the items noted in paragraph three, we do not express an opinion on the statements of revenues, expenditures, and other changes and changes in fund balances of the current funds for the year ended June 30, 1977 and the financial statements of the current funds at June 30, 1976. Further, in our opinion, except for the basis of stating the assets representing the investment in plant as described in the second paragraph, the financial statements of the University of Alaska endowment and similar funds, loan funds, plant funds and agency funds present fairly the financial position of the University of Alaska endowment and similar funds, loan funds, plant funds and agency funds at June 30, 1977 and 1976 and the changes in fund balances for the years then ended in conformity with generally accepted accounting principles applied on a consistent basis.

Ray Kohler & Co.

February 16, 1978

<u>Liabilities and Fund Balances</u>	<u>1977</u>	<u>1976</u>
Current funds:		
Unrestricted:		
Bank overdrafts	\$ 1,014,029	\$ 4,132,154
Accounts payable and accrued expenses (note 3)	11,603,070	9,811,542
Student deposits and other	397,696	704,102
Accrued annual leave	3,929,622	2,405,098
Due to other funds	3,190,890	1,499,956
Working capital fund	1,200,000	1,200,000
Fund balances (deficit):		
Gifts (Exhibit C)	1,556	1,556
Unallocated (Exhibit D)	(4,911,889)	(1,002,398)
Reserve for encumbrances (Exhibit D)	<u>2,065,322</u>	<u>1,017,815</u>
Total unrestricted current funds	<u>18,490,296</u>	<u>19,769,825</u>
Restricted:		
Due to unrestricted current funds	154,440	546,292
Fund balances (Exhibit E)	<u>6,268,008</u>	<u>4,465,238</u>
Total restricted current funds	<u>6,422,448</u>	<u>5,011,530</u>
Total current funds	<u>\$24,912,744</u>	<u>\$24,781,355</u>
Endowment and similar funds:		
Cash deficit in state treasury	-	22,603
Due to unrestricted current funds	<u>27,111</u>	<u>-</u>
	<u>27,111</u>	<u>22,603</u>
Fund balances (Exhibit F):		
Endowment	3,024,538	2,831,305
Quasi-endowment	<u>290,995</u>	<u>290,995</u>
Total fund balances	<u>3,315,533</u>	<u>3,122,300</u>
Total endowment and similar funds	<u>\$ 3,342,644</u>	<u>\$ 3,144,903</u>
Loan funds:		
Due to unrestricted current funds	-	107,117
Fund balances (Exhibit G):		
U. S. Government grants refundable	1,257,093	906,667
Established by donors	140,165	138,065
Established by University	128,444	89,516
Accumulated deficit	<u>(54,472)</u>	<u>(48,991)</u>
Total fund balances	<u>1,471,230</u>	<u>1,085,257</u>
Total loan funds	<u>\$ 1,471,230</u>	<u>\$ 1,192,374</u>

UNIVERSITY OF ALASKA
Balance Sheet
June 30, 1977
with comparative figures for June 30, 1976

<u>Assets</u>	<u>1977</u>	<u>1976</u>
Plant funds:		
Unexpended:		
Cash	\$ 257,392	\$ 3,562,252
Investments, at cost or fair market value at date of gift (market value \$25,250 in 1977 and \$32,500 in 1976) (note 2)	25,250	43,750
State appropriation receivable (note 5)	4,949,571	22,916,215
Due from unrestricted current funds	2,931,733	1,756,871
Total unexpended plant funds	<u>8,163,946</u>	<u>28,279,088</u>
Retirement of indebtedness and renewal and replacement:		
Cash and temporary investments	718,181	753,769
Investments, at cost (market value \$1,175,577 in 1977 and \$994,880 in 1976) (note 2)	1,169,286	993,529
Due from unrestricted current funds	<u>237,653</u>	<u>140,902</u>
Total retirement of indebtedness and renewal and replacement	<u>2,125,120</u>	<u>1,888,200</u>
Investment in plant (notes 1, 5, 6, 7, 8, 9 and 10):		
Land	3,662,878	3,461,437
Improvements other than buildings	11,696,108	11,685,022
Buildings	117,778,806	103,466,349
Equipment (including library books and museum exhibits)	20,675,050	17,682,983
Plant in process of construction	<u>49,037,571</u>	<u>43,826,378</u>
Total investment in plant	<u>202,850,413</u>	<u>180,122,169</u>
Total plant funds	<u>\$213,139,479</u>	<u>\$210,289,457</u>
Agency funds:		
Cash	2,867	-
Due from unrestricted current funds	111,930	125,178
Total agency funds	<u>\$ 114,797</u>	<u>\$ 125,178</u>

See accompanying notes to financial statements.

<u>Liabilities and Fund Balances</u>	<u>1977</u>	<u>1976</u>
Plant funds (Exhibit H):		
Unexpended:		
Fund balances:		
Borrowed funds not expended	\$ 315,449	\$ 3,559,130
Restricted	7,588,123	22,978,386
Unrestricted (note 4)	<u>260,374</u>	<u>1,741,572</u>
Total unexpended plant funds	<u>8,163,946</u>	<u>28,279,088</u>
Retirement of indebtedness and renewal and replacement:		
Fund balances:		
Retirement of indebtedness (including borrowed unexpended funds of \$220,662 in 1976)	1,717,549	1,506,792
Renewal and replacement	<u>407,571</u>	<u>381,408</u>
Total retirement of indebtedness and renewal and replacement	<u>2,125,120</u>	<u>1,888,200</u>
Investment in plant:		
Notes payable (note 6)	5,602,928	5,579,522
Bonds payable (note 7)	15,691,000	15,892,000
Due State of Alaska (note 8)	625,000	670,000
Installment contracts payable (note 9)	1,452,171	1,219,907
Principal of leasehold obligation payable (note 10)	<u>3,595,000</u>	<u>3,890,000</u>
Less borrowed funds not expended	<u>26,966,099</u> 315,449	<u>27,251,429</u> 3,779,792
Net investment in plant	<u>26,650,650</u>	<u>23,471,637</u>
Total investment in plant	<u>176,199,763</u>	<u>156,650,532</u>
Total investment in plant	<u>202,850,413</u>	<u>180,122,169</u>
Total plant funds	<u>\$213,139,479</u>	<u>\$210,289,457</u>
Agency funds:		
Fund balances	114,797	125,178
Total agency funds	<u>\$ 114,797</u>	<u>\$ 125,178</u>
Contingent assets and liabilities (note 13)		

UNIVERSITY OF ALASKA
 Statement of Current Funds Revenues, Expenditures, and Other Changes
 Year ended June 30, 1977
 with comparative figures for 1976

	1977		Total	1976 Total
	Unrestricted	Restricted		
Revenues:				
Educational and general:				
Student fees	\$ 5,297,308	\$ -	\$ 5,297,308	\$ 5,165,342
Government appropriations	58,869,301	-	58,869,301	47,720,689
Endowment income (including \$27,861 funds held in trust by others)	199,453	22,535	221,988	220,134
Gifts applied	-	-	-	13,501
Sponsored programs	-	26,554,937	26,554,937	23,081,989
Recovery of indirect costs	3,434,277	-	3,434,277	3,424,794
Sales and services of educational departments	14,804	-	14,804	19,543
Organized activities relating to educational departments	138,528	-	138,528	108,554
Student aid	-	1,019,140	1,019,140	932,733
Other sources	1,392,108	-	1,392,108	1,183,260
Total educational and general	69,345,779	27,596,612	96,942,391	81,870,539
Auxiliary enterprises (including \$790,458 state appropriation)	6,474,877	-	6,474,877	6,180,255
Total revenues	<u>75,820,656</u>	<u>27,596,612</u>	<u>103,417,268</u>	<u>88,050,794</u>
Expenditures and mandatory transfers:				
Educational and general:				
Instruction	26,728,606	4,231,835	30,960,441	24,722,803
Academic support	7,814,994	557,728	8,372,722	7,141,861
Organized research	9,547,793	20,829,928	30,377,721	26,179,178
Public service	3,240,186	807,326	4,047,512	3,844,310
Student services	3,514,703	89,791	3,604,494	2,074,326

Operation and maintenance of plant	8,912,119	-	8,912,119	8,116,927
General administration and general institutional expense	10,459,059	36,183	10,495,242	6,065,548
Student aid	68,920	1,041,525	1,110,445	1,016,685
Educational and general expenditures	<u>70,286,380</u>	<u>27,594,316</u>	<u>97,880,696</u>	<u>79,161,638</u>
Mandatory transfers for:				
Principal and interest	1,120,310	-	1,120,310	1,148,283
Research matching funds	108,538	-	108,538	129,503
Loan matching funds	38,936	-	38,936	40,138
Unexpended plant	138,358	-	138,358	-
Total educational and general	<u>71,692,522</u>	<u>27,594,316</u>	<u>99,286,838</u>	<u>80,479,562</u>
Auxiliary enterprises:				
Expenditures	6,627,366	2,296	6,629,662	6,331,532
Mandatory transfers for:				
Principal and interest	1,201,080	-	1,201,080	1,080,211
Total auxiliary enterprises	<u>7,828,446</u>	<u>2,296</u>	<u>7,830,742</u>	<u>7,411,743</u>
Total expenditures and mandatory transfers	<u>79,520,968</u>	<u>27,596,612</u>	<u>107,117,580</u>	<u>87,891,305</u>
Other transfers and additions (deductions):				
Excess of (transfers to revenue over restricted receipts) restricted receipts over transfers to revenue	-	1,802,770	1,802,770	37,974
Nonmandatory transfers to unexpended plant funds	(213,902)	-	(213,902)	(161,775)
Transfers from unexpended plant funds (note 4)	1,052,230	-	1,052,230	-
Change in reserve for encumbrances	(1,047,507)	-	(1,047,507)	130,479
Other	-	-	-	2,286
Total other transfers and additions (deductions)	<u>(209,179)</u>	<u>1,802,770</u>	<u>1,593,591</u>	<u>8,964</u>
Net increase (decrease) in fund balances	<u>\$(3,909,491)</u>	<u>\$ 1,802,770</u>	<u>\$(2,106,721)</u>	<u>\$ 168,453</u>

See accompanying notes to financial statements.

UNIVERSITY OF ALASKA
Statement of Changes in Fund Balances -
Unrestricted Current Funds - Gifts
Year ended June 30, 1977
with comparative figures for 1976

	<u>1977</u>	<u>1976</u>
Balance beginning of year	<u>\$1,556</u>	<u>\$15,055</u>
Additions:		
Gifts received during the year	<u>-</u>	<u>-</u>
Deductions:		
Applied to current revenues	<u>-</u>	<u>13,499</u>
Balance end of year	<u>\$1,556</u>	<u>\$ 1,556</u>

See accompanying notes to financial statements.

UNIVERSITY OF ALASKA
Statement of Changes in Fund Balance (Deficit) -
Unrestricted Current Funds
Year ended June 30, 1977
with comparative figures for 1976

	<u>1977</u>	<u>1976</u>
Fund balance (deficit) beginning of year:		
Unallocated deficit	\$(1,002,398)	\$(1,132,877)
Reserve for encumbrances	<u>1,017,815</u>	<u>1,148,294</u>
	<u>\$ 15,417</u>	<u>\$ 15,417</u>
Revenues and other additions:		
Revenues	75,820,656	64,507,153
Decrease in reserve for encumbrances	-	130,479
Other additions	-	2,286
Total revenues and other additions	<u>75,820,656</u>	<u>64,639,918</u>
Expenditures and other deductions:		
Expenditures	76,913,746	61,949,529
Increase in reserve for encumbrances	<u>1,047,507</u>	-
Total expenditures and other deductions	<u>77,961,253</u>	<u>61,949,529</u>
Transfers among funds - deductions:		
Mandatory:		
Retirement of indebtedness funds	2,321,390	2,228,494
Unexpended plant	138,358	-
Matching for restricted current funds	108,538	129,503
Matching for loan funds	<u>38,936</u>	<u>40,138</u>
Total mandatory transfers	2,607,222	2,398,135
Nonmandatory:		
Unexpended plant funds	<u>(838,328)</u>	<u>161,775</u>
Total transfers	<u>1,768,894</u>	<u>2,559,910</u>
Net increase (decrease) in unallocated fund balance	(3,909,491)	130,479
Unallocated deficit beginning of year	<u>(1,002,398)</u>	<u>(1,132,877)</u>
Unallocated deficit end of year	<u>\$(4,911,889)</u>	<u>\$(1,002,398)</u>
Fund balance (deficit) end of year:		
Unallocated deficit	(4,911,889)	(1,002,398)
Reserve for encumbrances	<u>2,065,322</u>	<u>1,017,815</u>
	<u>\$(2,846,567)</u>	<u>\$ 15,417</u>

See accompanying notes to financial statements.

UNIVERSITY OF ALASKA
Statement of Changes in Fund Balances -
Restricted Current Funds
Year ended June 30, 1977
with comparative figures for 1976

	<u>1977</u>	<u>1976</u>
Balance beginning of year	\$ <u>4,465,238</u>	\$ <u>4,427,264</u>
Additions:		
Gifts and grants	32,857,228	27,327,824
Endowment income, net (including \$16,380 in 1977 and \$14,350 in 1976 from funds held in trust by others)	22,535	46,801
Transfer from loan funds	330	-
Transfer from unrestricted current funds for matching purposes	108,537	129,503
Transfer from unexpended plant funds	20,795	-
Undistributed labor charges for reimbursable contracts	282,972	-
	<u>33,292,397</u>	<u>27,504,128</u>
Deductions:		
Education and general expenditures	27,594,316	24,026,424
Auxiliary enterprises	2,296	11,344
Recovery of indirect costs	3,434,277	3,428,386
Undistributed labor charges	458,738	-
	<u>31,489,627</u>	<u>27,466,154</u>
Balance end of year	\$ <u>6,268,008</u>	\$ <u>4,465,238</u>

See accompanying notes to financial statements.

UNIVERSITY OF ALASKA
Statement of Changes in Fund Balances -
Endowment and Similar Funds
Year ended June 30, 1977
with comparative figures for 1976

	<u>1977</u>	<u>1976</u>
Balance beginning of year	\$3,122,300	\$2,884,076
Additions:		
Gain on sale of real property	-	49,689
Current year principal contributions	12,964	45,573
Proceeds of land leases, sales and mineral rights	<u>180,269</u>	<u>142,962</u>
	<u>193,233</u>	<u>238,224</u>
Balance end of year	<u>\$3,315,533</u>	<u>\$3,122,300</u>

See accompanying notes to financial statements.

UNIVERSITY OF ALASKA
Statement of Changes in Fund Balances -
Loan Funds
Year ended June 30, 1977
with comparative figures for 1976

	<u>1977</u>	<u>1976</u>
Balance beginning of year	\$1,085,257	\$ 707,662
Additions:		
U. S. Government grants refundable	350,756	340,350
Gifts	2,100	1,795
Interest on loans and savings bank deposits	8,174	6,915
Matching funds transferred	<u>38,936</u>	<u>40,138</u>
	<u>399,966</u>	<u>389,198</u>
Deductions:		
Transfer to restricted current funds	330	-
Cancellations per terms of National Defense Education Act (including interest of \$411 in 1977 and \$374 in 1976)	2,906	3,138
Administrative expenses	4,384	8,465
Provision for uncollectible notes	<u>6,373</u>	-
	<u>13,993</u>	<u>11,603</u>
Balance end of year	<u>\$1,471,230</u>	<u>\$1,085,257</u>

See accompanying notes to financial statements.

UNIVERSITY OF ALASKA
Statement of Changes in Fund Balances -
Plant Funds
Year ended June 30, 1977
with comparative figures for 1976

	<u>UNEXPENDED</u>	<u>1977</u>	<u>1976</u>
Balance beginning of year		\$28,279,088	\$48,812,384
Additions:			
State appropriations		610,000	1,879,600
Transferred from unrestricted current funds		352,259	161,775
Transferred from restricted current funds		-	299,430
Transferred from retirement of indebtedness funds		-	519,675
Grants from Federal and State agencies		50,000	13,000
Investment income		124,283	284,753
Legal settlement		50,000	-
		<u>1,186,542</u>	<u>3,158,233</u>
Deductions:			
Expenditures for plant:			
Plant in process of construction		19,523,529	22,046,788
Land		56,441	281,130
Buildings and improvements other than buildings		11,207	222,306
Equipment		589,380	1,141,305
		<u>20,180,557</u>	<u>23,691,529</u>
Transferred to restricted current funds		20,794	-
Transferred to retirement of indebtedness fund		48,103	-
Transferred to unrestricted current funds		1,052,230	-
		<u>21,301,684</u>	<u>23,691,529</u>
Balance end of year		<u>\$ 8,163,946</u>	<u>\$28,279,088</u>
	<u>RENEWAL AND REPLACEMENT</u>		
Balance beginning of year		<u>381,408</u>	<u>360,990</u>
Additions:			
Interest on investments		<u>26,163</u>	<u>20,418</u>
Balance end of year		<u>\$ 407,571</u>	<u>\$ 381,408</u>

UNIVERSITY OF ALASKA
Statement of Changes in Fund Balances -
Plant Funds
Year ended June 30, 1977
with comparative figures for 1976

	<u>RETIREMENT OF INDEBTEDNESS</u>	<u>1977</u>	<u>1976</u>
Balance beginning of year		\$ <u>1,506,792</u>	\$ <u>1,872,834</u>
Additions:			
Transferred from unrestricted current funds		2,321,389	2,228,494
Borrowed funds transferred from unexpended plant funds		48,103	-
Transfer of Heating Corporation Trust Account		34,561	-
Interest on investments		79,469	124,167
Contribution from Associated Students University of Alaska		<u>52,905</u>	<u>51,825</u>
		<u>2,536,427</u>	<u>2,404,486</u>
Deductions:			
Retirement of principal		816,179	746,827
Interest charges		1,506,607	1,504,026
Transferred to unexpended plant fund		-	519,675
Fees to trustee		<u>2,884</u>	-
		<u>2,325,670</u>	<u>2,770,528</u>
Balance end of year		\$ <u>1,717,549</u>	\$ <u>1,506,792</u>
<u>NET INVESTMENT IN PLANT</u>			
Balance beginning of year		<u>156,650,532</u>	<u>132,681,365</u>
Additions:			
Expended from plant funds		20,180,557	23,691,529
Less portion financed by borrowed funds		<u>3,464,343</u>	<u>2,449,984</u>
		16,716,214	21,241,545
Expended from unrestricted current funds		2,017,493	1,980,795
Retirement of indebtedness		<u>816,179</u>	<u>746,827</u>
		<u>19,549,886</u>	<u>23,969,167</u>
Deductions:			
Retirement of plant assets		<u>655</u>	-
Balance end of year		\$ <u>176,199,763</u>	\$ <u>156,650,532</u>

See accompanying notes to financial statements.

UNIVERSITY OF ALASKA
Notes to Financial Statements
June 30, 1977

(1) Summary of Significant Accounting Policies

The significant accounting policies followed by the University of Alaska are described below to enhance the usefulness of the financial statements to the reader.

Accrual Basis

The financial statements of the University have been prepared on the accrual basis except that (1) no provision for depreciation of plant assets is recorded; and (2) certain liabilities of plant funds relating to completed but unpaid construction costs are not recorded (see note 5).

The statement of current funds revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

To the extent that unrestricted current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization and interest and equipment renewal and replacement; and (3) as nonmandatory transfers where such transfers are made at the discretion of the Board of Regents and are not required by terms of loans or by agreements with outside persons or agencies.

Encumbrances representing outstanding purchase orders and other commitments for materials or services not received as of June 30 are not reported as expenditures nor included as liabilities. Such encumbrances are recorded in the reserve for encumbrances by appropriation from the unrestricted unallocated current fund balance.

Institutional plant and equipment are stated at cost at date of acquisition or at fair value when acquired by gift. Depreciation on institutional plant and equipment is not recorded.

Fund Accounting

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the University, the accounts of the University are maintained in accordance with the principles of "fund accounting." This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

UNIVERSITY OF ALASKA
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the Board of Regents. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the Board of Regents retains full control to use in achieving any of its institutional purposes.

Endowment funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be utilized. While quasi-endowment funds have been established by the governing board for the same purposes as endowment funds, any portion of quasi-endowment funds may be expended.

All gains and losses arising from the sale, collection, or other disposition of investments and other non-cash assets are accounted for in the fund which owned such assets. Ordinary income derived from investments, receivables, and the like, is accounted for in the fund owning such assets, except for income derived from investments of endowment and similar funds, which income is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in unrestricted current funds.

All other unrestricted revenue is accounted for in the unrestricted current fund. Restricted gifts, grants, appropriations, endowment income, and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

Other Significant Accounting Policies

Other significant accounting policies are set forth in the financial statements and the following notes.

(2) Investments

At June 30, 1977, the University held the following investments which were allocated to the various funds as indicated in the accompanying balance sheet:

UNIVERSITY OF ALASKA
Notes to Financial Statements, Continued

(2) Investments, Continued

	<u>Book value</u>	<u>Market value*</u>
Savings accounts	\$ 28,802	\$ 28,802
United States Government securities, long-term	3,966,870	3,881,847
Other bonds and notes	2,100	2,177
Common stock	53,136	58,129
Common fund for non-profit organizations	101,406	83,804
Real property	104,388	104,388
Mortgage notes	142,748	142,748
Miscellaneous	<u>14,380</u>	<u>14,486</u>
	<u>\$4,413,830</u>	<u>\$4,316,381</u>

*Book value is used for market value for those investments where a quoted market value is not available.

Investments are stated at cost at date of acquisition or at market value at date of donation in the case of gifts. Investments of quasi-endowment and endowment funds having a book value of \$150,704 are pooled on a market-value basis, with market value determined at date of entry or withdrawal from the pool.

Funds held in trust by others are not included in the University investments. Such investments, which are administered by and in the custody of independent fiduciary agencies, have a cost basis of \$795,000 and estimated market value of \$1,100,000 at June 30, 1977. The income therefrom inures to the benefit of the University for general and for designated purposes.

(3) State Appropriation for Salary Increases

The University was required to provide retroactive salary increases for the years 1975 through 1977. Such salary increases have been funded by state appropriation. Certain of the retroactive payroll liabilities were estimated as of June 30, 1975 and 1976. During 1977 it was determined that these liabilities were overstated by \$533,816. Such amount is refundable to the State of Alaska and is included in accounts payable and accrued expenses. The 1976 statements have been restated to reflect a reduction of \$494,127 in the estimate for that year.

(4) Unrestricted Unexpended Plant Funds

To comply with AS.37.25, the University has transferred unrestricted unexpended plant funds in the amount of \$1,052,230 to unrestricted current funds as of June 30, 1977. The balance of \$260,374 is attributable to permanent fund income and, pending final legal determination of the applicability of AS.37.25 to those funds, is retained within the plant funds.

UNIVERSITY OF ALASKA
Notes to Financial Statements, Continued

(5) Building Program and Construction Commitments

Major construction projects of the University are funded by State of Alaska general obligation bonds, revenue bonds and direct appropriation. At June 30, 1977 the University reflected as a resource of its unexpended plant fund, appropriations receivable from the State of Alaska as follows:

1970 Bonds	\$ 51,361
1974 Bonds	4,897,610
1976 Direct appropriation	<u>600</u>
	<u>\$4,949,571</u>

Construction commitments at June 30, 1977 aggregated approximately \$1,650,000 of which approximately \$610,000 represented completed but unpaid construction costs not reflected in the accompanying financial statements.

(6) Notes Payable

At June 30, 1977 notes payable consist of:

5% note payable to State of Alaska for construction loan to finance the Campus Activity Center at Fairbanks. Student fee revenues are pledged on the note which is payable in 25 annual installments commencing June 1971.	\$3,318,000
8 1/2% University of Alaska Housing Corporation note payable, secured by the Yak Estates housing project. Payable in monthly installments of \$15,995 including interest.	2,139,928
8% mortgage note payable, secured by a Deed of Trust for Community College Building in Anchorage. Payable in annual installments of \$16,940.	<u>145,000</u>
	<u>\$5,602,928</u>

In connection with the Yak Estates project the University leased certain land for a period of no less than fifty-five years to the University of Alaska Housing Corporation as a site for the housing project. The Corporation arranged financing and construction of the housing, with Atlantic Richfield Company donating the initial equity capital required. The University entered into a management contract with the Corporation under the terms of which the University collects all rents and applies them to the payment of all required expenditures, including debt service. The capital stock of the Housing Corporation has been transferred directly to the University. For accounting purposes the cost of the facilities (\$2,647,545) has been included in plant fund assets. Project costs paid by the Corporation and the University (\$388,958 and \$76,787 respectively) and principal payments to date of \$41,873 are included in the University's net investment in plant.

UNIVERSITY OF ALASKA
Notes to Financial Statements, Continued

(7) University of Alaska Revenue Bonds

The University of Alaska Revenue Bonds payable at June 30, 1977 were composed of the following:

Issue	Maturity	Interest rate	Outstanding principal
Housing System:			
1961 Series:			
A	Serially to April 1, 2001	3 1/8%	\$ 554,000
B	Serially to April 1, 2001	3 1/2	716,000
1962 Series	Serially to April 1, 2002	3 3/8	865,000
1963 Series	Serially to April 1, 2003	3 1/2	1,926,000
1964 Series	Serially to April 1, 2004	3 3/4	2,530,000
1968 Series	Serially to April 1, 2008	3	<u>2,600,000</u>
			9,191,000
Anchorage Campus Student Center:			
Series A	Serially 1980 to May 1, 2000	7 3/4 - 8	5,000,000
Anchorage Energy Utility System:			
Series A	Serially 1978 to May 1, 1985	7.6 - 8	<u>1,500,000</u>
			<u>\$15,691,000</u>

The foregoing Housing System bonds are secured by a pledge of all revenue of certain portions of the University of Alaska Housing System except that portion of the revenues necessary to pay annual operating expenses in excess of \$79,273. The University has established and will maintain, out of the revenue derived from the Housing System, reserves for retirement of debt and interest and for major repairs and replacements.

The debt service for the Anchorage Campus Student Center bonds is to be provided from an allocation of Anchorage student fees and such other special fee assessments as are necessary.

The debt service for the Anchorage Energy Utility System is to be provided by State of Alaska appropriation.

(8) Housing System Financed by State of Alaska

Net income from the rental of certain housing facilities which were financed by the State of Alaska is pledged to the State to apply to debt service of the 1958 Series A State of Alaska General Obligation University of Alaska Housing Bonds. The principal balance outstanding at June 30, 1977 is reflected as a liability to the State of Alaska. The bonds mature serially to June 1, 1988 and bear interest at 3%.

UNIVERSITY OF ALASKA
Notes to Financial Statements, Continued

(9) Installment Contracts Payable

The University has entered into a series of installment sale agreements with Honeywell Information Systems, Inc. for the purchase of data processing equipment. The agreements provide for equal monthly payments over 96 month periods and include a "funding out" clause which allows for cancellation of the contracts should the University no longer be appropriated funds for data processing. At June 30, 1977 equipment costing \$1,281,944 had been acquired which require monthly payments of \$16,271 including interest of 5.0 - 6.4%.

During 1977 the University acquired equipment costing \$363,508 which was financed by a series of installment contracts with United Banclease. The contracts are payable in monthly installments over a 6 year period and include interest of approximately 11% per annum.

Principal balances outstanding at June 30, 1977 are:

Honeywell	\$1,115,420
United Banclease	<u>336,751</u>
	<u>\$1,452,171</u>

(10) University of Alaska Heating Corporation Long-term Lease

The University of Alaska Heating Corporation, a non-profit entity, has leased two parcels of land from the University for a period of forty-nine years and one day commencing August 15, 1962. In accordance with the terms of the lease dated August 1, 1962, the Corporation built a heating plant for the sole purpose of providing heat to all existing and proposed future buildings on the University campus at Fairbanks, Alaska. In accordance with an amendment dated September 1, 1969, an expansion of the heating plant facility was completed. The agreements provide for the University to lease back the land and heating facility thereon and operate the facility for a period of forty-nine years commencing on August 15, 1962 for aggregate rentals of \$6,125,137 for the original plant and \$4,285,105 for the expansion project which amounts will be used for repayment of bonded debt and interest incurred by the Heating Corporation in financing the construction of the heating plant. The Corporation agrees that any permanent structures existing upon the premises at the time of expiration of the site lease shall revert to the University. Further, upon dissolution of the Corporation, after payment of all indebtedness and obligations, its remaining net assets shall be transferred, delivered, paid and set over to the University for its sole use and benefit.

UNIVERSITY OF ALASKA
Notes to Financial Statements, Continued

(10) University of Alaska Heating Corporation Long-term Lease, Continued:

The University has included the heating plant facility in its plant fund assets and reflected the liability as "principal of leasehold obligation payable" to the extent of construction costs. At June 30, 1977 the Heating Corporation bonds consist of:

1962 series, payable serially to 1983 (4 3/4%)	\$1,565,000
1969 series, payable serially to 1992 (5.05 - 6.5%)	<u>2,030,000</u>
	<u>\$3,595,000</u>

(11) Pension Plans

Substantially all full-time employees of the University are covered under the Public Employees' Retirement System of Alaska or the State of Alaska Teachers' Retirement System Contributory pension plans. Total pension expense for all covered employees for the year ended June 30, 1977 was approximately \$4,000,000 which included a provision to amortize prior service costs of the Public Employees' Retirement System of Alaska over a period of forty years.

(12) Change in Payroll Procedures

During 1977 the University commenced to accrue all payroll costs through June 30. Prior year payroll expenditures for certain employees were recorded for fifty-two week periods ending on dates prior to the year end. Current year expenditures reflect approximately \$650,000 of payroll costs covering the period June 19, 1976 through June 30, 1976. It is not practicable to restate prior years financial statements, therefore the effect upon the separate current fund balances in prior years has not been determined.

Accrued payroll expenditures in the amount of \$458,738 for the period June 18, 1977 through June 30, 1977 have not been distributed to the appropriate current restricted fund expenditures. Of this amount \$282,972 applicable to cost reimburseable contracts is included in unrestricted fund accounts receivable and the remaining \$175,766 as a charge against current restricted fund balances. Such amounts were distributed to the appropriate accounts during the fiscal period ending June 30, 1978.

UNIVERSITY OF ALASKA
Notes to Financial Statements, Continued

(13) Contingent Assets and Liabilities

The accompanying financial statements do not include provisions for estimated ultimate costs and/or recoveries on the following:

(a) Internal Revenue Service Audit

During 1976 the Internal Revenue Service audited the University payroll for the years 1973 - 1975. They have advised the University of their intent to hold the University responsible for taxes not withheld on certain payments for services. The amount of the proposed claim is not yet determined but is not expected to have a material effect upon the University financial statements.

(b) Legal Actions

- (1) The University was defendant in a suit filed by the City and Borough of Juneau for damages allegedly resulting from failure by the University to adequately insure a building owned by plaintiffs and leased to the University. On January 30, 1978 a jury awarded the City and Borough of Juneau \$350,000 plus \$75,000 debris removal against the University and its insurance company jointly and severally. The University's insurance carrier will pay the settlement together with the University's costs and attorney's fees.
- (2) Personal representatives of a former student who was murdered while in residence in a University dormitory filed suit in April 1974 against the University for negligence and for exemplary or punitive damages. The University's insurance company accepted defense for the negligence suit. The State of Alaska and others were subsequently named as additional defendants in the suit. The case was tried in district court which found for the University. Subsequent to the year end the case was appealed to the Alaska Supreme Court which affirmed the district court decision.
- (3) The University filed suit against the architectural firm which designed the Campus Activity Center Building on the Fairbanks campus. The suit related to deficiencies in design and was subject to a counterclaim by the defendant. The dispute was settled subsequent to the year end by payment of \$200,000, net of counterclaim, to the University by the defendant's insurance carrier.

UNIVERSITY OF ALASKA
Notes to Financial Statements, Continued

(13) Contingent Assets and Liabilities, Continued

(b) Legal Actions, Continued

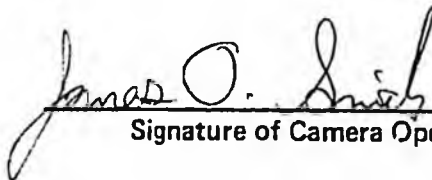
- (4) The University is a defendant in several complaints filed before the Human Rights Commission and EEOC and in the Court system by employees of the University. The complaints allege discrimination in employment, compensation and promotion because of sex, age, race, color, handicap and national origin.
- (5) The University is a defendant in several construction contract claims. University counsel has evaluated the probable cost to the University, exclusive of attorney fees, at a nominal amount.

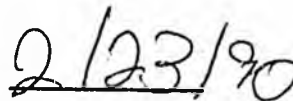


RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.


Signature of Camera Operator


Date

AMENDMENT #1

OFFERED IN THE HOUSE:

BY: S. A. Coombs.

TO: _____ HOUSE BILL No. CSHB-938

SENATE BILL No. _____

PAGE: 2

LINE: 4

Add "s" to appropriation, to read:

lieutenant governor of the appropriations made by this section
is sufficient . . .

Introduced: 4/17/78
Referred: State Affairs and
Finance

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 HOUSE BILL NO. 938

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for the issuance of general obligation
7 bonds in the amount of \$119,479,173 for the purpose of
8 paying the cost of airport improvements; and providing
9 for an effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. For the purpose of paying the cost of airport extensions,
12 the construction of new airports, the construction of cross-wind landing
13 strips, runway resurfacing and paving, and other general improvements,
14 general obligation bonds of the state in the principal amount of not more
15 than \$119,479,173 shall be issued and sold. The full faith, credit and
16 resources of the state are pledged to the payment of the principal of and
17 interest and redemption premium, if any, on these bonds. These bonds shall
18 be issued under the provisions of AS 37.15 as those provisions read at the
19 time of issuance.

20 * Sec. 2. If the issuance of these bonds is authorized by the qualified
21 voters of the state, a special fund of the state to be known as the "1978
22 Airport Improvement Fund" shall be established, to which shall be credited
23 the proceeds of the sale of the bonds described in sec. 1 of this Act except
24 for the accrued interest and premiums. The amount of \$119,479,173 is appro-
25 priated from the "1978 Airport Improvement Fund" to the Department of Trans-
26 portation and Public Facilities. The proceeds of these bonds shall be allo-
27 cated as follows and for the indicated purposes:

28 (1) \$5,000 per site for each site listed in paragraphs (5) -
29 (132) of this section for the assessment of state property rights.

1	(23)	Chalkyitsik - resurfacing (gravel)	315,000
2	(24)	Chefornak - resurfacing (gravel)	350,000
3	(25)	Chevak	
4		A. runway extension	373,000
5		B. resurfacing (gravel)	350,000
6	(26)	Chignik Lagoon - runway extension	484,900
7	(27)	Chuathbaluk - runway extension	97,500
8	(28)	Chuloonawick - new airport	340,200
9	(29)	Circle City - general improvements	
10		(apron)	250,000
11	(30)	Clarks Point - runway extension	829,925
12	(31)	Cold Bay - general improvements	
13		(blast fence)	100,000
14	(32)	Copper Center NR. 1	
15		A. resurfacing (gravel)	408,240
16		B. general improvements (mark	
17		for distance)	10,000
18	(33)	Copper Center NR. 2	
19		A. runway extension	522,200
20		B. resurfacing (gravel)	264,600
21		C. general improvements (mark	
22		for distance)	10,000
23	(34)	Crooked Creek - new airport	945,000
24	(35)	Deering	
25		A. runway extension	186,500
26		B. general improvements	500,000
27	(36)	Diomede - new airport	945,000
28	(37)	Dutch Harbor	
29		A. runway extension	1,000,000

Introduced: 4/17/78
Referred: State Affairs and
Finance

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2

HOUSE BILL NO. 938

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

TENTH LEGISLATURE - SECOND SESSION

5

A BILL

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27 cated as follows and for the indicated purposes:

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29 (132) of this section for the assessment of state property rights.

1 (2) \$10,000 per site for each site listed in paragraphs
2 (5) - (132) of this section for a topographic survey.

3 (3) \$10,000 per site for each site listed in paragraphs
4 (5) - (132) of this section for a study of foundation and materials
5 required for construction.

6 (4) \$20,000 per site for each site listed in paragraphs
7 (5) - (132) of this section for preliminary design and cost estimation.

8	(5) Akhiok - runway extension	\$ 335,700
9	(6) Akiak - runway extension	649,020
10	(7) Akiachak - runway extension	880,280
11	(8) Akutan - general improvements	300,000
12	(9) Alakanuk - new airport (relocation)	1,323,000
13	(10) Aleknagik - new airport	945,000
14	(11) Ambler - resurfacing (gravel)	315,000
15	(12) Aniak - fencing	300,000
16	(13) Anvik - runway extension	373,000
17	(14) Atka - new airport	1,500,000
18	(15) Beaver - general improvements (general	
19	maintenance)	150,000
20	(16) Bethel - general improvements (repair	
21	Brown Slough Road)	1,406,000
22	(17) Big Lake 2 - runway extension	584,864
23	(18) Birch Creek - new airport	945,000
24	(19) Boundary - resurfacing (gravel)	396,900
25	(20) Brevig Mission - runway extension	1,305,500
26	(21) Buckland - new airport (relocation)	1,323,000
27	(22) Central	
28	A. runway extension	410,300
29	B. resurfacing (gravel)	302,400

1	(23) Chalkyitsik - resurfacing (gravel)	315,000
2	(24) Chefornek - resurfacing (gravel)	350,000
3	(25) Chevak	
4	A. runway extension	373,000
5	B. resurfacing (gravel)	350,000
6	(26) Chignik Lagoon - runway extension	484,900
7	(27) Chuathbaluk - runway extension	97,500
8	(28) Chuloonawick - new airport	340,200
9	(29) Circle City - general improvements	
10	(apron)	250,000
11	(30) Clarks Point - runway extension	829,925
12	(31) Cold Bay - general improvements	
13	(blast fence)	100,000
14	(32) Copper Center NR. 1	
15	A. resurfacing (gravel)	408,240
16	B. general improvements (mark	
17	for distance)	10,000
18	(33) Copper Center NR. 2	
19	A. runway extension	522,200
20	B. resurfacing (gravel)	264,600
21	C. general improvements (mark	
22	for distance)	10,000
23	(34) Crooked Creek - new airport	945,000
24	(35) Deering	
25	A. runway extension	186,500
26	B. general improvements	500,000
27	(36) Diomedes - new airport	945,000
28	(37) Dutch Harbor	
29	A. runway extension	1,000,000

1	B. resurfacing (gravel)	2,932,500
2	(38) Eagle - new airport	567,000
3	(39) Eek - runway extension	484,900
4	(40) Egegik	
5	A. runway extension	2,230,540
6	B. cross-strip	567,000
7	(41) Ekuk - new airport (relocation)	425,250
8	(42) Ekwok	
9	A. runway extension	643,052
10	B. cross-strip	567,000
11	(43) Elim - runway extension	716,160
12	(44) Emmonak	
13	A. resurfacing (gravel)	176,400
14	B. general improvements (apron	
15	completion)	150,000
16	(45) False Pass - runway extension	335,700
17	(46) Fortuna Ledge - new airport (re-	
18	location)	2,000,000
19	(47) Fort Yukon - general improvements	
20	(apron extension)	200,000
21	(48) Gambell	
22	A. runway extension	1,119,000
23	B. resurfacing (asphalt)	1,173,000
24	(49) Golovin - runway extension	589,340
25	(50) Goodnews Bay - runway extension	785,165
26	(51) Haines - resurfacing (asphalt)	2,508,186
27	(52) Hoonah - runway extension	74,600
28	(53) Hooper Bay - general improvements	
29	(erosion control)	500,000

1	(54) Ivanof Bay - new airport	945,000
2	(55) Kaktovik - new airport	945,000
3	(56) Kakhonak - runway extension	484,900
4	(57) Kalskag - runway extension	649,020
5	(58) Kaltag	
6	A. runway extension	1,137,650
7	B. general improvements	72,000
8	(59) Karluk - runway extension	593,070
9	(60) Kasilof - runway extension	261,100
10	(61) Ketchikan SP Float - general improve-	
11	ments (SP pullout facility)	200,000
12	(62) King Cove	
13	A. runway extension	1,305,500
14	B. resurfacing (asphalt)	2,932,500
15	(63) Kipnuk	
16	A. cross-strip	567,000
17	B. resurfacing (gravel)	302,400
18	(64) Kivalina - runway extension	862,376
19	(65) Kobuk - new airport (relocation)	945,000
20	(66) Koliganek - runway extension	111,900
21	(67) Kongiganak	
22	A. runway extension	298,400
23	B. cross-strip	567,000
24	(68) Kotlik - runway extension	335,700
25	(69) Koyuk - runway extension	708,700
26	(70) Koyukuk	
27	A. runway extension	1,622,550
28	B. resurfacing (gravel)	113,400
29	(71) Kwethluk	

1	A. runway extension	261,100
2	B. cross-strip	567,000
3	(72) Kwigillingok	
4	A. runway extension	186,500
5	B. cross-strip	567,000
6	C. resurfacing (gravel)	315,000
7	(73) Larson Bay - runway extension	484,900
8	(74) Levelock - runway extension	335,700
9	(75) Lime Village - new airport	425,250
10	(76) Manley Hot Springs - runway extension	89,520
11	(77) Manokotak	
12	A. cross-strip	567,000
13	B. resurfacing (gravel)	327,600
14	(78) Minto (New) - runway extension	559,500
15	(79) Mountain Village - runway extension	639,695
16	(80) Naknek - runway extension	619,180
17	(81) Naknek (South)	
18	A. cross-strip	567,000
19	B. resurfacing (gravel)	315,000
20	(82) Napaiskiak - resurfacing (gravel)	340,200
21	(83) Nelson Lagoon - new airport	1,323,000
22	(84) Newtok	
23	A. new airport (relocation)	1,134,000
24	B. resurfacing (gravel)	157,500
25	(85) Nightmute - new airport	425,250
26	(86) Nikolai - runway extension	932,500
27	(87) Noatak - runway extension	261,100
28	(88) Nondalton - runway extension	289,075
29	(89) Noorvik	

1	A. runway extension	895,200
2	B. cross-strip	567,000
3	(90) Nornek Lake - general improvements	
4	(SP ramp)	150,000
5	(91) Nulato - resurfacing (gravel)	529,200
6	(92) Ohgsenakale	
7	A. runway extension	261,100
8	B. cross-strip	567,000
9	(93) Old Harbor - new airport (relocation)	945,000
10	(94) Pedro Bay - runway extension	58,188
11	(95) Perryville	
12	A. runway extension	233,125
13	B. resurfacing (gravel)	63,000
14	(96) Pilot Point - cross-strip	567,000
15	(97) Pilot Station - resurfacing (gravel)	260,820
16	(98) Platinum - resurfacing (gravel)	589,453
17	(99) Port Heiden - resurfacing (gravel)	2,835,000
18	(100) Quinhagak	
19	A. new airport (relocation)	945,000
20	B. cross-strip	567,000
21	(101) Rampart - runway extension	279,750
22	(102) Ruby - runway extension	1,500,000
23	(103) Russian Mission-Yukon - resurfacing	
24	(gravel)	187,740
25	(104) St. George - new airport	2,835,000
26	(105) St. Michael - runway extension	937,162
27	(106) Sand Point - new airport (re-	
28	location)	3,402,000
29	(107) Savoonga - resurfacing (gravel)	756,000

1	(108) Selawik	
2	A. runway extension	500,000
3	B. resurfacing (gravel)	170,931
4	(109) Shageluk - resurfacing (gravel)	194,040
5	(110) Shaktoolik - runway extension	992,180
6	(111) Sheldon Point - new airport	1,323,000
7	(112) Shishmaref - new airport (re-	
8	location)	1,323,000
9	(113) Shungnak - runway extension	484,900
10	(114) Skagway, resurfacing (asphalt)	2,111,400
11	(115) Sleetmute - runway extension	559,201
12	(116) Stebbins - runway extension	600,343
13	(117) Stevens Village - resurfacing (gravel)	83,160
14	(118) Stuyahok (New)	
15	A. runway extension	111,900
16	B. cross-strip	567,000
17	(119) Tanana	
18	A. runway extension	350,247
19	B. resurfacing (asphalt)	2,932,500
20	(120) Thorne Bay - new airport	850,500
21	(121) Togiak - new airport (relocation)	2,835,000
22	(122) Tooksook Bay - runway extension	570,690
23	(123) Tununak - runway extension	451,162
24	(124) Twin Hills	
25	A. runway extension	261,100
26	B. cross-strip	567,000
27	(125) Tuluksak - runway extension	186,500
28	(126) Tuntutuliak - new airport	1,134,000
29	(127) Ugashik - new airport	567,000

1	(128) Umiat - resurfacing (gravel)	1,178,155
2	(129) Unalakleet - runway extension	2,500,000
3	(130) Venetie - new airport	945,000
4	(131) Wasilla - resurfacing (asphalt)	756,585
5	(132) White Mountain - runway extension	395,380

6 * Sec. 3. If the issuance of these bonds is authorized by the qualified
7 voters of the state, the amount of \$418,177 or as much of that amount as is
8 found necessary is appropriated from the general fund of the state to the
9 state bond committee to carry out the provisions of this Act and to pay
10 expenses incident to the sale and issuance of the bonds authorized in this
11 Act. The amounts expended from the appropriation authorized by this section
12 shall be reimbursed to the general fund from the proceeds of the sale of the
13 bonds authorized by this Act.

14 * Sec. 4. The amount withdrawn from the Public Facility Planning Fund for
15 the purpose of advance planning for the improvements financed under this Act
16 shall be reimbursed to the fund from the proceeds of the sale of bonds autho-
17 rized by this Act.

18 * Sec. 5. The question whether the bonds authorized in this Act are to be
19 issued shall be submitted to the qualified voters of the state at the next
20 general election and shall read substantially as follows:

21 Proposition

22 State General Obligation Airport Improvement

23 Bonds \$119,479,173

24 Shall the State of Alaska issue its general obligation bonds
25 in the principal amount of not more than \$119,479,173 for
26 the purpose of paying the cost of airport extensions, con-
27 struction of new airports and cross-wind landing surfaces,
28 runway resurfacing and paving, and other general improvements?

29 Bonds Yes []