

President's Report

1999-2000



UNIVERSITY
of ALASKA

Many Traditions One Alaska

From the beginning ...it is perfectly clear.
The world is a kit of parts for us to learn how to use,
To create who we are.

The Lesson:
Take it upon yourself to discover your possibilities
And with that knowledge,
Invent your tomorrow.

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Dear Alaskans,

As we prepare the transition to a new academic year, one that offers the University unprecedented opportunities to grow in service to our students and the state, it is appropriate to review our progress over the last year and our opportunities for the years ahead. We have accomplished so much this past year in attracting new students, inspiring increased public and legislative support, hiring new faculty, financing new facilities, developing new programs and partnerships, embarking on new research projects...in short, taking a large step toward establishing the University as the place where Alaska's future begins.

Hand in hand with the confidence the public and our political leaders have placed in us is the very reasonable expectation that we will be accountable for the funds and other support we have been provided. The entire university community must be accountable to those who have placed their trust in us - the legislature, the Governor, our industry partners, and the people of the state. Within the University community - faculty, staff, and students - we must all be account-

able to each other. At the core of this expectation for accountability is a simple virtue - integrity. Integrity to our mission of research, teaching, and service. Integrity to meeting the needs of this state. Integrity in our relations across campuses, between the administration and the faculty, and with our students.

We face nothing less than the age-old challenge of moving Alaska from a resource extraction colony to a strong and vital community with its destiny in its own hands. We know that for the state to meet this challenge, it must have a well-educated workforce with creative ideas for the future. We in the university system hold the key for this future. With the additional resources provided this year by our legislature, we will take the first steps toward building a university system that is unified across the state, responds quickly to the needs of the people, provides high quality academic programs, and is accessible and cost-effective to all Alaskans.

Now is the time for the University to take its proper role as the engine of economic and

social development of Alaska. In our hands is the challenge of integrating the University fully into the fabric of the state of Alaska. To meet this challenge, we must continue to impress upon the legislature and the people of this state the importance of their university system. As we are entrusted with increased funding, we must remain accountable to those who have demonstrated that support.

In the following pages I highlight some of the progress we have made over the last year to meet this challenge.



Mark Hamilton
President
September 2000

"The University is the place where Alaska's future begins."



*University of Alaska President,
Mark Hamilton*

Progress 1999-2000

No one hands you a map... highlighting the perfect route...
On your journey you'll come upon many doors
Each an experience that defines and shapes.

The Lesson:

Move with passion and purpose.
Open as many doors as possible,
And never stop looking for new ones

Needs of the State

Over the last year, the University of Alaska has gathered a great deal of information about the educational, employment, and economic development needs of the state.

Alaska needs more information technology workers, teachers, nurses and allied health care professionals, global logistics managers, process technology workers, and heavy equipment operators. The State of Alaska needs a more diverse economic base, as well as answers to a myriad questions about fisheries, rural energy, fetal alcohol syndrome, global climate change, mineral deposits, potential environmental hazards, pipeline corrosion, cold regions engineering, diabetes, and so many other issues that confront Alaskans.

The first step in crafting the University's academic initiatives was an assessment of those needs. Only by looking closely at the needs can the University choose the right mix of investments in facilities and information technology, student services, academic program offerings, research projects, and faculty and staff. Of paramount importance over the last year, and likely to continue for some time to come, is the need to turn the tide on the disabling brain drain of bright young Alaskans leaving the state for higher education Outside.

Students

UA Scholars Program

The UA Scholars program has been a great success, capturing the attention of high school students, their parents and state legislators. The program provides tuition scholarships to the state's top ten percent of high school graduates. In 1999, the first year of the program, approximately 800 students were awarded UA Scholars scholarships, of which 275 attended a University of Alaska campus. This year, 859 students were awarded scholarships, of which 600 have reserved their scholarship or expressed an interest in attending one of the UA campuses. To date, more than 300 UA Scholars from the high school class of 2000 have applied for admission to the University.

Advance College Tuition Program

The University's Advance College Tuition (ACT) program continued to thrive last year. Approximately 3,600 participants purchased \$3.2 million in ACT credits. During this period, ACT paid approximately \$800,000 to UA campuses for tuition and related costs and \$400,000 to other colleges and universities for the

benefit of ACT beneficiaries. At the end of April 2000, the redemption value of the outstanding ACT credits was approximately \$21.4 million.

Enrollment Trends

Despite an overall decline in enrollment, the University experienced an increase of 18 percent in the number of first-time freshmen enrolling in the University in 1999 compared to 1995. Other positive developments were increases in Native student enrollment (7.8 percent) and Asian student enrollment (13.7 percent) over the same period. UA campuses are very well aware of their challenge to increase enrollment and are responding with appropriate outreach and recruitment campaigns.

Web Based Student Services

The Banner Student Web project has been identified as a top priority in the University's continued efforts to increase service and outreach to students. Banner Web will allow UA staff and faculty, current UA students, and potential students to access Banner via the Internet in five critical service areas that have been identified by the UA systemwide Banner Student Team (BST):

- On-line registration
- On-line unofficial transcripts and grade reports
- On-line financial aid
- On-line course add and drop
- On-line fee payment

Academic Programs

In order to stimulate the development of academic programs last year, the University set aside a small, but significant, sum, and distributed it to initiatives in the areas of teacher education, logistics, health, vocational and career education. A total of \$1.5 million was reallocated toward these initiatives that are already making a difference for the University and the state. With the guidance of the provosts, serving as the president's System Academic Council, great progress was made in refining, coordinating, and implementing the initiatives.

Teacher Education

A high priority for the University, now and for many years to come, is the training of teachers for Alaska's K-12 schools. Consequently, most of the initiative support for FY00 in education was used to transition from the current baccalaureate programs to post-baccalaureate or "5th year" programs. This transition includes implementation of the programs

leading up to the 5th year, discussions between UAS and UAF for the shared distance delivery of courses, partnerships with school districts for internships that are part of the 5th year program, and the establishment by UAA under a federal grant of six "professional schools," of which four are in rural areas.

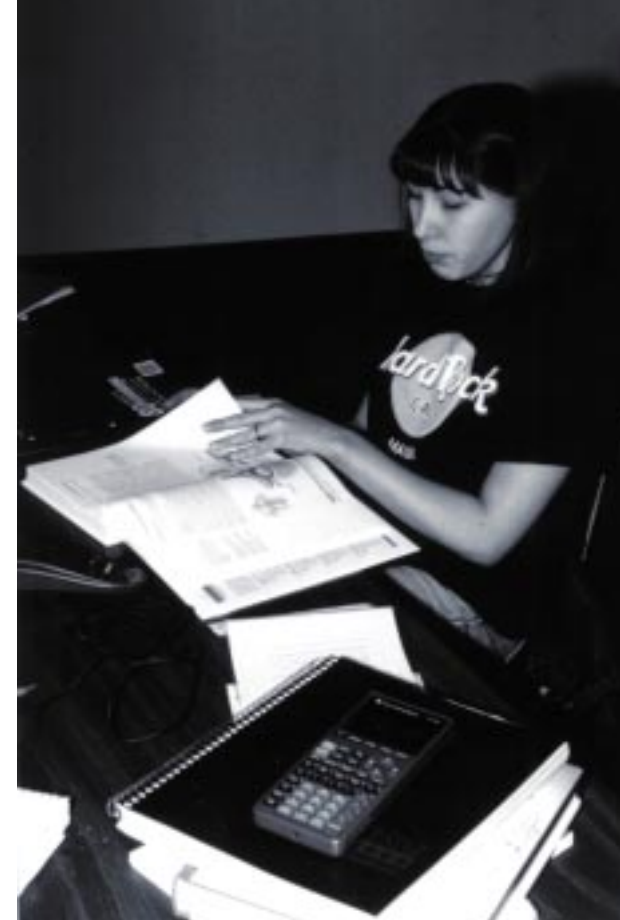
The UAA grant also supported an Education Policy Roundtable in April that brought the president of NCATE to visit with UA and the Alaska Board of Education (BOE). Based on NCATE's clarification of the amount of time necessary to prepare new programs for NCATE accreditation, the BOE extended the timetable for mandatory NCATE accreditation from 2002 to 2006. All three UA education schools and departments of arts and sciences will remain focused on preparation for this important accreditation. All agree that new programs must be designed to meet the needs of rural Alaska, and address the impact of the Alaska Quality Schools Initiative and the new NCATE standards.

FY00 initiative funding supported other professional educator programs as well. UAA has begun discussion of an AAS program for classroom and special education aides with school districts, Native corporations, and others. UAS and UAF's College of Rural Alaska are

collaborating in the development of an AAS Early Childhood Development for Head Start programs statewide, in partnership with a wide variety of program providers. UAS provided in-service offerings to more than 800 teachers, with plans for another 200 in nine locations this summer. UAS has prepared a grant application to extend this in-service training, which, if successful, will be matched by unallocated FY00 initiative funding.

Logistics

UAA's efforts to build academic programs in transportation logistics have been truly remarkable. Based on a substantial study of industry needs and desires for training in logistics areas conducted last year, it is clear there is demand for an MS in global supply chain management as well as BBA, AAS and Certificate programs. The BBA program was introduced this year and more than 100 students have enrolled. The MS program, developed in close collaboration with industry and favorably reviewed by major logistics programs in other universities, will begin in spring 2001. The AAS and Certificate programs are under active development in collaboration with UAA's Community and Technical College.



Vocational and Career Education

A most significant accomplishment during the past year was the establishment of the office of UA Corporate Programs (UACP). The program has secured a major contract with Alyeska Pipeline Service Company to facilitate most of their workforce training. Contacts by other major businesses in Alaska, possibly including Providence Hospital, GCI, the

Alaska Department of Transportation, and several Native corporations, will lead to significantly more workforce training during the next year. The program, designed to provide a single point of contact for business and industry in finding training providers within the UA system, has proven extremely popular and has provided the University with a reputation for being responsive and sensitive to the training needs of business and industry.

Following the University's co-sponsoring of the first statewide Health Consortium meeting in Seward in 1998, which identified and prioritized the need for more nurses, the University developed a new UAA AAS nursing program to be delivered beginning in the Fall of 2000 in Fairbanks and Kodiak. It is hoped that the same program can be made available to other communities, as needs demand and qualified students are available. As a result of continued involvement with the Health Consortium, funding was made available to the UAA School of Nursing to secure a consultant to review the need and viability of an LPN and/or Practical Nurse program for statewide delivery.

Because of the University's knowledge and participation in statewide discussions on early childhood education, Sen. Ted Stevens asked UA to facilitate the coordination of requests from the UA, the State of Alaska, and the Municipality of Anchorage for funding to support a variety of early childhood requests. As a result of the consolidated proposal submitted by the University, the state will be receiving approximately \$10 million over the next three years to support these important programs. A significant amount of the funding will support UA programs as well as providing full tuition for all Head Start faculty required to seek the federally required AAS degree in early childhood education.

The Statewide Career & Technical Education Advisory Council is reorganizing itself and its membership to more effectively provide advocacy and support to the University and its occupational programs. The Quick-Start fund administered by the Council provided support to several initiatives that will be continued this year with state and/or federal funds. The projects that were "quick-started" last year include:

- UAA-Kodiak Laboratory Upgrade for Applied Technology AAS, \$30,000.
- UAF-Kuskokwim Health Training Partnership, \$85,000.
- UAA School of Nursing AAS Curriculum Development, \$36,000.

- UAF/UAA – Kenai/Tanana Valley College (TVC) – Delta Mine Training Program, \$50,000.
- UAS Early Childhood AAS Degree Development, \$90,000.

Additional developments in vocational and career education include UAA's work with the Alaska Vocational and Technical Education Center to address articulation issues between UA's Heavy Equipment and Power Generation programs. Kodiak College developed the AAS in Technology, approved by the Board of Regents in April, with emphasis areas in seafood processing and rocket launching to address employment needs in the community; 37 students were enrolled in five related courses this year.

Curriculum planning for an AAS program in process technology is underway at TVC. Twenty-six students were enrolled in the first two courses. TVC's applied business program expanded its enrollments, which included Alaska Native students admitted in partnership with a grant-funded project of the Fairbanks Native Association. UAS met the goal of bringing 32 students through the first part of the two-part CISCO Systems information technology program, along with another 22 students at Juneau Douglas High School.



Distance Education

A University report and recommendations on the future of distance delivery of academic programs was distributed and discussed with the System Academic Council, the Faculty Alliance and community campus directors. The University is charting its direction in this important and fast developing area. The model currently under consideration is a Virtual University Consortium, which would include the entire UA system, drawing from the strengths of the entire system to meet the needs of students across the state.

In February 2000, the first UA systemwide meeting on distance education was held at the Juneau campus. More than 60 staff and faculty engaged in the two-day conference and discussed such topics and action items as faculty development, information technology, distance education courseware, and systemwide collaboration.

As with any new academic program or initiative, but especially where the traditional paradigms are being challenged as they are so dramatically by developments in distance education, faculty interests and concerns must be addressed. As a



Traditional Aleut wooden visors carved by students on the Unalaska campus.

result, the University and United Academics agreed to establish a labor-management committee to discuss the many issues related to distance education. This committee will meet through May 2001 and generate a final report at that time.

With the assistance of Sen. Ted Stevens, the Congress recently established the Alaska Distance Education Technology Consortium (ADETC), which is chaired by University President Mark Hamilton. The consortium is composed of 18 members representing higher education, K-12 education, the National Guard, vocational-technical agencies, and other related organizations. The

ADETC will develop a strategic plan for distance education, including programs and technology that will assist the state in meeting the educational needs of its people. A final report to the Alaska Congressional Delegation is due in early 2001.

Alaska National Guard

Gov. Tony Knowles and University President Hamilton have signed a memorandum of agreement between the University and the Alaska National Guard. The agreement outlines a framework for future collaborative projects in several areas including distance education, information

technology and infrastructure, academic program development (adult basic education), and opportunities relative to the planned missile defense system. The agreement also provides a single point of contact and structure that will start, evaluate, and coordinate future initiatives.

Alaska Challenger Learning Center

Challenger Learning Centers were created as "living" math and science education facilities in honor of the seven Challenger astronauts who lost their lives in that national disaster. With funding from NASA, the Alaska Challenger Learning Center opened in Kenai. At the request of the Center's Board of Directors, the University is exploring several areas of mutual interest including the co-development of a comprehensive distance education program in math and science for grades 4-12. Besides the University, those involved in the project are UAF's Center for Distance Education, Wheeling Jesuit University in West Virginia, and the Challenger Learning Center.

Walden University

The University has begun exploratory discussions with Walden University, one of the nation's top distance education graduate schools, to develop joint doctoral programs that meet the needs of the state and take full advantage of the strengths of each institution. Disciplines in which collaboration is being explored include management, education, psychology, and human services. In addition, Walden University has offered discounted tuition for any UA employee who enrolls in any of their advanced degree programs. More than 20 UA faculty members have already taken advantage of this agreement and enrolled in Walden's on-line

instruction course. The course assists faculty members in the areas of distance education curriculum development and the integration of technology in the classroom.

Research

Research is a critical element of the University's missions. From basic research into the nature of the aurora to applied research into alternative uses for fisheries byproduct, University research serves the state in many ways. It is also a wise investment in that every general fund dollar invested returns another four dollars of federal and private funds. While the University has been very successful this year in securing

research support, it is operating under constraints that result from the last decade of fiscal suffocation, including a lack of coordinated direction for determining research priorities and a strong administrative infrastructure to support them. Without improvement in both areas, it will be very difficult for the University to provide the right faculty and other resources to maximize the value of research efforts to the state, the nation, and in several disciplines, the world.

Research Information System

Of great importance over the last year has been the development of a research information system covering the entire University. The system will be up and running in the coming year. With this new system, the University will be able to respond more quickly to needs for research, take better advantage of funding opportunities from agencies and corporations, and enhance the institution's ability to collaborate across campuses, schools, departments, and disciplines.

EPSCoR

This year Alaska received congressional authority to participate in the Experimental Program to Stimulate Competitive Research (EPSCoR) programs administered by several federal agencies. The purpose of EPSCoR programs is to stimulate competitive research capacity in areas where a modest investment will yield a major result. UA is developing four research focus areas, all of which have high potential in the UA system – cold regions engineering, arctic genomics, arctic contaminants, and environmental physiology. All three major campuses are participating in the program. UA's proposal for \$3 million per year for three years was reviewed very favorably by the National Science Foundation this summer. This federal funding supplements \$1 million in state general funds and \$500,000 from the Alaska Science and Technology Foundation. The University also has four proposals in preparation for the Department of Defense EPSCoR program.



Research is a critical element of the University's missions.

University Relations

State Relations

In the 2000 legislative session, the University received a \$13.8 million increase in operating funds, an eight-percent increase over FY00. This increment surpassed total increases during the past decade.

The University received \$67.7 million in capital funds for the UAA library, UAS classroom, UAF deferred maintenance, TVC Hutchison Center, Statewide Library Database, UAA Small Business Development Center, and systemwide maintenance, renewal/replacement and code compliance.

Legislation of interest and importance to the University that passed includes:

- SB7 – UA Lands Bill: Granting 250,000 acres of state land to UA. The bill was subsequently vetoed, and is now a matter of litigation between the legislative and executive branches.

- SB186 – Higher Education Savings Trust: Establishes the state's "529" educational savings trust program under the aegis of UA to allow for up to \$50,000 per individual to be set aside as tax

free savings to be used for educational purposes.

- SB289 – New STEP Program for Vocational Education Programs: New program funded from diversion of excess unemployment insurance trust funds to build program capacity in career and technical training programs. First year funding will provide \$1.7 million to UA. In future years, the Alaska Human Resources Investment Council will develop a program for distribution of nearly \$4 million per year in program funding.

The success this session was the result primarily of the University's ability to demonstrate its importance to the state's economic future. The program initiatives begun in FY00 resonated with the public and with the legislature. The initiatives were viewed as responsive and relevant, and the correlation between income and output was clear and compelling. The success also hinged to a great extent on strong public support and positive media exposure, both of which were nurtured with a heavy schedule of speaking engagements by President Hamilton and the chancellors, media contacts and constituent communications.



The primary message: "The University of Alaska is the engine of economic development" was effective in showcasing UA's programs and potential. More importantly, the message inspired hope and optimism about Alaska's future that fired the imaginations of the public, the

legislature and the UA community. Program partners from business and industry spoke often and effectively to the legislators about the importance of UA to their businesses and to the economic future of the state. Alumni, campus and program advisory councils, UA students,



International Arctic Research Center (IARC) located on the Fairbanks campus

faculty and staff were all engaged in strong advocacy activities throughout the session. There was a strong communications effort by the Office of State Government Relations that kept all groups informed of on-going legislative actions and ensured a quality and consistency of focused advocacy that made a huge difference.

Federal Relations

At the federal level, the University's newly established Washington, D. C., Office of Federal Relations brought quick and significant results on many fronts. Because of excellent relationships with the state's

congressional delegation, the office was able to provide immediate coordination and assistance to the campuses in articulating and advocating for their many federal initiatives. Communications with one or all of the congressional offices occurs at least once a day allowing for a quick turnaround of information, a single point of contact, familiarity with the various delegation staff, and the important advantage of being able to respond quickly to opportunities and problems.

The office provided the focus necessary to secure \$15 million for the International Arctic Research Center (IARC), and a multitude of smaller initiatives in health, aviation and biomedicine.

The office has forged relationships with the National Science Foundation, the Department of Education, the Department of Energy, the Department of Agriculture, the Department of Health and Social Services, the various entities that fall within the National Institutes of Health, the Federal Emergency Management Agency, the Federal Communications Commission, the Department of Commerce (including NOAA), the Library of Congress, the Department of Housing and Urban Development, the Department of State, the National Endowments for the Arts and Humanities, and the Arctic Research Commission.

Major accomplishments of the Federal Relations Office include:

- Working with several groups to include Alaska in NSF's Experimental Program to Stimulate Competitive Research,
- Securing support from the NSF for the replacement of the research vessel Alpha Helix that have been helpful in funding design and planning efforts,

- Negotiating with DOE the reopening of a grant round Alaska Native Serving Institutions for \$12.5 million distributed over five years,

- Continuing work with the office of Sen. Ted Stevens to establish Alaska Native Serving Institution authorization and funding in several federal departments, and to eliminate an unnecessary waiting period between grants,

- Persuading the National Institute of Mental Health to visit the University to solicit research proposals,

- Working with the federal Department of Energy to develop a federal energy technology center in Alaska, and

- Coordinating support for the University's federal lands bill, now passed out of committee and poised for floor vote in both houses of Congress.

Information Technology

Connectivity

The University of Alaska joined the front line of the Next Generation Internet with a high-speed optical fiber connection to the national Internet2 backbone. The connection, an OC-12 optical fiber circuit, increased UA's connectivity to the advanced research and education network of the nation by a factor of 100. This connection came through a partnership between Alaska Fiber Star and its parent company WCI through providing the fiber optic circuit, the University of Washington by securing the circuit and providing technical support, and the National Science Foundation for awarding UA a competitive grant which helped underwrite the cost of hardware for the connection.

Gartner Project

This was the second year of a three-year project with the Gartner Group, the world's leading information technology consulting company. In conjunction with five other institutions, the University has unique access to all Gartner Group services. This includes Gartner Research,



Computer classes at Tri-Valley High School in Healy, part of the Nenana Center campus.

Gartner Advisory Service, Gartner Measurement Service, and online learning. Year Two of the project was a transition year for online learning materials. Gartner Learning was acquired by Net, a subsidiary of Harcourt/Brace. This expanded UA's access to a rich body of online IT content with no increase to the cost of the contract. UA and the State of Alaska continued a partnership for state employees to access the online learning materials; state workers accessed nearly a thousand training modules. Because of the change in online learning, integration of the materials into the University's curriculum was delayed.

Gartner Measurement Services have been used to provide a comprehensive analysis of the entire system and a user satisfaction survey of systemwide technology services. The cost alone of these comprehensive surveys from Gartner would exceed the total cost to the University for all the Gartner Group services available under this special contract.

System-wide IT Standards

The systemwide University information technology council moved ahead on simplifying and improving the IT infrastructure by implementing standards wherever

possible. Part of this effort resulted in adoption of a systemwide license for Microsoft desktop software. This both saves the University money overall and provides a standard set of desktop software throughout the system. The license includes all the computing labs on every campus and every University-owned desktop computer.

Independent Auditors' Report

The Board of Regents, University of Alaska:

We have audited the accompanying balance sheet of the University of Alaska (a component unit of the State of Alaska) as of June 30, 2000, and the related statements of changes in fund balances and current funds revenues, expenditures and other changes for the year then ended. These financial statements are the responsibility of the university's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Alaska at June 30, 2000, and the changes in fund balances and the current funds revenues, expenditures and other changes for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2000 on our consideration of the University of Alaska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

KPMG LLP

September 29, 2000, Anchorage, Alaska

UNIVERSITY OF ALASKA (A Component Unit of the State of Alaska)
BALANCE SHEET June 30, 2000 (with comparative totals for 1999) 000's omitted

	Current Funds		Student Loan Funds	Endowment and Similar Funds	Alaska College Savings Program Fund	Plant Funds	Agency Funds	Totals	
	Unrestricted	Restricted						2000	1999
ASSETS									
Cash and investments	\$ 55,546	\$ 55	\$ 81	\$ 81,743	\$ 28,061	\$ 10,593	\$ 30	\$ 176,109	\$ 164,876
Assets in trust							285,787	285,787	256,512
Accounts and notes receivable, less allowance of \$3,781 in 2000 and \$4,159 in 1999	2,988	28,105	664	5,766		7,650		45,173	39,344
State appropriations receivable	1,790					10,429		12,219	12,174
Inventories	7,409						3	7,412	7,478
Other assets	1,106			41,805				42,911	44,490
Investment in plant						925,983		925,983	915,264
Total assets	<u>\$ 68,839</u>	<u>\$ 28,160</u>	<u>\$ 745</u>	<u>\$ 129,314</u>	<u>\$ 28,061</u>	<u>\$ 954,655</u>	<u>\$ 285,820</u>	<u>\$ 1,495,594</u>	<u>\$ 1,440,138</u>
LIABILITIES									
Accounts payable and accrued expenses	\$ 36,446	\$ 1,891	\$	\$	\$	\$ 1,045	\$ 81	\$ 39,463	\$ 47,111
Deposits held in custody for others	5,906	106		25	1		287,038	293,076	262,839
College savings benefits payable					21,283			21,283	19,213
Accrued annual leave	6,486							6,486	5,925
State appropriations lapsed	14							14	
Future lease obligations						17,581		17,581	18,536
Long-term debt				2,566		68,767		71,333	72,056
Total liabilities	<u>48,852</u>	<u>1,997</u>		<u>2,591</u>	<u>21,284</u>	<u>87,393</u>	<u>287,119</u>	<u>449,236</u>	<u>425,680</u>
Interfund	<u>(22,698)</u>	<u>23,871</u>	<u>(169)</u>	<u>(647)</u>	<u>35</u>	<u>907</u>	<u>(1,299)</u>		
FUND BALANCES									
Unrestricted:									
Designated:									
General	28,239			13,893				42,132	34,990
Retirement of indebtedness									511
Renewals and replacements						1,328		1,328	1,275
Undesignated	14,446							14,446	10,572
Restricted:									
Grants refundable		2,292						2,292	2,028
Federal loan programs			728					728	721
Established by donors			186	113,477				113,663	103,416
Alaska College Savings Program					6,742			6,742	5,796
Unexpended plant						22,411		22,411	24,397
Retirement of indebtedness						2,981		2,981	3,454
Net investment in plant						839,635		839,635	827,298
Total fund balances	<u>42,685</u>	<u>2,292</u>	<u>914</u>	<u>127,370</u>	<u>6,742</u>	<u>866,355</u>		<u>1,046,358</u>	<u>1,014,458</u>
Total liabilities and fund balances	<u>\$ 68,839</u>	<u>\$ 28,160</u>	<u>\$ 745</u>	<u>\$ 129,314</u>	<u>\$ 28,061</u>	<u>\$ 954,655</u>	<u>\$ 285,820</u>	<u>\$ 1,495,594</u>	<u>\$ 1,440,138</u>

The accompanying notes are an integral part of the financial statements.

UNIVERSITY OF ALASKA (A Component Unit of the State of Alaska)
STATEMENT OF CHANGES IN FUND BALANCES Year Ended June 30, 2000 (000's omitted)

	Current Funds		Student Loan Funds	Endowment and Similar Funds	Alaska College Savings Program Fund	Plant Funds			
	Unrestricted	Restricted				Unexpended	Retirement of Indebtedness	Renewals and Replacements	Investment in Plant
Revenues and other additions:									
Unrestricted current funds revenue	\$ 301,860	\$	\$	\$	\$	\$	\$	\$	\$
State appropriations, restricted						3,450			
Federal grants and contracts, restricted		66,276	5						
State grants and contracts, restricted		10,092				10,294			
Local grants and contracts, restricted		1,764							
Private gifts, grants and contracts, restricted		25,997				3,610			
Investment income, restricted		89	9		1,780	285	208	67	
Endowment income, restricted		18		11,316					
Sales and services, educational departments, restricted		1,012							
Other income, restricted		374	3			(98)			
Additions for plant facilities									30,355
Retirement of indebtedness									4,014
Total revenues and other additions	301,860	105,622	17	11,316	1,780	17,541	208	67	34,369
Expenditures and other deductions:									
Educational and general expenditures	255,365	89,392							
Auxiliary enterprises	28,747								
Indirect cost recovered		15,859				232			
Retirement of indebtedness							4,014		
Interest on indebtedness							3,083		
Expended for plant facilities						16,485			
State appropriation lapsed	14								
Other			14	282	834	3,213	33		
Disposal of plant assets									19,636
Future lease obligations									326
Increase in net indebtedness									3,351
Total expenditures and other deductions	284,126	105,251	14	282	834	19,930	7,130		23,313
Transfers between funds:									
Mandatory:									
Principal and interest, educational plant	(3,755)			236			3,519		
Principal and interest, auxiliary enterprises	(2,343)						2,343		
Endowment		(13)		13					
Nonmandatory	(1,089)	(94)		(563)		403	76	(14)	1,281
Net transfers between funds	(7,187)	(107)		(314)		403	5,938	(14)	1,281
Net increase (decrease) in fund balances	10,547	264	3	10,720	946	(1,986)	(984)	53	12,337
Fund balances at beginning of year	32,138	2,028	911	116,650	5,796	24,397	3,965	1,275	827,298
Fund balances at end of year	\$ 42,685	\$ 2,292	\$ 914	\$ 127,370	\$ 6,742	\$ 22,411	\$ 2,981	\$ 1,328	\$ 839,635

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CURRENT FUNDS, REVENUES, EXPENDITURES, AND OTHER CHANGES

Year Ended June 30, 2000 (with comparative totals for 1999) (000's omitted)

	Current Funds		Totals	
	Unrestricted	Restricted	2000	1999
Revenues:				
Tuition and fees	\$ 48,625	\$	\$ 48,625	\$ 48,677
State appropriations	178,367		178,367	169,604
Federal appropriations	1,042		1,042	1,332
Local appropriations	705		705	706
Federal grants and contracts	39	55,140	55,179	46,258
State grants and contracts	183	8,718	8,901	9,492
Local grants and contracts	1,200	1,649	2,849	1,100
Private gifts, grants and contracts	2,400	22,949	25,349	27,451
Investment income	2,945	2	2,947	2,210
Endowment income	4,558		4,558	4,328
Sales and services, educational departments	3,381	756	4,137	4,360
Sales and services, auxiliary enterprises	29,561		29,561	28,356
Recovery of indirect costs	16,091		16,091	14,644
Other	12,763	178	12,941	10,682
Total current funds revenues	301,860	89,392	391,252	369,200
Expenditures:				
Instruction	92,941	8,706	101,647	101,539
Academic support	26,366	1,086	27,452	27,261
Research	22,687	58,011	80,698	74,367
Public service	8,430	10,253	18,683	18,493
Student service	22,097	2,019	24,116	23,363
Operations and maintenance	34,382	249	34,631	33,625
Institutional support	44,482	1,496	45,978	43,853
Student aid	3,980	7,572	11,552	11,253
Auxiliary enterprises	28,747		28,747	28,242
Total current funds expenditures	284,112	89,392	373,504	361,996
Transfers and Other Changes:				
Mandatory transfers				
Principal and interest, educational plant	(3,755)		(3,755)	(4,349)
Principal and interest, auxiliary enterprises	(2,343)		(2,343)	(802)
Endowment		(13)	(13)	(27)
Nonmandatory transfers and other changes				
Restricted	95	(95)		
Endowment	179		179	(138)
Unexpended plant funds	(20)	1	(19)	
Retirement of indebtedness funds	(76)		(76)	34
Renewals and replacements	14		14	(451)
Investment in plant	(1,281)		(1,281)	(320)
State appropriation lapsed	(14)		(14)	
Excess of restricted receipts over transfers to revenue		371	371	103
Total transfers and other changes	(7,201)	264	(6,937)	(5,950)
Net increase in fund balances	\$ 10,547	\$ 264	\$ 10,811	\$ 1,254

The accompanying notes are an integral part of the financial statements.

Notes To Financial Statements

June 30, 2000

1. Summary of Significant Accounting Policies

The University of Alaska (university) is a constitutionally created corporation of the State of Alaska which is authorized to hold title to real and personal property and to issue debt in its own name. The university is a component unit of the State of Alaska for purposes of financial reporting.

In preparing the financial statements, management is required to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the balance sheet and revenue and expenditures for the period. Actual results could differ from those estimates. The more significant accounting and reporting policies and estimates applied in the preparation of the accompanying financial statements are discussed below.

Fund Accounting

The accounts of the university are maintained in accordance with the principles of "fund accounting" in order to ensure observance of limitations and restrictions placed on the use of resources. This procedure classifies resources for accounting and reporting purposes into funds in accordance with activities or objectives specified. Separate accounts are maintained for each fund. In the accompanying financial statements, funds which have similar characteristics have been combined into fund groups.

Within each fund group, fund balances restricted by outside sources are identified and distinguished from unrestricted funds designated for specific purposes by action of the Board of Regents or management. Externally restricted funds may only be utilized in accordance with purposes established by the funding source. The Board of Regents and management have control over the use of unrestricted funds.

Endowment funds are restricted by gift or originating instruments generally requiring that the endowment principal be invested and only the income expended. Quasi-endowment funds established by the Board

of Regents for the same purposes as endowment funds are included as "designated" funds in the balance sheet. Quasi-endowment funds may be expended, if authorized by the Board of Regents.

Agency funds are funds held as fiscal agent for others such as student groups and associations. Pension funds for the university's defined contribution retirement plans, which are held by external custodians, are also reported as agency funds.

Gains and losses from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund which owned such assets. Ordinary income derived from investments and receivables is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in unrestricted current funds.

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

Accrual Basis

Financial statements of the university have been prepared on the accrual basis of accounting, except for the recording of depreciation as explained under accounting policies for investment in plant.

Current Funds

The statement of changes in 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 results of operation or net income or loss for the period as would a statement of income or a statement of revenues and expenses.

Current funds used to finance plant asset acquisitions are accounted for as expenditures in the case of normal replacement of movable equipment, library books and other asset acquisitions, or as mandatory transfers in the case of required provisions for debt amortization and interest.

Encumbrances representing outstanding purchase orders and other commitments for materials or services not received as of June 30 are not reported as expenditures. These encumbrances are included in designated unrestricted fund balances.

Investment in Plant

Plant and equipment are stated at cost when purchased and at fair market value when donated. Equipment with a unit value of less than \$2,500 is not capitalized. Land and other resources acquired through land grants and donated museum collections for which fair market value at date of acquisition was not determinable are reported at zero basis in the financial statements. In conformity with current accounting practices for governmental educational institutions, depreciation is not recorded. However, estimates of current depreciation expense and accumulated depreciation are included in note 5.

Investments

Investments are stated at fair value. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

Lapse of State Appropriations

Alaska statutes provide that unexpended balances of one-year appropriations will lapse on June 30 of the fiscal year of the appropriation; however, university receipts in excess of expenditures may be expended by the university in the next fiscal year. University receipts include student fees, donations, sales, rentals, indirect cost recovery, auxiliaries and restricted revenues. The unexpended balances of capital appropriations lapse upon completion of the project or upon determination that the funds are no longer necessary for the project.

Alaska College Savings Program Fund

The Alaska College Savings Program Fund includes resources administered for the University of Alaska Advance College Tuition Savings Plan (ACT). ACT is a college savings program and its assets are restricted for payment of benefits and administrative costs of the program.

ACT's assets, liabilities and related fund balance were reclassified to the Alaska College Savings Program Fund in fiscal year 2000 to more accurately reflect the restrictions on these resources. The statement of current funds revenues, expenditures, and other changes reports the effect of the reclassification as a decrease to fiscal year 1999 total current funds revenues and expenditures of approximately \$2.4 million and \$.7 million, respectively, in order to conform to current year presentation.

2. Fund Balance

Unrestricted current fund balance at June 30, 2000 included the following:

Designated:	
Auxiliaries	\$ 8,042,501
Working capital fund	4,715,368
Service centers	2,414,816
Computing / telecommunications technology	1,909,270
Deferred maintenance / renovation	573,208
Employee benefit funds	1,306,761
Endowment earnings	6,129,870
Retirement Incentive Program	(3,711,627)
Encumbrances	<u>6,859,427</u>
Total designated	28,239,594
Undesignated	<u>14,445,761</u>
Total unrestricted current fund balance	<u>\$ 42,685,355</u>

Fund balance includes non-lapsing university receipts of \$25.1 million. Prior year non-lapsing university receipts of \$21.8 million were fully expended in the current year.

The Retirement Incentive Program (RIP) represents the unfunded employer RIP costs recognized for financial statement purposes as of the employee's retirement date. These costs are payable to the State Retirement System in subsequent accounting periods.

At June 30, 2000, \$29.7 million of auxiliary funds, encumbrances and other unrestricted funds were pledged as collateral for the university's general revenue bonds, as calculated under the terms of the 1992 General Revenue Bonds Trust Indenture.

3. Cash and Investments

Alaska statutes and Board of Regents' policy provide the university with broad authority to invest funds. At June 30, the university held the following cash and investments at fair value:

	June 30, 2000 (000's omitted)	June 30, 1999 (000's omitted)
Deposits	\$ (2,353)	\$ (2,366)
Investment securities	9,362	9,557
Other deposits and investments	<u>169,100</u>	<u>157,685</u>
	<u>\$ 176,109</u>	<u>\$ 164,876</u>
<u>Fund Group</u>		
Unrestricted current funds	\$ 55,546	\$ 54,279
Restricted current funds	55	70
Student loan funds	81	59
Endowment and similar funds	81,743	70,439
Alaska College Savings Program	28,061	25,062
Plant funds	10,593	14,936
Agency funds	<u>30</u>	<u>31</u>
	<u>\$ 176,109</u>	<u>\$ 164,876</u>

The Governmental Accounting Standards Board requires that bank balances and investment securities be disclosed or classified by category of credit risk as follows:

Deposits:

Insured or collateralized with securities held by the university or its agent in the name of the university (category 1); collateralized with securities held by the pledging financial institution's trust department or agent in the name of the university (category 2); uncollateralized including collateralized balances for which securities are held by the pledging financial institution or by its trust department or agent but not in the name of the university (category 3).

Investment Securities:

Insured or registered, with securities held by the university or its agent in the name of the university (category 1); Uninsured and unregis-

tered, with securities held by the counterparty's (another party to the transaction, i.e. seller or dealer) trust department or agent in the name of the university (category 2); Uninsured and unregistered, with securities held by the counterparty's trust department or agent but not in the name of the university (category 3).

	June 30, 2000 (000's omitted)		June 30, 1999 (000's omitted)	
	<u>Book</u>	<u>Bank</u>	<u>Book</u>	<u>Bank</u>
<u>Deposits:</u>				
Insured or collateralized (Category 1):				
Demand deposits	\$ 258	\$ 416	\$ 321	\$ 366
Time deposit	100	100	100	100
Uncollateralized (Category 3):				
Demand deposits	(4,611)	912	(5,337)	733
Time deposits	<u>1,900</u>	<u>1,900</u>	<u>2,550</u>	<u>2,550</u>
Total deposits	<u>\$ (2,353)</u>	<u>\$ 3,328</u>	<u>\$ (2,366)</u>	<u>\$ 3,749</u>

Deposits reported in Category 1 by the university were insured by federal depository insurance. Deposits and investments reported in Category 3 were secured under a tri-party agreement with Bank of New York to hold the collateral for the benefit of the university; however, the securities are not held in the name of the university. At June 30, 2000, securities with an estimated fair value of \$14.8 million were held as collateral under the tri-party agreement. Time deposits consist of a non-interest bearing certificate of deposit in the amount of \$2.0 million maintained as a compensating balance in exchange for banking services.

	June 30, 2000 (000's omitted)	June 30, 1999 (000's omitted)
<u>Investment securities:</u>		
Insured and registered (Category 1)		
Common stock	\$ 2	\$ 2
Uninsured and unregistered (Category 3)		
Repurchase agreements	<u>9,360</u>	<u>9,555</u>
Total investment securities	<u>\$ 9,362</u>	<u>\$ 9,557</u>

Other deposits and investments:

Commonfund	\$ 56,386	\$ 53,309
Other money market funds	81	59
Funds held by others:		
Alaska College Savings Program	28,061	25,062
Endowment funds	80,043	70,228
Bond proceeds and redemption funds	<u>4,529</u>	<u>9,027</u>
Total other deposits and investment	<u>\$ 169,100</u>	<u>\$ 157,685</u>

Repurchase agreements represent overnight investments secured under tri-party agreements with various bank trust departments to hold the collateral for the benefit of the university; however, the securities are not held in the name of the university. The Commonfund for Short Term Investments represents a not-for-profit pooled investment fund for colleges and universities. The Alaska College Savings Program funds are managed by the Alaska Department of Revenue. Endowment funds are managed by the University of Alaska Foundation under a consolidated fund agreement. Bond proceeds and related redemption funds are held by bank trustees in accordance with debt covenants.

Certain funds held in trust are not included in the financial statements as the university has only limited control over their administration. These funds are in the custody of independent fiduciaries and at June 30, 2000, had an estimated fair value of approximately \$5.9 million. The university received income of \$62,177 from these sources during fiscal year 2000 for general and designated purposes.

4. Other Assets

By Acts of Congress in 1915 and 1929, the university was granted approximately 110,000 acres of land which the territory, and later the state, of Alaska managed on behalf of the university. The university holds approximately 89,000 acres of these lands at no basis because fair value at the date of transfer was not determinable. In 1982 and 1988 the university was allowed to select certain state lands including timber and other rights as replacement for lands disposed of or adversely affected during the period of administration by the territory and the state. These lands and property interests were recorded at their fair value as of the date of transfer. Other assets include approximately \$42 million of these lands at June 30, 2000.

5. Investment in Plant

A summary of investment in plant at June 30, 2000, follows:

Land	\$ 24,998,589
Buildings	653,611,215
Improvements other than buildings	65,298,657
Equipment (including library books & museum artworks)	146,583,346
Construction in progress	28,980,311
Other capitalizable assets	1,666,333
Leasehold improvements	<u>4,844,531</u>
	<u>\$ 925,982,982</u>

At June 30, 2000, the university held equipment owned by the federal government and others which was acquired for use under various grants and contracts at a cost of \$10,338,869. This equipment is not included in the financial statements.

Consistent with reporting practices of governmental educational institutions, the university does not record depreciation; however, depreciation for the year ended June 30, 2000, calculated on a straight-line basis using a 40-year life for buildings and facilities and 4 to 10 year lives for equipment, is approximately \$24.6 million. Estimated accumulated depreciation at June 30, 2000, is approximately \$300.3 million.

6. Long-term Debt

A summary of long-term debt at June 30, 2000, follows:

	Total	Current Maturities FY 2001
Notes	\$ 34,555,263	\$ 1,097,504
Revenue bonds	47,001,615	2,770,309
Installment contracts	<u>97,717</u>	<u>97,717</u>
	81,654,595	3,965,530
Unamortized discount on revenue bonds	(81,593)	
Unexpended bond proceeds	<u>(10,240,646)</u>	
Net long-term debt	<u>\$ 71,332,356</u>	
Interest		<u>3,042,772</u>
Total annual debt service		<u>\$ 7,008,302</u>

Principal and interest maturities for the fiscal years 2001 through 2005 are \$7,008,302, \$7,019,131, \$6,464,864, \$6,438,562 and \$6,342,818 respectively, with the balance of \$82,969,384 maturing in subsequent years.

Principal Outstanding

Notes - Plant funds

1.826% assisted note to the Alaska Housing Finance Corporation (AHFC) to finance construction of Anchorage campus housing, payable beginning August 1999 to February 2024. In 1996, the university entered into an agreement with AHFC to borrow a total of \$33 million, of which \$30 million was issued on an assisted basis with interest at 1.826% and an additional \$3 million issued on an unassisted basis at 6.0% \$ 31,989,463

Notes - Quasi-endowment funds

5.0% note to finance the purchase of two buildings located on University Lake Drive in Anchorage, due serially to May 2022 \$ 2,565,800

Revenue Bonds

3.95% to 6.25% general revenue bonds due serially to 2023, secured by a pledge of unrestricted current fund revenue generated from tuition, fees, recovery of indirect costs, sales and services of educational departments, miscellaneous receipts and auxiliaries \$ 47,001,615

Installment Contracts

3.9% to 5.32% installment contracts for the purchase of computing and other equipment due in monthly to annual installments through June 2001 \$ 97,717

In prior years, the university defeased housing system revenue bonds, certain general revenue bonds and certificates of participation by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Trust assets and related liabilities for the defeased bonds are not included in the university's financial statements. At June 30, 2000, outstanding defeased bonds were \$14.9 million.

7. Future Lease Obligations

In fiscal year 1997, the university entered into an agreement to construct a facility and establish the International Arctic Research Center (IARC). The university received \$19,215,000 to support the construction of the IARC in exchange for a commitment to provide research facilities to various Japanese research organizations and agencies for a period of 25 years, including lease extensions. The Japanese research organizations began occupying the IARC in fiscal year 1999. The future lease obligation, net of \$1,601,250 lease income earned to date through June 30, 2000 and \$32,438 not yet expended for construction, of \$17,581,312 is reflected as a liability in the plant funds.

8. Capital Appropriations and Construction Commitments

Major construction projects of the university are funded primarily by State of Alaska direct appropriations and university revenue bonds. Construction commitments at June 30, 2000, aggregated \$12.6 million. At June 30, 2000, the university's unexpended plant funds include direct appropriations receivable from the State of Alaska as follows:

General fund appropriations:

Session Laws of Alaska 1989	\$ 23,917
Session Laws of Alaska 1990	163,382
Session Laws of Alaska 1991	157,400
Session Laws of Alaska 1992	255,681
Session Laws of Alaska 1993	2,879,259
Session Laws of Alaska 1995	77,191
Session Laws of Alaska 1996	1,149,000
Session Laws of Alaska 1997	5,504,000
Session Laws of Alaska 1999	219,000
	<u>\$ 10,428,830</u>

Unbilled capital appropriations from prior years received from the State through the Alaska Housing Finance Corporation (AHFC), which are not reflected as general fund appropriations or receivables on the university's books at June 30, 2000, totaled approximately \$49.9 million.

9. Pension Plans

As of June 30, 2000, substantially all regular employees participate in either the State of Alaska Public Employees' Retirement System (PERS), an agent multiple-employer public employees' retirement system, the State of Alaska Teachers' Retirement System (TRS), a cost-sharing multiple-employer plan, or the University of Alaska Optional Retirement Plan (ORP), a single-employer defined contribution plan. In addition, substantially all regular employees and faculty classified as temporary participate in the University of Alaska Pension Plan, a supplemental single-employer defined contribution plan. None of the retirement systems or plans own any notes, bonds or other instruments of the university.

Defined Benefit Plans:

State of Alaska Public Employees' Retirement System (PERS)

Plan Description

The university contributes to PERS, a defined benefit, agent multiple-employer public employee retirement system established and administered by the State of Alaska (State). PERS provides pension, postemployment health care, death and disability benefits to eligible participants. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

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

Funding Policy and Annual Pension Cost

Employee contribution rates are 7.5% for peace officers and firefighters and 6.75% for other employees, as required by State statute. The funding policy for PERS provides for periodic employer contributions at actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due.

The university's annual pension cost for the current year and related information is as follows:

	<u>Pension</u>	<u>Postemployment Healthcare</u>	<u>Total</u>
Contribution rates:			
Employee:			
Peace officers and firefighters	5.46%	2.04%	7.50%
Other employees	4.92%	1.83%	6.75%
Employer	4.11%	1.53%	5.64%
Annual pension cost	\$3,404,011	\$1,268,619	\$4,672,630
Contributions made	\$3,404,011	\$1,268,619	\$4,672,630

Actuarial assumptions:

Inflation rate	4.00%	Same
Investment return	8.25%	Same
Projected salary increase:		
Inflation	4.00%	N / A
Productivity and merit	1.50%	N / A
Health cost trend	N / A	8.50%

Actuarial assumptions made include a June 30, 1997, valuation date; projected unit credit cost method; level dollar, open amortization method; a rolling 25-year amortization period and a 5-year smoothed market asset valuation method.

During fiscal year 2000, the annual required contribution (ARC) and the amount contributed by the university for annual pension cost (APC) was \$4,672,630. The university has fully funded its pension obligation; therefore, no net pension obligation (NPO) existed at fiscal year end.

Three year trend information follows:

	<u>Year ended June 30</u>	<u>APC</u>	<u>Employer contribution rate</u>	<u>Percentage of APC contributed</u>	<u>NPO</u>
Pension:	1998	\$3,226,440	4.09%	100%	-
	1999	3,802,753	4.81%	100%	-
	2000	3,404,011	4.11%	100%	-

	Year ended <u>June 30</u>	<u>APC</u>	Employer contribution <u>rate</u>	Percentage of APC <u>contributed</u>	<u>NPO</u>
Postemployment Healthcare:	1998	1,212,189	1.54%	100%	-
	1999	1,465,677	1.85%	100%	-
	2000	1,268,619	1.53%	100%	

In the current fiscal year, the University determined, in accordance with provisions of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* (GASB 27), that no pension liability existed to PERS and there were no previously reported liabilities to PERS.

Schedule of Funding Progress
Pension and Postemployment Healthcare Benefits
(000's omitted)

Actuarial valuation year ended <u>June 30</u>	Actuarial value of plan <u>assets</u>	Actuarial liability <u>(AAL)</u>	Unfunded (overfunded) actuarial liability <u>(UAAL)</u>	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
Pension benefits:						
1997	280,677	253,729	(26,948)	111%	75,089	N / A
1998	304,455	284,192	(20,263)	107%	72,338	N / A
1999	308,959	272,389	(36,570)	113%	74,258	N / A
Postemployment healthcare benefits:						
1997	104,612	94,567	(10,045)	111%	75,089	N / A
1998	121,421	113,341	(8,080)	107%	72,338	N / A
1999	125,249	110,424	(14,285)	113%	74,258	N / A
Total:						
1997	385,289	348,296	(36,993)	111%	75,089	N / A
1998	425,876	397,533	(28,343)	107%	72,338	N / A
1999	434,208	382,813	(51,395)	113%	74,258	N / A

State of Alaska Teachers' Retirement System (TRS)

Plan Description

TRS provides pension, postemployment health care, death and disability benefits to participants. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

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

Funding Policy

Employees contribute 8.65% of their base salary as required by State statute. The funding policy for TRS provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. During the year ended June 30, 2000, required employee and employer contribution rates were 8.65% and 12%, respectively. The amounts contributed to TRS by the university during the years ended June 30, 2000, 1999 and 1998 were \$4,324,920, \$4,471,165 and \$4,770,633, respectively, equal to the required employer contributions for each year.

Defined Contribution Plans:

University of Alaska Optional Retirement Plan (ORP)

Faculty classified as regular and certain administrators may make a one-time election to participate in the ORP as an alternative to participation in PERS or TRS. The ORP is an employer funded defined contribution plan which operates in conjunction with a companion mandatory tax-deferred annuity plan. ORP participants are required to make employee contributions to one of the plan's authorized tax-deferred annuity programs at a rate equivalent to the TRS employee contribution rate of 8.65%. The university makes matching employer contributions to one of the plan's authorized employee-selected annuity providers or investment managers at a rate equal to the three-year moving average of the TRS employer contribution rates (12% for FY00). In fiscal year 2000, the university's total covered payroll for the ORP plan was approximately \$30.1 million. The amounts contributed to ORP by the university during

the years ended June 30, 2000, 1999 and 1998 were \$3,615,692, \$3,130,238 and \$2,733,056, respectively. At June 30, 2000, plan assets (participants' accounts attributable to employer contributions) had a net value of approximately \$35 million which is included in agency funds. Each participant is 100% vested at all times.

University of Alaska Pension Plan (Pension)

In addition to the other retirement plans, substantially all regular employees and faculty classified as temporary participate in the Pension plan which was established effective January 1, 1982, when the university withdrew from the federal social security program. Effective January 1, 2000, employer contributions for regular employees were 7.65% of covered wages up to a maximum of \$42,000 and \$76,200 for certain faculty classified as temporary. The plan provides for employer contributions to be invested in accordance with participant-directed investment elections to the plan's fixed income and/or equity funds. Each participant is 100% vested at all times.

In fiscal year 2000, the university's total covered payroll for the Pension plan was approximately \$124 million. The university's costs to fund and administer the plan amounted to approximately \$9.5 million, or 7.67% of covered payroll. At June 30, 2000, plan assets (participants' accounts) had a net value of approximately \$250.7 million which is recorded in agency funds.

10. Self-insurance

The university is self-insured for basic automobile, workers' compensation, general liability, property and employees' health claims. Insurance coverage is purchased for amounts in excess of the basic self-insurance program. Liabilities have been established to cover estimates for specific reported losses, estimates for unreported losses based upon past experience modified for current trends, and estimates of expenses for investigating and settling claims. The administration believes that the liability recorded at June 30, 2000, is adequate to cover the ultimate net cost of losses incurred to date.

11. Commitments and Contingencies

Amounts received and expended by the university under various federal and state grants, contracts and other programs are subject to audit

and potential disallowance. From time to time the university is named as a defendant in legal proceedings or cited in regulatory actions related to the conduct of its operations. In the normal course of business, the university also has various other commitments and contingent liabilities which are not reflected in the accompanying financial statements. In the opinion of the administration, the university will not be affected materially by the final outcome of any present legal proceedings, environmental investigations, audit adjustments, or other commitments and contingent liabilities.

12. Related Party Transactions

The University of Alaska Foundation (Foundation) is a tax-exempt organization formed in 1974 to solicit donations for the exclusive benefit of the University of Alaska. At June 30, 2000, the Foundation had net assets totaling approximately \$70.2 million. The Foundation's financial statements are not combined with the university's financial statements. During the year ended June 30, 2000, the university transferred \$267,852 to the Foundation. Distributions and expenditures by the Foundation for the benefit of the university totaled approximately \$4.5 million, of which approximately \$4.1 million were direct reimbursements to the university. The university provides in-kind administrative and accounting support for the Foundation, the costs of which are included as expenditures in the university's financial statements.

The investable resources of the university's land grant endowment trust fund and the Foundation's pooled endowment funds are combined into a consolidated fund (fund) for investment purposes. At June 30, 2000, the fair value of the fund was approximately \$124.9 million. The university's share of this fund was \$80.0 million, reflected in other deposits and investments. The fund is managed by the Foundation's investment committee and treasurer on a total return basis in accordance with an investment policy approved by the Board of Regents. The net assets and related activity for the university's investment in the fund is reflected in the university's financial statements.

University of Alaska Board of Regents

1999-2000

The University of Alaska Statewide System is governed by a board of regents established in 1917 as the Board of Trustees and renamed the Board of Regents by an act of the Territorial Legislature on July 1, 1935. The Alaska State Constitution, adopted by voters in 1956, created the University of Alaska as the state university, established the university as a body corporate for purposes of holding title to real and personal property and designated the Board of Regents as the governing body for the formulation of policy.

The Board of Regents appoints the president of the University, who serves as the executive officer of the Board of Regents and is responsible for direct administration of the statewide University of Alaska system. The regents are appointed by the governor for eight-year, staggered terms. Provision for a student representative on the board was made in 1975. The student regent, selected by the governor from candidates nominated on each University campus, is appointed for a two-year term.

Board of Regents

Michael J. Burns, Chair
(1997-2005)

Elsa Froehlich Demeksa, Vice Chair
(1997-2005)

Mary Jane Fate, Secretary
(1993-2001)

Chancy Croft, Treasurer
(1995-2003)

Joshua B. Horst, Student Regent
(1999-2001)

Robert A. Malone
(1999-2007)

Brian D. Rogers
(1999-2007)

R. Danforth Ogg
(1993-2001)

Frances H. Rose
(1999-2007)

Joe J. Thomas
(1995-2003)

Joseph E. Usibelli, Jr.
(1999-2007)



*From left to right: Brian Rogers, President Mark Hamilton, Frances Rose, Chancy Croft, R. Danforth Ogg, Robert Malone, Michael Burns, Mary Jane Fate, Governor Tony Knowles, Joshua Horst, Joe Usibelli, Jr. and Joe Thomas.
Photo taken February 1999, Governor's Mansion, Juneau, Alaska*



It begins as we open our eyes,
As everything we discover becomes part of who we are.

The Lesson:
You've been given a gift.
Open it.
Then take your knowledge
And design what is next.

The University of Alaska is an equal opportunity
and affirmative action employer and educational institution.

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UNIVERSITY
of ALASKA

Many Traditions One Alaska

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