(a Component Unit of the State of Alaska)

Management's Discussion and Analysis and Financial Statements

June 30, 2011 and 2010

Together with Independent Auditors' Report

(a Component Unit of the State of Alaska)

June 30, 2011 and 2010

Table of Contents

	Pages
Management's Discussion and Analysis	1 - 8
Independent Auditors' Report	9
Balance Sheets	10 – 11
Statements of Revenue, Expenses and Changes in Net Assets	12
Statements of Cash Flows	13 – 14
Notes to Financial Statements	15 – 39

(a Component Unit of the State of Alaska)

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Alaska Student Loan Corporation's (Corporation) history, financial position at, and financial performance for, the fiscal years ended June 30, 2011 and 2010 is being presented to assist readers in understanding the Corporation's structure, activities and significant financial issues. This information is required supplementary information. Fiscal year 2009 information is shown for comparative purposes. This information should be read in conjunction with the Independent Auditors' Report, the audited financial statements and accompanying notes, all of which follow this discussion and analysis.

History

The State of Alaska (State) Legislature established its first loan program for undergraduate students studying at an accredited institution in 1968. The program was funded directly by the State and administered by the State's then-named Department of Education. This activity was considered a State primary government function and financial reporting was included in the governmental fund section of the State's comprehensive annual financial report.

The Alaska Commission on Postsecondary Education (Commission) was created in 1974 by an act of the State Legislature. The Commission was created to be the coordinating agency for postsecondary education, to administer student financial aid programs, to coordinate and plan for postsecondary education in the State, as well as to authorize and regulate postsecondary education institutions in Alaska. The education loan programs administered by the Commission were funded by the State. The Commission resides within the Department of Education and Early Development but is not subject to the direction of the Commissioner of Education and Early Development or the State Board of Education. The Commission's activity is considered a State primary government function and financial activity is included in the governmental fund section of the State's comprehensive annual financial report.

The Alaska Student Loan Corporation (ASLC or Corporation) was created in 1987 by an act of the State Legislature. The Corporation is a public corporation and governmental instrumentality within the Department of Education and Early Development with a legal existence independent of and separate from the State. Therefore, the Corporation is not a part of the State's primary government. By statute, the Corporation has one employee, the Executive Officer. Statutes state that the employees of the Commission serve as staff for the Corporation.

The Corporation was created to raise alternative financing for education loans through the issuance of tax-exempt debt. The Corporation's goal is to provide low-cost education loans to Alaskans pursuing education and training at a postsecondary level and for other qualified individuals attending postsecondary institutions in the State. In 1987, the Corporation entered into an agreement with the Commission for on-going administrative services related to the loan programs. In April of 1988, by an act of the State Legislature, the assets, liabilities, and equities of the State's existing education loan programs were transferred to the Corporation effective December 1987. The loan programs are currently funded through the issuance of tax-exempt revenue bonds, recycling of loan payments, and proceeds from a State-funded loan. The financial activity related to the Corporation is reported as a discretely presented component unit in the State's comprehensive annual financial report.

The Corporation cannot be terminated as long as it has debt obligations outstanding. Upon termination, the Corporation's rights and property pass to the State.

ASLC partners with the Commission to finance, award and service education loans. The Commission administers ASLC's programs under the umbrella title, AlaskAdvantage Loan Program® (Program). Additional information

(a Component Unit of the State of Alaska)

MANAGEMENT'S DISCUSSION AND ANALYSIS

about the Program is available at http://akadvantage.alaska.gov. The Corporation funds the Commission's expenditures that relate to Program administration as permitted by ASLC statutes and bond indentures.

The Program includes various Federal Family Education Loan Program (FFELP) loans (Federal loans) governed by the Higher Education Act (HEA) and State education loans (State loans). Loans under the Program include fixed and variable rate loans.

The Program was structured to provide eligible borrowers with low-cost financial aid options. It encourages students to take advantage of federal aid resources to maximize their grant and lowest cost loan options prior to tapping into alternative loan sources.

Program Highlights

Loan portfolio by program is as follows:

Fiscal Year and	Net loans as a percentage of	Gross awards as a percentage of
Loan Program	total loans	total awards
2011		
State	67	100
Federal	33	-
2010		
State	67	25
Federal	33	75
2009		
State	74	44
Federal	26	56

• The lender-based Federal Family Education Loan Program ended effective July 1, 2010 with the passage of the <u>Health Care and Education Affordability Reconciliation Act</u> in March, 2010. The Corporation continues to hold and administer it's existing FFELP loan portfolio.

(a Component Unit of the State of Alaska)

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Federal loan program changes as a result of the <u>Higher Education Opportunity Act</u> being signed into law on August 14, 2008 continue to impact future years as follows:
 - Established lender "code of conduct" requirements applicable to the Corporation's loan programs, including:
 - displaying the Corporation's name in marketing material;
 - reporting reasonable expenses reimbursed to persons with responsibility for financial aid or of any agent of an institution or affiliated organization, to the Secretary of the U.S. Department of Education (Secretary); and,
 - annually certifying, to the Secretary, the Corporation's compliance with the Act and annually providing information on each type of education loan the Corporation plans to offer for the next award year if participating in preferred lender arrangements.
 - Requires additional borrower disclosures and notices for State loans;
 - Expands information on loans reported to consumer reporting agencies;
 - Revised the prohibited inducement provisions to prohibit:
 - offering schools or school officials payments for referrals to secure loan applications;
 - unsolicited mailings of loan applications by electronic means;
 - consulting payments to financial aid office employees who have responsibilities for financial aid;
 - compensating a postsecondary institution employee to participate on a lender advisory council;
 - performance of, or payment to a person to perform, any function that a school is required to perform; and,
 - paying a student to secure applications.
- The <u>College Cost Reduction and Access Act</u> (CCRAA) was signed into law on September 27, 2007. This Act created a new repayment plan, Income-Based Repayment (IBR), effective July 1, 2009, available to federal education loan borrowers (except parental PLUS borrowers) experiencing financial difficulty. Under this plan, monthly loan payments are based on the borrower's disposable income level, determined by borrower debt level and family size according to federal poverty guidelines. Monthly payments will be recalculated annually and may not always cover unpaid accrued interest on the education loan. However, for subsidized Stafford and Consolidation loans, the U.S. Department of Education will pay accrued interest not covered by the borrower's scheduled IBR payment for the first three years of the IBR qualifying schedule.

(a Component Unit of the State of Alaska)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights

The Corporation last issued education loan revenue bonds in June 2007 and has used internal liquidity and State loan proceeds to finance education loans through June 30, 2011. Costs related to obtaining the needed liquidity and/or credit enhancement for a variable rate bond issue, as well as collateral requirements imposed to obtain an acceptable bond rating, has made refinancing auction rate securities impractical and uneconomical for the Corporation. Management believes it has internal cash available to meet loan demand through fiscal 2013. Thereafter, Management anticipates issuing fixed rate bonds to meet loan demand.

All auction rate securities (ARS) issued by the Corporation were issued under the 2002 Trust. The Corporation has \$126 million in ARS outstanding at June 30, 2011. Auctions on these bonds have failed since the failure of the ARS market in February 2008. Auction failure does not constitute a default on the bonds, and all principal and interest has been paid when due. Despite the ARS market failure, the Corporation's pledged loan portfolio credit quality remains strong. All bonds, including the ARS, issued under the 2002 Trust remain rated AAA by both Fitch (rating watch negative, affirmed March 2011) and Standard and Poor's (affirmed August 9, 2010).

Information related to the Corporation's debt is contained in the footnote section of the financial statements. In addition, trust monitoring reports are prepared quarterly, the most current of which is available at: http://akadvantage.alaska.gov/Research/Investor Relations/Trust Documents.aspx.

Overview of the Financial Statements

The Corporation's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States. Under the accrual method of accounting, the same method used by private sector businesses, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. The three basic financial statements of the Corporation are as follows:

<u>Balance Sheets</u> - This statement presents information regarding the Corporation's assets, liabilities and net assets at a point in time. Net assets represent the total amount of assets less the total amount of liabilities. This statement reflects the Corporation's financial health at the end of the year. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

Assets and liabilities are classified as current or noncurrent on the Balance Sheets. Current assets are those available and reasonably expected to be used to pay current liabilities or cover the cost of operations in the next fiscal year. Current liabilities are those expected to be satisfied in the next fiscal year. Assets and net assets are further classified as either restricted or unrestricted. The restricted classification is used when constraints are imposed by external sources or enabling legislation. Restricted assets are classified as noncurrent unless the restriction is short lived (less than a year).

<u>Statements of Revenues, Expenses, and Changes in Net Assets</u> – This statement measures the activities of the Corporation's operations over the past year and presents the operating income and change in net assets. It also reflects the results of non-operating activities and capital returned to the State. This statement can be used to determine whether the Corporation has successfully recovered its costs through education loan and investment income.

(a Component Unit of the State of Alaska)

MANAGEMENT'S DISCUSSION AND ANALYSIS

<u>Statements of Cash Flows</u> – This statement provides information about the sources and uses of the Corporation's cash and the change in the cash balance during the fiscal year. This statement presents cash receipts, cash payments and net changes resulting from operations and capital activities.

In addition to the basic financial statements, the Notes to Financial Statements provide information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis

- The Corporation's total assets at June 30, 2011, 2010, and 2009 were \$0.7, \$0.8, and \$0.7 billion, respectively. The change in assets from fiscal year 2010 to 2011 was a decrease of \$81 million or 10%, and the change between fiscal year 2009 to 2010 was an increase of \$75 million or 10%.
- The Corporation's net education loans receivable was \$561, \$604, and \$586 million, at June 30, 2011, 2010 and 2009, respectively. These balances represent a decrease in fiscal year 2011 of \$43 million or 7% and an increase in fiscal year 2010 of \$18 million or 3%.
- The Corporation's debt at June 30, 2011, 2010, and 2009 was \$502, \$589, and \$534 million, respectively. The change in debt from fiscal year 2010 to 2011 was a decrease of \$87 million or 15%, and the change in debt from fiscal year 2009 to 2010 was an increase of \$55 million or 10%.
- The assets of the Corporation exceed its liabilities (reported as net assets) at the close of fiscal year 2011, 2010 and 2009 by \$217, \$205, and \$181 million, respectively. These balances represent an increase in fiscal year 2011 of \$12 million or 6% and an increase in fiscal year 2010 of \$24 million or 13%.
- The Corporation's operating revenue was \$38, \$37, and \$42 million at June 30, 2011, 2010 and 2009, respectively. These balances represent an increase in fiscal year 2011 of \$1 million or 3% and a decrease in 2010 of \$5 million or 12%.
- The Corporation's interest expense was \$14, \$15, and \$17 million during fiscal years 2011, 2010 and 2009, respectively. These balances represent a decrease in fiscal year 2011 of \$1 million or 6%, and a decrease in 2010 of \$2 million or 12%.
- The Corporation's other operating expense was \$16, \$20, and \$21 million during fiscal years 2011, 2010 and 2009. These balances represent a decrease in fiscal year 2011 of \$4 million or 20% and a decrease in fiscal year 2010 of \$1 million or 5%.
- The following condensed financial information reflects changes during the fiscal year:

(a Component Unit of the State of Alaska)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Balance Sheets (in thousands)

	2011	2010	\$ Change	% Change	2009
Assets:					
Current	86,833	79,326	7,507	9	69,588
Noncurrent	649,921	738,447	(88,526)	(12)	673,123
Total assets	736,754	817,773	(81,019)	(10)	742,711
Liabilities:					
Current	73,279	65,279	8,000	12	50,977
Noncurrent	446,647	547,884	(101,237)	(18)	511,085
Total liabilities	519,926	613,163	(93,237)	(15)	562,062
Net assets:					
Unrestricted	97,674	122,482	(24,808)	(20)	140,686
Restricted	119,154	82,128	37,026	45	39,963
Total net assets	216,828	204,610	12,218	6	180,649
Total liabilities and net assets	736,754	817,773	(81,019)	(10)	742,711

The fiscal year 2011 increase in current assets is due to the increase in unrestricted cash and loans receivable. Cash held at year end increased due to poor year end investment opportunities. The increase in loans receivable at year end is the increase in expected principal payments due to historical trends.

The fiscal year 2011 decrease in noncurrent assets was due to a decrease in investments and loans receivable. Investments were unusually high at the end of fiscal year 2010 due to the receipt of proceeds from refinancing FFELP loans on June 29, 2010. Those proceeds were used to purchase outstanding auction rate securities. In addition, the Corporation used investments held at the beginning of the year to finance a large portion of the current year's loan originations. Loans receivable is decreasing as originations and capitalized interest are no longer exceeding principal payments received.

Fiscal year 2011 current liabilities increased because payments on other debt are coming due for the first time in fiscal year 2012.

Noncurrent liabilities in fiscal year 2011 decreased due to payments on debt being made with no new debt being incurred.

Unrestricted net assets decreased in fiscal year 2011 due to the reduction in unrestricted loans receivable. Unrestricted loans receivable is declining due to the fact that principal loan payments are higher than loan originations.

Restricted net assets increased in fiscal year 2011 due to the reduction of restricted debt being higher than the reduction in restricted loans receivable and investments. Restricted debt was reduced in fiscal year 2011 as debt payments were made and no new debt was incurred. Restricted loans are declining due to the fact that principal loan payments are higher than loan originations. Restricted investments were used for loan originations and to make debt payments in fiscal year 2011.

(a Component Unit of the State of Alaska)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The fiscal year 2010 increase in current assets is due to the increase in current restricted investments. Current restricted investments have increased due to an increase in scheduled debt service payments for fiscal year 2011.

The fiscal year 2010 increase in noncurrent assets was due to an increase in noncurrent restricted investments as well as an increase in restricted loans receivable. Restricted investments reflect proceeds received from refinancing FFELP loans at the end of June. Loans receivable have increased due to originations and interest capitalization exceeding principal payments during the year.

Fiscal year 2010 current liabilities increased because scheduled debt service payments in fiscal year 2011 are higher than they were in fiscal year 2010.

Noncurrent liabilities in fiscal year 2010 increased due to additional debt incurred in fiscal year 2010. See the footnote section of the financial statements for information related to the additional debt.

Statements of Revenue, Expense and Changes in Net Assets (in thousands)

	_	2011	2010	\$ Change	% Change	2009
Operating revenue	\$	37,636	37,233	403	1	42,017
Operating expense		(27,432)	(31,742)	4,310	(14)	(34,491)
Non-operating expense		(2,647)	(3,224)	577	(18)	(3,866)
Income before change in estimate,	_					
special item and return of capital		7,557	2,267	5,290	233	3,660
Change in accounting estimate		-	4,342	(4,342)		-
Gain on cancellation of bonds		4,734	17,406	(12,672)		-
Return of capital		(73)	(54)	(19)		-
Change in net assets		12,218	23,961	(11,743)	(49)	3,660
Net assets - beginning		204,610	180,649	23,961	13	176,989
Net assets - ending	\$	216,828	204,610	12,218	6	180,649

Operating revenue, which represents interest on education loans and earnings on investments, increased in fiscal year 2011 due to a slight increase in investment returns. This increase is also attributable to the reduction in borrower benefits effective for the 2010-2011 academic year. The average return on gross loans was 4.48% and 4.51% in fiscal years 2011 and 2010, respectively. The return on invested assets increased from 0.85% in fiscal year 2010 to 1.37% in fiscal year 2011. The Corporation continued to invest in zero coupon State and Local Government Securities ("SLGS") or non-interest bearing money market accounts in fiscal year 2011 to reduce yield restriction and arbitrage rebate liabilities associated with past earnings on tax-exempt bond proceeds.

Operating expense declined in 2011 due to the reduction in administrative costs, the provision related to loan losses and cumulative investment earnings rebatable to the federal government. Administrative costs have declined due to the elimination of the lender-based Federal Family Education Loan Program. Prior to the elimination of that program, the Corporation paid a lender fee and, for Stafford loan borrowers, the origination

(a Component Unit of the State of Alaska)

MANAGEMENT'S DISCUSSION AND ANALYSIS

fee. Administrative costs are also down due to a reduction in costs associated with the significant decline in loan volume as a result of the elimination of FFELP as well as the implementation of stricter underwriting standards for the State loan program.

Non-operating expense declined in 2011 due to the reduction in interest expense on bonds issued to finance State capital projects as a result of the reduction of debt outstanding during the year.

Operating revenue, which represents interest on education loans and earnings on investments, declined in fiscal year 2010 due to market conditions. Variable rate education loan rates declined significantly in fiscal year 2010 because the indices used to set those rates declined. These reductions were offset by the reduction in borrower benefits effective for the 2009-2010 academic year. The average return on gross loans was 4.51% and 5.41% in fiscal years 2010 and 2009, respectively. The return on invested assets declined from 1.8% in fiscal year 2009 to 0.85% in fiscal year 2010. The Corporation continued to invest in zero coupon State and Local Government Securities ("SLGS") in fiscal year 2010 to reduce yield restriction and arbitrage rebate liabilities associated with past earnings on tax-exempt bond proceeds. However, the balance invested in such securities declined to 4% of invested assets in 2010.

Operating expense declined in 2010 due to the reduction in interest expense on bonds issued to finance education loans. Not only did the outstanding debt balance decline, interest on the Corporation's auction rate securities averaged 0.65% in 2010 compared to 1.82% in 2009. Auction rate securities represented approximately 46% of the Corporation's average outstanding debt in 2010. See the footnote section of the financial statements for the rates being paid on auction rate securities at June 30, 2010. These declines were offset by the interest paid on a loan from the State. The Corporation paid 4.29% on the loan balance in fiscal year 2010. Overall, the Corporation paid 3.05% on average debt outstanding in fiscal year 2010 compared to 3.4% in fiscal year 2009.

Non-operating expense declined in 2010 due to the reduction in interest expense on bonds issued to finance State capital projects as a result of the reduction of debt outstanding during the year.

Borrower Benefits

The Board has approved various loan benefits that provide incentives and rewards to borrowers who participate in the Program. The benefit package, intended to lower the cost of interest and fees, is subject to annual approval by the Board and changes are subject to a confirmation from rating agencies rating the Corporation's outstanding education loan revenue bonds. The rating confirmation must indicate that the change to the borrower benefit package will not have a negative impact on ratings previously issued. Borrower benefits awarded in fiscal years 2011, 2010 and 2009 cost \$1.1, \$2.8, and \$4.0 million, respectively. The cost of such benefits is offset against education loan interest income. Benefits available to eligible borrowers are available online at http://akadvantage.alaska.gov/Loans/Borrower_Benefits.aspx.

Contacting the Corporation

This financial report is designed to provide borrowers, investors, creditors and other readers with a general overview of the Corporation's finances. If you have questions about this report or need additional financial information, contact the Corporation at (907) 465-6740.

ELGEE REHFELD MERTZ, LLC

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INDEPENDENT AUDITORS' REPORT

The Board of Directors Alaska Student Loan Corporation Juneau, Alaska

We have audited the accompanying financial statements of the Alaska Student Loan Corporation (Corporation), a component unit of the State of Alaska, as of and for the years ended June 30, 2011, and 2010, as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of the Corporation as of June 30, 2011, and 2010, and the results of its operations and its cash flows for the years 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 October 3, 2011, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1 through 8, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and historical context. We have applied certain limited procedures to it in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

October 3, 2011

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(a Component Unit of the State of Alaska)

Balance Sheets

June 30, 2011 and 2010

(in thousands)

Current assets: Cash (note 3) \$ 4,410 1,353 Other 101 100 Interest receivable - investments 103 4 Interest receivable - loans 1,390 1,505 Investments (note 3) 1,066 827 Loans receivable (notes 4 and 10) 12,364 8,135 Restricted investments (note 3) 67,399 67,402 Total current assets 86,833 79,326 Noncurrent assets: Interest receivable - loans, net (note 5) 1,566 1,697 Loans receivable, net (notes 4, 5 and 10) 54,595 83,112 Investments (note 3) 23,715 27,183 Restricted: 203 324 Cash (note 3) 5,199 1,104 Other 203 324 Due from State of Alaska 113 37 Arbitrage rebate receivable (note 9) 813 - Interest receivable - investments 587 22 Interest receivable - loans, net (note 5) 18,096 18,984 Investments (note 3) <t< th=""><th>Assets</th><th></th><th>2011</th><th>2010</th></t<>	Assets		2011	2010
Other 101 100 Interest receivable - investments 103 4 Interest receivable - loans 1,390 1,505 Investments (note 3) 1,066 827 Loans receivable (notes 4 and 10) 12,364 8,135 Restricted investments (note 3) 67,399 67,402 Total current assets 86,833 79,326 Noncurrent assets: Interest receivable - loans, net (note 5) 1,566 1,697 Loans receivable, net (notes 4, 5 and 10) 54,595 83,112 Investments (note 3) 23,715 27,183 Restricted: 203 324 Other 203 324 Due from State of Alaska 113 37 Arbitrage rebate receivable (note 9) 813 - Interest receivable - investments 587 22 Interest receivable - loans, net (note 5) 18,096 18,984 Investments (note 3) 48,392 89,561 Loans receivable, net (notes 4, 5 and 10) 494,078 513,208 Debt issue cost, net (note 8)<	Current assets:			
Interest receivable - investments 103 4 Interest receivable - loans 1,390 1,505 Investments (note 3) 1,066 827 Loans receivable (notes 4 and 10) 12,364 8,135 Restricted investments (note 3) 67,399 67,402 Total current assets 86,833 79,326 Noncurrent assets: Interest receivable - loans, net (note 5) 1,566 1,697 Loans receivable, net (notes 4, 5 and 10) 54,595 83,112 Investments (note 3) 23,715 27,183 Restricted: 203 324 Other 203 324 Due from State of Alaska 113 37 Arbitrage rebate receivable (note 9) 813 - Interest receivable - investments 587 22 Interest receivable - loans, net (note 5) 18,096 18,984 Investments (note 3) 48,392 89,561 Loans receivable, net (notes 4, 5 and 10) 494,078 513,208 Debt issue cost, net (note 8) 2,564 3,215 To	Cash (note 3)	\$	4,410	1,353
Interest receivable - loans 1,390 1,505 Investments (note 3) 1,066 827 Loans receivable (notes 4 and 10) 12,364 8,135 Restricted investments (note 3) 67,399 67,402 Total current assets 86,833 79,326 Noncurrent assets: Interest receivable - loans, net (note 5) 1,566 1,697 Loans receivable, net (notes 4, 5 and 10) 54,595 83,112 Investments (note 3) 23,715 27,183 Restricted: 203 324 Other 203 324 Due from State of Alaska 113 37 Arbitrage rebate receivable (note 9) 813 - Interest receivable - investments 587 22 Interest receivable - loans, net (note 5) 18,096 18,984 Investments (note 3) 48,392 89,561 Loans receivable, net (notes 4, 5 and 10) 494,078 513,208 Debt issue cost, net (note 8) 2,564 3,215 Total noncurrent assets 649,921 738,447	Other		101	100
Investments (note 3) 1,066 827 Loans receivable (notes 4 and 10) 12,364 8,135 Restricted investments (note 3) 67,399 67,402 Total current assets 86,833 79,326 Noncurrent assets: Interest receivable - loans, net (note 5) 1,566 1,697 Loans receivable, net (notes 4, 5 and 10) 54,595 83,112 Investments (note 3) 23,715 27,183 Restricted: 203 324 Other 203 324 Due from State of Alaska 113 37 Arbitrage rebate receivable (note 9) 813 - Interest receivable - investments 587 22 Interest receivable - loans, net (note 5) 18,096 18,984 Investments (note 3) 48,392 89,561 Loans receivable, net (notes 4, 5 and 10) 494,078 513,208 Debt issue cost, net (note 8) 2,564 3,215 Total noncurrent assets 649,921 738,447	Interest receivable - investments		103	4
Loans receivable (notes 4 and 10) 12,364 8,135 Restricted investments (note 3) 67,399 67,402 Total current assets 86,833 79,326 Noncurrent assets: Interest receivable - loans, net (note 5) 1,566 1,697 Loans receivable, net (notes 4, 5 and 10) 54,595 83,112 Investments (note 3) 23,715 27,183 Restricted: 203 324 Other 203 324 Due from State of Alaska 113 37 Arbitrage rebate receivable (note 9) 813 - Interest receivable - investments 587 22 Interest receivable - loans, net (note 5) 18,096 18,984 Investments (note 3) 48,392 89,561 Loans receivable, net (notes 4, 5 and 10) 494,078 513,208 Debt issue cost, net (note 8) 2,564 3,215 Total noncurrent assets 649,921 738,447	Interest receivable - loans		1,390	1,505
Restricted investments (note 3) 67,399 67,402 Total current assets 86,833 79,326 Noncurrent assets: Interest receivable - loans, net (note 5) 1,566 1,697 Loans receivable, net (notes 4, 5 and 10) 54,595 83,112 Investments (note 3) 23,715 27,183 Restricted: Cash (note 3) 5,199 1,104 Other 203 324 Due from State of Alaska 113 37 Arbitrage rebate receivable (note 9) 813 - Interest receivable - investments 587 22 Interest receivable - loans, net (note 5) 18,096 18,984 Investments (note 3) 48,392 89,561 Loans receivable, net (notes 4, 5 and 10) 494,078 513,208 Debt issue cost, net (note 8) 2,564 3,215 Total noncurrent assets 649,921 738,447	Investments (note 3)		1,066	827
Noncurrent assets 86,833 79,326 Noncurrent assets: Interest receivable - loans, net (note 5) 1,566 1,697 Loans receivable, net (notes 4, 5 and 10) 54,595 83,112 Investments (note 3) 23,715 27,183 Restricted: Cash (note 3) 5,199 1,104 Other 203 324 Due from State of Alaska 113 37 Arbitrage rebate receivable (note 9) 813 - Interest receivable - investments 587 22 Interest receivable - loans, net (note 5) 18,096 18,984 Investments (note 3) 48,392 89,561 Loans receivable, net (notes 4, 5 and 10) 494,078 513,208 Debt issue cost, net (note 8) 2,564 3,215 Total noncurrent assets 649,921 738,447	Loans receivable (notes 4 and 10)		12,364	8,135
Noncurrent assets: Interest receivable - loans, net (note 5) 1,566 1,697 Loans receivable, net (notes 4, 5 and 10) 54,595 83,112 Investments (note 3) 23,715 27,183 Restricted: 203 324 Other 203 324 Due from State of Alaska 113 37 Arbitrage rebate receivable (note 9) 813 - Interest receivable - investments 587 22 Interest receivable - loans, net (note 5) 18,096 18,984 Investments (note 3) 48,392 89,561 Loans receivable, net (notes 4, 5 and 10) 494,078 513,208 Debt issue cost, net (note 8) 2,564 3,215 Total noncurrent assets 649,921 738,447	Restricted investments (note 3)	_	67,399	67,402
Interest receivable - loans, net (note 5) 1,566 1,697 Loans receivable, net (notes 4, 5 and 10) 54,595 83,112 Investments (note 3) 23,715 27,183 Restricted: 203 324 Cash (note 3) 5,199 1,104 Other 203 324 Due from State of Alaska 113 37 Arbitrage rebate receivable (note 9) 813 - Interest receivable - investments 587 22 Interest receivable - loans, net (note 5) 18,096 18,984 Investments (note 3) 48,392 89,561 Loans receivable, net (notes 4, 5 and 10) 494,078 513,208 Debt issue cost, net (note 8) 2,564 3,215 Total noncurrent assets 649,921 738,447	Total current assets		86,833	79,326
Interest receivable - loans, net (note 5) 1,566 1,697 Loans receivable, net (notes 4, 5 and 10) 54,595 83,112 Investments (note 3) 23,715 27,183 Restricted: 203 324 Cash (note 3) 5,199 1,104 Other 203 324 Due from State of Alaska 113 37 Arbitrage rebate receivable (note 9) 813 - Interest receivable - investments 587 22 Interest receivable - loans, net (note 5) 18,096 18,984 Investments (note 3) 48,392 89,561 Loans receivable, net (notes 4, 5 and 10) 494,078 513,208 Debt issue cost, net (note 8) 2,564 3,215 Total noncurrent assets 649,921 738,447	Noncurrent assets:			
Loans receivable, net (notes 4, 5 and 10) 54,595 83,112 Investments (note 3) 23,715 27,183 Restricted: 203 1,104 Other 203 324 Due from State of Alaska 113 37 Arbitrage rebate receivable (note 9) 813 - Interest receivable - investments 587 22 Interest receivable - loans, net (note 5) 18,096 18,984 Investments (note 3) 48,392 89,561 Loans receivable, net (notes 4, 5 and 10) 494,078 513,208 Debt issue cost, net (note 8) 2,564 3,215 Total noncurrent assets 649,921 738,447			1 566	1 697
Investments (note 3) 23,715 27,183 Restricted: 23,715 27,183 Cash (note 3) 5,199 1,104 Other 203 324 Due from State of Alaska 113 37 Arbitrage rebate receivable (note 9) 813 - Interest receivable - investments 587 22 Interest receivable - loans, net (note 5) 18,096 18,984 Investments (note 3) 48,392 89,561 Loans receivable, net (notes 4, 5 and 10) 494,078 513,208 Debt issue cost, net (note 8) 2,564 3,215 Total noncurrent assets 649,921 738,447			-	·
Restricted: Cash (note 3) 5,199 1,104 Other 203 324 Due from State of Alaska 113 37 Arbitrage rebate receivable (note 9) 813 - Interest receivable - investments 587 22 Interest receivable - loans, net (note 5) 18,096 18,984 Investments (note 3) 48,392 89,561 Loans receivable, net (notes 4, 5 and 10) 494,078 513,208 Debt issue cost, net (note 8) 2,564 3,215 Total noncurrent assets 649,921 738,447				·
Other 203 324 Due from State of Alaska 113 37 Arbitrage rebate receivable (note 9) 813 - Interest receivable - investments 587 22 Interest receivable - loans, net (note 5) 18,096 18,984 Investments (note 3) 48,392 89,561 Loans receivable, net (notes 4, 5 and 10) 494,078 513,208 Debt issue cost, net (note 8) 2,564 3,215 Total noncurrent assets 649,921 738,447			- , -	.,
Due from State of Alaska 113 37 Arbitrage rebate receivable (note 9) 813 - Interest receivable - investments 587 22 Interest receivable - loans, net (note 5) 18,096 18,984 Investments (note 3) 48,392 89,561 Loans receivable, net (notes 4, 5 and 10) 494,078 513,208 Debt issue cost, net (note 8) 2,564 3,215 Total noncurrent assets 649,921 738,447	Cash (note 3)		5,199	1,104
Arbitrage rebate receivable (note 9) 813 - Interest receivable - investments 587 22 Interest receivable - loans, net (note 5) 18,096 18,984 Investments (note 3) 48,392 89,561 Loans receivable, net (notes 4, 5 and 10) 494,078 513,208 Debt issue cost, net (note 8) 2,564 3,215 Total noncurrent assets 649,921 738,447	Other		203	324
Interest receivable - investments 587 22 Interest receivable - loans, net (note 5) 18,096 18,984 Investments (note 3) 48,392 89,561 Loans receivable, net (notes 4, 5 and 10) 494,078 513,208 Debt issue cost, net (note 8) 2,564 3,215 Total noncurrent assets 649,921 738,447	Due from State of Alaska		113	37
Interest receivable - loans, net (note 5) 18,096 18,984 Investments (note 3) 48,392 89,561 Loans receivable, net (notes 4, 5 and 10) 494,078 513,208 Debt issue cost, net (note 8) 2,564 3,215 Total noncurrent assets 649,921 738,447	Arbitrage rebate receivable (note 9)		813	-
Investments (note 3) 48,392 89,561 Loans receivable, net (notes 4, 5 and 10) 494,078 513,208 Debt issue cost, net (note 8) 2,564 3,215 Total noncurrent assets 649,921 738,447	Interest receivable - investments		587	22
Loans receivable, net (notes 4, 5 and 10) 494,078 513,208 Debt issue cost, net (note 8) 2,564 3,215 Total noncurrent assets 649,921 738,447	Interest receivable - loans, net (note 5)		18,096	18,984
Debt issue cost, net (note 8) 2,564 3,215 Total noncurrent assets 649,921 738,447	Investments (note 3)		48,392	89,561
Total noncurrent assets 649,921 738,447	Loans receivable, net (notes 4, 5 and 10)		494,078	513,208
	Debt issue cost, net (note 8)		2,564	3,215
Total assets \$ \frac{736,754}{817,773}	Total noncurrent assets		649,921	738,447
	Total assets	\$	736,754	817,773

(a Component Unit of the State of Alaska)

Balance Sheets

June 30, 2011 and 2010

(in thousands)

Liabilities: Current: Payable from unrestricted assets: Due to State of Alaska \$ 642 561 Due to U.S. Dept of Education (note 10) 370 273 Warrants outstanding (note 4) 36 195 Accounts payable 588 406 Payable from restricted assets: Due to U.S. Dept of Education (note 10) 915 903 Warrants outstanding (note 4) 22 93 Accounts payable 71 98 Arbitrage rebate payable (note 9) 999 631 Return of capital payable (note 11) 10,016 9,309 Interest payable 3,464 3,875 Deferred credit (note 2) - 1,730 Bonds payable (note 6) 46,065 47,205 Other debt payable (note 7) 10,091 - Total current liabilities 73,279 65,279 Noncurrent-payable from restricted assets: 111 1,229 Return of capital payable (note 9) 111 7,25 Bonds pay	Liabilities and Net Assets	2011	2010
Payable from unrestricted assets: \$ 642 561 Due to State of Alaska \$ 642 561 Due to U.S. Dept of Education (note 10) 370 273 Warrants outstanding (note 4) 36 195 Accounts payable 588 406 Payable from restricted assets: Use to U.S. Dept of Education (note 10) 915 903 Warrants outstanding (note 4) 22 93 Accounts payable 71 98 Arbitrage rebate payable (note 9) 999 631 Return of capital payable (note 11) 10,016 9,309 Interest payable 3,464 3,875 Deferred credit (note 2) - 1,730 Bonds payable (note 6) 46,065 47,205 Other debt payable (note 7) 10,091 - Total current liabilities 73,279 65,279 Noncurrent-payable from restricted assets: Arbitrage rebate payable (note 9) 111 1,229 Return of capital payable (note 9) 111 725 Bonds payable, net (note 6) 283,338 364,08	Liabilities:		
Due to State of Alaska \$ 642 561 Due to U.S. Dept of Education (note 10) 370 273 Warrants outstanding (note 4) 36 195 Accounts payable 588 406 Payable from restricted assets: Due to U.S. Dept of Education (note 10) 915 903 Warrants outstanding (note 4) 22 93 Accounts payable 71 98 Arbitrage rebate payable (note 9) 999 631 Return of capital payable (note 11) 10,016 9,309 Interest payable 3,464 3,875 Deferred credit (note 2) - 1,730 Bonds payable (note 6) 46,065 47,205 Other debt payable (note 7) 10,091 - Total current liabilities 73,279 65,279 Noncurrent-payable from restricted assets: Arbitrage rebate payable (note 9) 111 1,229 Return of capital payable (note 9) 111 725 Bonds payable, net (note 6) 283,338 364,081 Loan payable to State of Alaska (note 7)	Current:		
Due to U.S. Dept of Education (note 10) 370 273 Warrants outstanding (note 4) 36 195 Accounts payable 588 406 Payable from restricted assets: Secondary 100 915 903 Warrants outstanding (note 4) 22 93 Accounts payable 71 98 Arbitrage rebate payable (note 9) 999 631 Return of capital payable (note 11) 10,016 9,309 Interest payable 3,464 3,875 Deferred credit (note 2) - 1,730 Bonds payable (note 6) 46,065 47,205 Other debt payable (note 7) 10,091 - Total current liabilities 73,279 65,279 Noncurrent-payable from restricted assets: Arbitrage rebate payable (note 9) 111 1,229 Return of capital payable (note 9) 111 725 Bonds payable, net (note 6) 283,338 364,081 Loan payable to State of Alaska (note 7) 67,500 63,000 Other debt payable (note 7) 95,015 115,250 <td>•</td> <td></td> <td></td>	•		
Warrants outstanding (note 4) 36 195 Accounts payable 588 406 Payable from restricted assets: Due to U.S. Dept of Education (note 10) 915 903 Warrants outstanding (note 4) 22 93 Accounts payable 71 98 Arbitrage rebate payable (note 9) 999 631 Return of capital payable (note 11) 10,016 9,309 Interest payable 3,464 3,875 Deferred credit (note 2) - 1,730 Bonds payable (note 6) 46,065 47,205 Other debt payable (note 7) 10,091 - Total current liabilities 73,279 65,279 Noncurrent-payable from restricted assets: Arbitrage rebate payable (note 9) 111 1,229 Return of capital payable (note 9) 111 1,229 Return of capital payable (note 11) 672 3,599 Deferred credit (note 2) 11 725 Bonds payable, net (note 6) 283,338 364,081 Loan payable to State of Alaska (note	Due to State of Alaska \$	642	561
Accounts payable 588 406 Payable from restricted assets: 303 Due to U.S. Dept of Education (note 10) 915 903 Warrants outstanding (note 4) 22 93 Accounts payable 71 98 Arbitrage rebate payable (note 9) 999 631 Return of capital payable (note 11) 10,016 9,309 Interest payable 3,464 3,875 Deferred credit (note 2) - 1,730 Bonds payable (note 6) 46,065 47,205 Other debt payable (note 7) 10,091 - Total current liabilities 73,279 65,279 Noncurrent-payable from restricted assets: Arbitrage rebate payable (note 9) 111 1,229 Return of capital payable (note 11) 672 3,599 Deferred credit (note 2) 11 725 Bonds payable, net (note 6) 283,338 364,081 Loan payable to State of Alaska (note 7) 67,500 63,000 Other debt payable (note 7) 95,015 115,250 Total noncurrent liabilities 446,647 547,884	Due to U.S. Dept of Education (note 10)	370	273
Payable from restricted assets: 903 Due to U.S. Dept of Education (note 10) 915 903 Warrants outstanding (note 4) 22 93 Accounts payable 71 98 Arbitrage rebate payable (note 9) 999 631 Return of capital payable (note 11) 10,016 9,309 Interest payable 3,464 3,875 Deferred credit (note 2) - 1,730 Bonds payable (note 6) 46,065 47,205 Other debt payable (note 7) 10,091 - Total current liabilities 73,279 65,279 Noncurrent-payable from restricted assets: Arbitrage rebate payable (note 9) 111 1,229 Return of capital payable (note 11) 672 3,599 Deferred credit (note 2) 11 725 Bonds payable, net (note 6) 283,338 364,081 Loan payable to State of Alaska (note 7) 67,500 63,000 Other debt payable (note 7) 95,015 115,250 Total noncurrent liabilities 519,926 613,163 C	Warrants outstanding (note 4)	36	195
Due to U.S. Dept of Education (note 10) 915 903 Warrants outstanding (note 4) 22 93 Accounts payable 71 98 Arbitrage rebate payable (note 9) 999 631 Return of capital payable (note 11) 10,016 9,309 Interest payable 3,464 3,875 Deferred credit (note 2) - 1,730 Bonds payable (note 6) 46,065 47,205 Other debt payable (note 7) 10,091 - Total current liabilities 73,279 65,279 Noncurrent-payable from restricted assets: 47,205 65,279 Noncurrent-payable (note 9) 111 1,229 Return of capital payable (note 9) 111 1,229 Return of capital payable (note 11) 672 3,599 Deferred credit (note 2) 11 725 Bonds payable, net (note 6) 283,338 364,081 Loan payable to State of Alaska (note 7) 67,500 63,000 Other debt payable (note 7) 95,015 115,250 Total noncurrent liabilities 446,647 547,884 Total liabilities <td>Accounts payable</td> <td>588</td> <td>406</td>	Accounts payable	588	406
Warrants outstanding (note 4) 22 93 Accounts payable 71 98 Arbitrage rebate payable (note 9) 999 631 Return of capital payable (note 11) 10,016 9,309 Interest payable 3,464 3,875 Deferred credit (note 2) - 1,730 Bonds payable (note 6) 46,065 47,205 Other debt payable (note 7) 10,091 - Total current liabilities 73,279 65,279 Noncurrent-payable from restricted assets: Arbitrage rebate payable (note 9) 111 1,229 Return of capital payable (note 9) 11 725 Bonds payable, net (note 6) 283,338 364,081 Loan payable to State of Alaska (note 7) 67,500 63,000 Other debt payable (note 7) 95,015 115,250 Total noncurrent liabilities 446,647 547,884 Total liabilities 519,926 613,163 Commitments and contingencies (note 11) - - Net assets: Unrestricted (note 2) 97,674 122,482 Restricted 119,154 82,128	Payable from restricted assets:		
Accounts payable 71 98 Arbitrage rebate payable (note 9) 999 631 Return of capital payable (note 11) 10,016 9,309 Interest payable 3,464 3,875 Deferred credit (note 2) - 1,730 Bonds payable (note 6) 46,065 47,205 Other debt payable (note 7) 10,091 - Total current liabilities 73,279 65,279 Noncurrent-payable from restricted assets: Arbitrage rebate payable (note 9) 111 1,229 Return of capital payable (note 9) 11 725 Bonds payable, net (note 6) 283,338 364,081 Loan payable to State of Alaska (note 7) 67,500 63,000 Other debt payable (note 7) 95,015 115,250 Total noncurrent liabilities 446,647 547,884 Total liabilities 519,926 613,163 Commitments and contingencies (note 11) - - Net assets: Unrestricted (note 2) 97,674 122,482 Restricted 119,154 82,128 Total net assets 216,828 204,610 </td <td>Due to U.S. Dept of Education (note 10)</td> <td>915</td> <td>903</td>	Due to U.S. Dept of Education (note 10)	915	903
Arbitrage rebate payable (note 9) 999 631 Return of capital payable (note 11) 10,016 9,309 Interest payable 3,464 3,875 Deferred credit (note 2) - 1,730 Bonds payable (note 6) 46,065 47,205 Other debt payable (note 7) 10,091 - Total current liabilities 73,279 65,279 Noncurrent-payable from restricted assets: - 111 1,229 Return of capital payable (note 9) 111 725 Return of capital payable (note 11) 672 3,599 Deferred credit (note 2) 11 725 Bonds payable, net (note 6) 283,338 364,081 Loan payable to State of Alaska (note 7) 67,500 63,000 Other debt payable (note 7) 95,015 115,250 Total noncurrent liabilities 446,647 547,884 Total liabilities 519,926 613,163 Commitments and contingencies (note 11) - - Net assets: Unrestricted (note 2) 97,674 122,482 Restricted 119,154 82,128 <	Warrants outstanding (note 4)	22	93
Return of capital payable (note 11) 10,016 9,309 Interest payable 3,464 3,875 Deferred credit (note 2) - 1,730 Bonds payable (note 6) 46,065 47,205 Other debt payable (note 7) 10,091 - Total current liabilities 73,279 65,279 Noncurrent-payable from restricted assets: - 111 1,229 Return of capital payable (note 9) 111 725 Return of capital payable (note 11) 672 3,599 Deferred credit (note 2) 11 725 Bonds payable, net (note 6) 283,338 364,081 Loan payable to State of Alaska (note 7) 67,500 63,000 Other debt payable (note 7) 95,015 115,250 Total noncurrent liabilities 446,647 547,884 Total liabilities 519,926 613,163 Commitments and contingencies (note 11) - - Net assets: Unrestricted (note 2) 97,674 122,482 Restricted 119,154 82,128	Accounts payable	71	98
Interest payable 3,464 3,875 Deferred credit (note 2) - 1,730 Bonds payable (note 6) 46,065 47,205 Other debt payable (note 7) 10,091 - Total current liabilities 73,279 65,279 Noncurrent-payable from restricted assets: - Arbitrage rebate payable (note 9) 111 1,229 Return of capital payable (note 11) 672 3,599 Deferred credit (note 2) 11 725 Bonds payable, net (note 6) 283,338 364,081 Loan payable to State of Alaska (note 7) 67,500 63,000 Other debt payable (note 7) 95,015 115,250 Total noncurrent liabilities 446,647 547,884 Total liabilities 519,926 613,163 Commitments and contingencies (note 11) - - Net assets: Unrestricted (note 2) 97,674 122,482 Restricted 119,154 82,128 Total net assets 216,828 204,610	Arbitrage rebate payable (note 9)	999	631
Deferred credit (note 2) - 1,730 Bonds payable (note 6) 46,065 47,205 Other debt payable (note 7) 10,091 - Total current liabilities 73,279 65,279 Noncurrent-payable from restricted assets: - - Arbitrage rebate payable (note 9) 111 1,229 Return of capital payable (note 11) 672 3,599 Deferred credit (note 2) 11 725 Bonds payable, net (note 6) 283,338 364,081 Loan payable to State of Alaska (note 7) 67,500 63,000 Other debt payable (note 7) 95,015 115,250 Total noncurrent liabilities 446,647 547,884 Total liabilities 519,926 613,163 Commitments and contingencies (note 11) - - Net assets: Unrestricted (note 2) 97,674 122,482 Restricted 119,154 82,128 Total net assets 216,828 204,610	Return of capital payable (note 11)	10,016	9,309
Bonds payable (note 6) 46,065 47,205 Other debt payable (note 7) 10,091 - Total current liabilities 73,279 65,279 Noncurrent-payable from restricted assets: - Arbitrage rebate payable (note 9) 111 1,229 Return of capital payable (note 11) 672 3,599 Deferred credit (note 2) 11 725 Bonds payable, net (note 6) 283,338 364,081 Loan payable to State of Alaska (note 7) 67,500 63,000 Other debt payable (note 7) 95,015 115,250 Total noncurrent liabilities 446,647 547,884 Total liabilities 519,926 613,163 Commitments and contingencies (note 11) - - Net assets: Unrestricted (note 2) 97,674 122,482 Restricted 119,154 82,128 Total net assets 216,828 204,610	Interest payable	3,464	3,875
Other debt payable (note 7) 10,091 - Total current liabilities 73,279 65,279 Noncurrent-payable from restricted assets: - Arbitrage rebate payable (note 9) 111 1,229 Return of capital payable (note 11) 672 3,599 Deferred credit (note 2) 11 725 Bonds payable, net (note 6) 283,338 364,081 Loan payable to State of Alaska (note 7) 67,500 63,000 Other debt payable (note 7) 95,015 115,250 Total noncurrent liabilities 446,647 547,884 Total liabilities 519,926 613,163 Commitments and contingencies (note 11) - - Net assets: Unrestricted (note 2) 97,674 122,482 Restricted 119,154 82,128 Total net assets 216,828 204,610	Deferred credit (note 2)	-	1,730
Total current liabilities 73,279 65,279 Noncurrent-payable from restricted assets: 3,279 65,279 Arbitrage rebate payable (note 9) 111 1,229 Return of capital payable (note 11) 672 3,599 Deferred credit (note 2) 11 725 Bonds payable, net (note 6) 283,338 364,081 Loan payable to State of Alaska (note 7) 67,500 63,000 Other debt payable (note 7) 95,015 115,250 Total noncurrent liabilities 446,647 547,884 Total liabilities 519,926 613,163 Commitments and contingencies (note 11) - - Net assets: 97,674 122,482 Restricted 119,154 82,128 Total net assets 216,828 204,610	Bonds payable (note 6)	46,065	47,205
Noncurrent-payable from restricted assets: In the strict of the stri	Other debt payable (note 7)	10,091	
Arbitrage rebate payable (note 9) 111 1,229 Return of capital payable (note 11) 672 3,599 Deferred credit (note 2) 11 725 Bonds payable, net (note 6) 283,338 364,081 Loan payable to State of Alaska (note 7) 67,500 63,000 Other debt payable (note 7) 95,015 115,250 Total noncurrent liabilities 446,647 547,884 Total liabilities 519,926 613,163 Commitments and contingencies (note 11) - - Net assets: 97,674 122,482 Restricted 119,154 82,128 Total net assets 216,828 204,610	Total current liabilities	73,279	65,279
Return of capital payable (note 11) 672 3,599 Deferred credit (note 2) 11 725 Bonds payable, net (note 6) 283,338 364,081 Loan payable to State of Alaska (note 7) 67,500 63,000 Other debt payable (note 7) 95,015 115,250 Total noncurrent liabilities 446,647 547,884 Total liabilities 519,926 613,163 Commitments and contingencies (note 11) - - Net assets: 97,674 122,482 Restricted 119,154 82,128 Total net assets 216,828 204,610	Noncurrent-payable from restricted assets:		
Deferred credit (note 2) 11 725 Bonds payable, net (note 6) 283,338 364,081 Loan payable to State of Alaska (note 7) 67,500 63,000 Other debt payable (note 7) 95,015 115,250 Total noncurrent liabilities 446,647 547,884 Total liabilities 519,926 613,163 Commitments and contingencies (note 11) - - Net assets: Unrestricted (note 2) 97,674 122,482 Restricted 119,154 82,128 Total net assets 216,828 204,610	Arbitrage rebate payable (note 9)	111	1,229
Deferred credit (note 2) 11 725 Bonds payable, net (note 6) 283,338 364,081 Loan payable to State of Alaska (note 7) 67,500 63,000 Other debt payable (note 7) 95,015 115,250 Total noncurrent liabilities 446,647 547,884 Total liabilities 519,926 613,163 Commitments and contingencies (note 11) - - Net assets: Unrestricted (note 2) 97,674 122,482 Restricted 119,154 82,128 Total net assets 216,828 204,610	Return of capital payable (note 11)	672	3,599
Loan payable to State of Alaska (note 7) 67,500 63,000 Other debt payable (note 7) 95,015 115,250 Total noncurrent liabilities 446,647 547,884 Total liabilities 519,926 613,163 Commitments and contingencies (note 11) - - Net assets: Unrestricted (note 2) 97,674 122,482 Restricted 119,154 82,128 Total net assets 216,828 204,610		11	725
Other debt payable (note 7) 95,015 115,250 Total noncurrent liabilities 446,647 547,884 Total liabilities 519,926 613,163 Commitments and contingencies (note 11) - - Net assets: Unrestricted (note 2) 97,674 122,482 Restricted 119,154 82,128 Total net assets 216,828 204,610	Bonds payable, net (note 6)	283,338	364,081
Other debt payable (note 7) 95,015 115,250 Total noncurrent liabilities 446,647 547,884 Total liabilities 519,926 613,163 Commitments and contingencies (note 11) - - Net assets: Unrestricted (note 2) 97,674 122,482 Restricted 119,154 82,128 Total net assets 216,828 204,610	Loan payable to State of Alaska (note 7)	67,500	63,000
Total liabilities 519,926 613,163 Commitments and contingencies (note 11) - - Net assets: Unrestricted (note 2) 97,674 122,482 Restricted 119,154 82,128 Total net assets 216,828 204,610	Other debt payable (note 7)	95,015	115,250
Commitments and contingencies (note 11) - - Net assets: Unrestricted (note 2) 97,674 122,482 Restricted 119,154 82,128 Total net assets 216,828 204,610	Total noncurrent liabilities	446,647	547,884
Net assets: 97,674 122,482 Unrestricted (note 2) 97,674 122,482 Restricted 119,154 82,128 Total net assets 216,828 204,610	Total liabilities	519,926	613,163
Unrestricted (note 2) 97,674 122,482 Restricted 119,154 82,128 Total net assets 216,828 204,610	Commitments and contingencies (note 11)		
Restricted 119,154 82,128 Total net assets 216,828 204,610	Net assets:		
Restricted 119,154 82,128 Total net assets 216,828 204,610	Unrestricted (note 2)	97,674	122,482
Total net assets 216,828 204,610	· · · · · · · · · · · · · · · · · · ·		
	Total net assets		

(a Component Unit of the State of Alaska)

Statements of Revenue, Expenses and Changes in Net Assets

Years ended June 30, 2011 and 2010

(in thousands)

	2011	2010
Operating revenue:		
Interest - loans	\$ 35,366	35,891
Investment income	2,270	1,320
Other	-	22
Total operating revenue	37,636	37,233
Operating expenses:		
Interest	11,713	11,809
Administration	12,776	14,173
Provision (note 5)	3,404	5,083
Amortization and retirement of debt issue costs (note 8)	471	769
Arbitrage rebate (note 9)	(932)	(92)
Total operating expenses	27,432	31,742
Operating income	10,204	5,491
Nonoperating expense:		
Interest	2,399	3,043
Administration	83	16
Amortization and retirement of debt issue costs (note 8)	165	165
Nonoperating expense	2,647	3,224
Income before effect of change in accounting		
estimate, special item and return of capital	7,557	2,267
Effect of change in accounting estimate (note 6)	-	4,342
Special item - gain on cancellation of bonds (note 6)	4,734	17,406
Return of capital (note 11)	(73)	(54)
Change in net assets	12,218	23,961
Total net assets - beginning	204,610	180,649
Total net assets - ending	\$ 216,828	204,610
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(a Component Unit of the State of Alaska)

Statements of Cash Flows

Years ended June 30, 2011 and 2010

(in thousands)

		2011	2010
Cash flows from operating activities:			
Principal payments received on loans	\$	66,986	58,786
Interest received on loans		18,895	19,287
Other receipts		339	582
Loans originated		(12,164)	(69,162)
Administration		(12,592)	(13,671)
Interest paid on debt		(12,802)	(11,802)
Principal payments on debt		(68,895)	(82,794)
Proceeds from State loan and other debt		4,500	178,250
Debt issue costs		(45)	(260)
Income received on investments		469	660
Investments matured or sold		662,165	3,088,154
Investments purchased		(617,258)	(3,145,034)
Net cash provided by operating activities	•	29,598	22,996
Cash flows from capital activities:			
Administration		(35)	(16)
Interest paid on debt		(3,298)	(4,087)
Principal paid on debt		(16,820)	(16,510)
Return of capital payments		(2,293)	(1,326)
Net cash used by capital activities		(22,446)	(21,939)
Net increase in cash		7,152	1,057
Cash at beginning of period		2,457	1,400
Cash at end of period	\$	9,609	2,457

(a Component Unit of the State of Alaska)

Statements of Cash Flows

Years ended June 30, 2011 and 2010

(in thousands)

_	2011	2010
Reconciliation of operating income to net cash		
provided by operating activities:		
Operating income \$ _	10,204	5,491
Adjustments to reconcile operating income to net cash		
provided by operating activities:		
Decrease in other assets	120	594
Decrease (increase) in interest receivable - investments	(664)	14
Decrease (increase) in net interest receivable - loans	1,134	(344)
Decrease (increase) in investments	44,401	(56,853)
Decrease (increase) in net loans receivable	43,418	(17,993)
Decrease in net debt issue costs	486	449
Increase in due to U.S. Department of Education	109	378
Increase in net due to State of Alaska	5	33
Decrease in warrants outstanding	(230)	(156)
Increase in accounts payable	107	19
Decrease in net arbitrage rebate payable	(1,563)	(793)
Increase (decrease) in interest payable	(12)	1,204
Decrease in deferred credit	(2,444)	(3,305)
Decrease in bonds payable	(59,829)	(83,992)
Increase in loan payable	4,500	63,000
Increase (decrease) in other debt payable	(10,144)	115,250
Total adjustments	19,394	17,505
Net cash provided by operating activities \$	29,598	22,996
Summary of noncash capital activities that affect		
recognized assets and liabilities:		
Debt issue cost amortization \$	165	165
Return of capital payable	73	54
Interest payable	2,900	3,694
Bond premium amortization	(500)	(3,475)

(a Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2011 and 2010

(in thousands)

(1) Authorizing Legislation and Organization

The Alaska Student Loan Corporation (Corporation), a component unit of the State of Alaska (State), was created in 1987 by an act of the State Legislature (Legislature). The purpose of the Corporation is to provide low-cost education loans to Alaskans pursuing education and training at a postsecondary level and for other qualified individuals attending postsecondary institutions in the State. The Corporation is authorized, with certain limitations, to issue bonds and other obligations necessary to provide sufficient funds for carrying out its purpose. The State Governor appoints the Corporation's Board of Directors (Board).

The Corporation contracts with the Alaska Commission on Postsecondary Education (Commission) to service its loan portfolio and to provide staff support for the Corporation. The Commission is a separate legal entity responsible for staff costs; therefore, the Corporation has no pension disclosure.

(2) Summary of Significant Accounting Policies

(a) Fund Accounting

The financial activities of the Corporation, which are restricted by the Corporation's various debt instruments and State statutes, are recorded in various funds as necessitated by sound fiscal management. The funds are combined for financial statement purposes and there are no significant interfund transactions. The Corporation's funds are considered to be enterprise funds for financial reporting purposes with revenues recognized when earned and expenses when incurred.

(b) Standard Application

As allowed by Government Accounting Standards Board Statement No. 20 (GASB No. 20), Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the Corporation has elected not to apply Statements and Interpretations issued by the Financial Accounting Standards Board after November 30, 1989.

(c) Fiscal Year

The Corporation's fiscal year begins July 1 and ends June 30, consistent with the State's fiscal year.

(d) Operating Revenues and Expenses

The Corporation was created with the authority to issue bonds and other obligations in order to finance education loans to qualified borrowers. Its operating revenue is derived from interest on education loans and earnings on investments. The cost of financing and servicing education loans is recorded as an operating expense.

(a Component Unit of the State of Alaska)

Notes to Financial Statements

(2) Summary of Significant Accounting Policies (cont.)

(e) Management Estimates

In preparing the financial statements in accordance with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect reported amounts. Actual amounts could differ from estimates. The significant accounting and reporting estimates applied in the preparation of the accompanying financial statements are discussed below.

(f) Loans

Loans represent education loans issued through the AlaskAdvantage Loan Program[®] which include Supplemental Education, Alternative Consolidation, Teacher Education (TEL), Family Education (FEL), (collectively referred to as State loans), federally guaranteed Stafford (subsidized and unsubsidized), PLUS, and Consolidation (subsidized and unsubsidized) loans (collectively referred to as Federal loans). Loan terms vary depending on the year of origination and loan type. Interest accrues at fixed and variable rates ranging from 1.87% to 9% and is generally determined by loan type and year of origination.

(g) Interest on Loans

Interest on loans is accrued when earned. For federally guaranteed subsidized loans, interest from the disbursement date of the loan until a date that is six months after the borrower withdraws from school (plus any authorized deferment and eligible income-based repayment periods) is paid by the U.S. Department of Education (Department) under the Federal Family Education Loan Program. The borrower is responsible for interest accruing subsequent to that date.

For federally guaranteed non-subsidized loans and for all State loans (other than TEL) awarded after June 30, 2002, interest accruing from the disbursement date is the responsibility of the borrower. For TELs awarded after June 30, 2002, interest accruing from the date the borrower ceases to be enrolled in school is the responsibility of the borrower.

State loans (other than FEL) awarded prior to July 1, 2002, are non-interest bearing while the borrower is completing eligible studies. State loans (other than FEL) awarded prior to July 1, 1996, are non-interest bearing during approved periods of deferment. State loans (other than FEL) awarded prior to July 1, 1987, are also non-interest bearing during a one-year grace period following completion of studies and a six-month grace period following an approved deferment. For FELs awarded prior to July 1, 2002, interest accruing from the disbursement date is the responsibility of the borrower.

Non-interest bearing loans were approximately \$3,846 and \$4,837 at June 30, 2011 and 2010, respectively.

The cost of borrower benefits awarded to eligible borrowers is recorded as a reduction in interest income on loans. The borrower benefit offerings are approved by the Board annually and may vary from year-to-year.

(a Component Unit of the State of Alaska)

Notes to Financial Statements

(2) Summary of Significant Accounting Policies (cont.)

(h) Allowances and Provision

The allowances represent management's estimate, based on experience, of loans, and accrued interest on loans that will ultimately be uncollectible or forgiven. The Corporation writes off State loans upon death, bankruptcy (as required by law), total disability, or when payment activity ceases and the loan is no longer credit reportable. The Corporation writes off the portion of Federal loan balances not guaranteed and deemed uncollectible. Accrued unpaid interest is written off when the related loan is written off.

A borrower of a TEL can obtain up to 100% forgiveness of loan principal and interest if the borrower teaches in rural Alaska for periods specified by the program. A borrower of a State loan (other than TEL) awarded prior to July 1, 1987, can obtain up to 50% forgiveness of loan principal and interest if the borrower meets conditions specified by the program.

(i) Deferred Credit

Borrowers of State loans originated after June 30, 1994, are subject to an origination fee at disbursement of 1%, 3%, or 5%, generally determined by year of origination. Loan origination fees, recognized as a deferred credit, must be used by the Corporation to offset losses incurred as a result of death, disability, default, or bankruptcy of the borrower as required by State statute. The allowance for doubtful loans has been reduced by the deferred credit balance.

(j) Debt Issue Costs

Debt issue costs include underwriters' fees and other costs incurred in connection with the issuance of debt and are amortized over the life of the debt using the straight-line method.

(k) **Bond Premiums**

The Corporation changed its method of amortizing bond premiums over the life of the bond from the straight-line method to the effective method effective July 1, 2009. See note 7 for additional information.

(1) Income Taxes

The Corporation, as a governmental instrumentality, is exempt from federal and state income taxes.

(m) **Investments**

Investments are carried at fair value and trades are recorded on a trade-date basis. Securities are valued at least monthly using prices obtained from a pricing service when such prices are available; otherwise, such securities are valued at the mid-point between the bid and asked price or at prices for securities of comparable maturity, quality and type.

(n) Unrestricted Net Assets

Unrestricted net assets represent assets not pledged as collateral to secure payment of debt or restricted by State statute.

(a Component Unit of the State of Alaska)

Notes to Financial Statements

(2) Summary of Significant Accounting Policies (cont.)

(o) Reclassifications

Reclassifications not affecting change in net assets have been made to the 2010 financial statements to conform to the 2011 presentation.

(3) Cash and Investments

(a) Cash

(1) Cash summarized by classification at June 30 is shown below:

	ı	2011	2010
Current, unrestricted	\$	4,410	1,353
Noncurrent, restricted		5,199	1,104
Total	\$	9,609	2,457

(2) Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, deposits may not be returned. The Corporation has not established a custodial credit risk policy for its deposits.

At June 30, 2011, the Corporation had no cash exposed to custodial credit risk; however, the corporation did choose to invest in money market deposit accounts that are subject to custodial credit risk [see note (3)(b)(3)].

(b) *Investments*

(1) The fair value at June 30, of the Corporation's investments, by classification, is shown below:

	2011	2010
Current:		
Unrestricted	\$ 1,066	827
Restricted	67,399	67,402
Noncurrent:		
Unrestricted	23,715	27,183
Restricted	48,392	89,561
Total	\$ 140,572	184,973

(a Component Unit of the State of Alaska)

Notes to Financial Statements

(3) Cash and Investments (cont.)

(b) **Investments**

(2) Investment Policies

The Corporation utilizes different investment strategies depending upon the nature and intended use of the assets being invested.

Restricted funds, other than those restricted by State statute, are invested according to the terms outlined in their respective debt instruments which generally mandate the purchase of relatively short-term, high quality fixed income securities. Investments are managed by a contracted external investment manager, or by the State of Alaska's Department of Revenue, Treasury Division (Treasury). The following securities are eligible for investment of restricted funds under the Corporation's investment policy:

- Under the 2002 and 2004 Master Indentures, the 2009 Loan Trust, and the 2010 Funding Note Purchase Agreement (FNPA), direct general obligations of, or obligations fully and unconditionally guaranteed as to the timely payment of principal and interest by, the United States (U.S.) or any agency thereof, provided such obligations are backed by the full faith and credit of the U.S. Under the 2005 Master Indenture, direct obligations of the U.S.
- Under the 2005 Master Indenture, senior debt obligations, rated AAA by Standard and Poor's (S&P), issued by the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC), obligations of the Resolution Funding Corporation, senior debt obligations of the Federal Home Loan Bank, and senior debt obligations of any government sponsored agencies approved by the bond insurer.
- Under the 2002 and 2004 Master Indentures, U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short-term certificates of deposit on the date of purchase of at least A-1+ by S&P and P-1 by Moody's and maturing no more than 360 days after the date of purchase. Under the 2005 Master Indenture, such investments are allowed if the rating from S&P is A-1 or better on the date of purchase.
- Under the 2002 and 2004 Master Indentures, commercial paper which is rated, at the time of purchase, at least A-1+ by S&P and P-1 by Moody's. Under the 2005 Master Indenture, such investments are allowed if rated A-1+ or better by S&P at the time of purchase and if the investment matures not more than 270 days after the date of purchase. Under the FNPA, such investments are allowed if rated A-1+ by S&P and F1+ or higher by Fitch at the time of purchase.

(a Component Unit of the State of Alaska)

Notes to Financial Statements

(3) Cash and Investments (cont.)

(b) **Investments**

(2) Investment Policies

- Under the 2009 Loan Trust, short-term investments with domestic commercial banks maturing not more than 365 calendar days after the date of purchase, provided, however, that such investments are unconditionally guaranteed by the U.S.; or fully collateralized by securities which are unconditionally guaranteed by the U.S. or that the long-term unsecured debt obligations of such depository institution or trust company at and during the term of such investment are rated at least in the second highest rating category possible.
- Under the FNPA, demand deposits, including interest bearing money market accounts, time deposits, trust funds, trust accounts, overnight bank deposits, interest-bearing deposits and certificates of deposit or bankers acceptances of depository institutions having a long-term rating equivalent of AAA or higher by S&P and Fitch at the time of and during investment.
- Under the 2002 and 2004 Master Indentures, investments in money market funds rated AAAm or AAAm-G or better by S&P and Aaa by Moody's. Under the 2005 Master Indenture, such investments are allowed if rated AAAm or AAAm-G or better by S&P. Under the 2009 Loan Trust, such investments are allowed if rated at least "Aaa" by S&P or otherwise in the highest rating category of S&P for money market funds and at least "AA" or "F-1+" by Fitch if the money market fund has the ability to maintain a stable one dollar net asset value per share and the shares are freely transferable on a daily basis. Under the FNPA, such investments are allowed if rated in the highest investment category granted thereby from S&P and Fitch.
- Under the 2002 and 2004 Master Indentures, general obligations of any state or municipality with a rating of at least A by S&P and Aaa by Moody's. Under the 2005 Master Indenture, general obligations of states with a rating of A or higher by S&P.
- Under the 2004 and 2005 Master Indentures, repurchase agreements for 30 days or less
 provided they are with banks, or primary dealers on the Federal Reserve reporting dealer
 list, rated A or better by S&P and Moody's. Under the FNPA, repurchase and reverse
 repurchase agreements collateralized with obligations fully and unconditionally
 guaranteed as to timely payment by, the U.S. government or any agency, instrumentality,
 or establishment of the U.S. government.
- Under the 2002 Master Indenture, guaranteed investment contracts, investment agreements and repurchase agreements secured by collateral. Under the 2004 Master Indenture, such contracts or agreements must be acceptable to the bond insurer.

(a Component Unit of the State of Alaska)

Notes to Financial Statements

(3) Cash and Investments (cont.)

(b) Investments

(2) Investment Policies

- Under the 2005 Master Indenture, investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least AA by S&P and Aa by Moody's.
- Under the 2002 Master Indenture, unsecured guaranteed investment contracts or investment agreements with any bank, bank holding company, corporation or any other financial institution meeting the following:

		Ratings							
	Commer	cial Paper	Unsecured L	Unsecured Long-term Debt					
Maturity	S&P's	Moody's	S&P's	Moody's					
12 months or less	A-1+	P-1	-	-					
24 months or less	A-1+	P-1	A-	Aa3					
more than 24 months	A-1+	P-1	AA-	Aa3					

Contracts or agreements with an insurance company whose claims paying ability is so rated, is also allowable.

Under the 2004 Master Indenture, such contracts and agreements must be acceptable to the bond insurer.

- Under the 2009 Loan Trust, holdings in any of the various fixed-income pools managed by Treasury.
- Under the 2002 Master Indenture, any other investment approved in writing by S&P and Moody's. Under the 2004 Master Indenture, any other investment approved in writing by S&P, Moody's and the bond insurer.

Unrestricted funds and funds restricted by State statute may be invested in the various fixed-income pools managed by Treasury. Investments in the State's fixed-income investment pools are made in accordance with the State's General Investment Policy. These investments represent an ownership share of the pool's securities rather than ownership of specific securities themselves. Actual investing is performed or managed by Treasury's investment officers.

(a Component Unit of the State of Alaska)

Notes to Financial Statements

(3) Cash and Investments (cont.)

(b) Investments

(2) Investment Policies

A complete description of the investment policy for each of the State's fixed-income investment pools is included in the <u>Department of Revenue</u>, <u>Treasury Division's</u>, <u>Policies and Procedures</u>.

In addition to the State's fixed-income investment pools, the following securities are eligible for investment of unrestricted funds and funds restricted by State statute under the Corporation's investment policy:

- Direct obligations of the U.S. Treasury, obligations of federal agencies which represent the full faith and credit of the U.S. and also unconditionally guaranteed as to the timely payment of principal and interest by the U.S.
- Bonds, notes or other evidences of indebtedness rated "AAA/Aaa" and issued by federal agencies which do not represent the full faith and credit of the U.S.
- Bonds, notes or other evidences of indebtedness rated "A" or better and issued by domestic municipalities.
- Corporate bonds and convertible securities rated "A" or better.
- Collateralized mortgage obligations originated from a federal agency.
- Collateralized investment contracts and repurchase agreements.
- Uncollateralized investment contracts as long as the investment provider's long-term rating is and remains the highest possible throughout the contract term.
- Fixed income money or mutual funds rated "A" or better.
- Certificates of deposit and term deposits of U.S. domestic financial institutions or trust
 companies which are members of the Federal Deposit Insurance Corporation as long as
 collateralized at 100% of principal and accrued unpaid interest or that the long-term
 unsecured debt obligations of such depository institution or trust company at and during
 the term of such investment are rated at least in the second highest rating category
 possible.
- Short-term domestic corporate promissory notes (commercial paper) payable in U.S. dollars as long as the provider's short-term rating is of the highest rating possible throughout the investment term.

(a Component Unit of the State of Alaska)

Notes to Financial Statements

(3) Cash and Investments (cont.)

(b) Investments

(3) Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Corporation mitigates its credit risk by limiting investments to those permitted in the investment policies, diversifying the investment portfolio, and pre-qualifying firms with which the Corporation administers its investment activities.

The fair value of the Corporation's investments by type and credit quality ratings, using S&P's rating scale without modifiers, at June 30 are shown below:

Investment Type	Ratings	2011	2010
Pooled repurchase agreement account	Not rated \$	-	1,010
U.S. government agency discount notes	Not rated	4,000	2,888
Mortgage-backed securities (agencies)	AAA	63,686	-
Money market funds	AAA	5,558	-
Money market mutual funds	AAA	-	1,405
Money market mutual funds	Not rated	2,633	-
Money market deposit account	Not rated	29,700	112,381
Guaranteed investment contracts	Not rated	8,253	9,949
Corporate bonds	AA	5,550	-
Corporate bonds	A	5,304	-
Internal investment pools	Next schedule	7,420	13,814
U.S. treasury securities	No credit exposure	8,468	43,526
Total	\$ _	140,572	184,973
	-		

At June 30, 2011, the Corporation had \$29,450 invested in a money market deposit account exposed to custodial credit risk.

(a Component Unit of the State of Alaska)

Notes to Financial Statements

(3) Cash and Investments (cont.)

(b) **Investments**

(3) Credit Risk

Treasury's investment policy for the State's internal investment pools has the following limitations with regard to credit risk.

Short-term Fixed Income Pool investments are limited to instruments with a long-term credit rating of at least A3 or equivalent and instruments with a short-term credit rating of at least P-1 or equivalent. Asset-backed and non-agency mortgage securities are limited to those rated A3 or equivalent. The A3 rating is defined as the median rating of the following three rating agencies: S&P, Moody's and Fitch.

Intermediate-term Fixed Income Pool investments are limited to securities with a long-term credit rating of at least Baa3 or equivalent and securities with a short-term credit rating of at least P-1 or equivalent. Asset-backed and non-agency mortgage securities must be investment grade. Investment grade is defined as the median rating of the three rating agencies previously mentioned.

Asset-backed and non-agency mortgage securities may be purchased by either pool if rated AAA or equivalent by one of the rating agencies previously mentioned.

The Corporation invests in the State's internally managed Intermediate-term Fixed Income Pool and the General Fund and Other Non Segregated Investments Pool (GeFONSI). GeFONSI consists of investments in the State's internally managed Short-term and Intermediate-term Fixed Income Pools.

(a Component Unit of the State of Alaska)

Notes to Financial Statements

(3) Cash and Investments (cont.)

(b) Investments

(3) Credit Risk

The fair value of the Corporation's share of the State's internal investment pools by type and credit quality ratings, using S&P's rating scale without modifiers, at June 30 are below:

			Intermediate-	Tot	als
Investment Type	Rating	Short-term	term	2011	2010
Commercial paper	A-1 \$	207	-	207	20
Commercial paper	Not rated	22	14	36	69
U.S. government agency	AAA	57	200	257	1,164
U.S. government agency	Not rated	-	-	-	105
U.S. gov. agency discount notes	Not rated	84	-	84	249
Mortgage-backed	AAA	47	124	171	560
Mortgage-backed	AA	-	3	3	-
Mortgage-backed	BBB	-	1	1	30
Mortgage-backed	Not rated	-	12	12	71
Other asset-backed	AAA	910	59	969	369
Other asset-backed	AA	-	-	-	4
Other asset-backed	A	2	-	2	7
Other asset-backed	CCC	-	1	1	-
Other asset-backed	Not rated	108	-	108	29
Overnight sweep account	Not rated	27	-	27	-
Corporate bonds	AAA	706	455	1,161	1,505
Corporate bonds	AA	43	47	90	247
Corporate bonds	A	96	142	238	415
Corporate bonds	BBB	-	62	62	135
Corporate bonds	Not rated	173	-	173	85
Yankees:					
Government	AA	-	29	29	98
Government	Not rated	-	2	2	-
Corporate	AAA	-	43	43	229
Corporate	AA	15	45	60	113
Corporate	A	3	18	21	56
Corporate	BBB	-	10	10	10
Corporate	Not rated	2	-	2	16
No credit exposure:					
U.S. treasury notes		-	3,085	3,085	3,390
U.S. treasury bills		478	-	478	217
U.S. treasury when-issued		-	-	-	4,438
U.S. treasury strip		-	3	3	-
Pool related net assets		4	81	85	183
Total	\$	2,984	4,436	7,420	13,814

(a Component Unit of the State of Alaska)

Notes to Financial Statements

(3) Cash and Investments (cont.)

(b) **Investments**

(4) Concentration Risk

Concentration risk is the risk of loss attributed to the magnitude of investments in a single investment provider.

For investment contracts, the investment providers will be limited to providing investments to the lesser of \$50,000 or 5% (10% prior to July 6, 2009) of total investments at the time the investment is made. These diversification standards are not applicable to contracts with investments in direct obligations of the U.S. Treasury, obligations of federal agencies which represent the full faith and credit of the U.S. and are also unconditionally guaranteed as to the timely payment of principal and interest by the U.S.

Investment Holdings Greater than Five Percent of Total Investments

The following investment holdings, summarized by issuer, include both investments that are governed by the maximum concentration limits of the Corporation's policy and investments which have no established concentration limits.

At June 30, 2011, the Corporation had investment balances greater than five percent of the Corporation's total investments with the following investment providers:

		Percent of Total
_	Fair Value	Investments
_	_	
\$	31,053	22.09
	29,700	21.13
	23,880	16.99
	10,800	7.68
	8,253	5.87
	\$	\$ 31,053 29,700 23,880 10,800

(a Component Unit of the State of Alaska)

Notes to Financial Statements

(3) Cash and Investments (cont.)

(b) **Investments**

(5) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Corporation mitigates interest rate risk by structuring maturities to meet cash requirements.

Duration

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

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

At June 30, 2011, the weighted average modified duration of investments, other than investments in the State's internal investment pools, is shown below:

U.S. government agency discount notes	0.16
Mortgage-backed (agencies)	2.58
Guaranteed investment contracts	9.63
Corporate bonds	4.75
U.S. treasury securities	3.24
Portfolio modified duration	3.39

The Corporation has not established an interest rate risk policy for such investments.

Through its investment policy, Treasury manages exposure to fair value losses arising from increasing interest rates by limiting effective duration of its Intermediate-term Fixed Income Pool to \pm 20% of the Merrill Lynch 1-5 year Government Bond Index. At June 30, 2011, the effective duration for the Merrill Lynch 1-5 year Government Bond Index was 2.54 years.

(a Component Unit of the State of Alaska)

Notes to Financial Statements

(3) Cash and Investments (cont.)

(b) Investments

(5) Interest Rate Risk

At June 30, 2011, the Intermediate-term Fixed Income Pool's effective duration, by investment type, is shown below:

Commercial paper	0.05
Corporate bonds	2.01
Mortgage-backed	1.52
Other asset-backed	1.08
U.S. treasury notes	3.09
U.S. treasury strip	6.37
U.S. government agency	2.65
Yankees:	
Government	1.92
Corporate	2.28
Portfolio effective duration	2.53

As a means of limiting the Short-term Fixed Income Pool's exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to fourteen months in maturity or fourteen months expected average life at purchase. Floating rate securities are limited to three years in maturity or three years expected average life at purchase. Treasury utilizes the actual maturity date for commercial paper and twelve month prepay speeds for other securities. At June 30, 2011, the expected average life of fixed rate securities held in the Short-term Fixed Income Pool ranged from one day to one year and the expected average life of floating rate securities ranged from eight days to fourteen years.

(a Component Unit of the State of Alaska)

Notes to Financial Statements

(3) Cash and Investments (cont.)

(c) Cash and investments include amounts specifically designated for financing education loans at June 30, as follows:

	_	2011	2010
Current:	•		
Unrestricted	\$	444	-
Restricted	_	176	1,291
Total	\$	620	1,291

(4) Loans Receivable

(a) The loan portfolio summarized by classification at June 30 is shown below:

	20	11	2010		
_	State Federal		State	Federal	
\$	12,131	233	8,124	11	
	88,510	2,815	104,447	507	
	380,242	180,367	408,391	195,638	
\$	480,883	183,415	520,962	196,156	
	\$	State \$ 12,131 88,510 380,242	\$ 12,131 233 88,510 2,815 380,242 180,367	State Federal State \$ 12,131 233 8,124 88,510 2,815 104,447 380,242 180,367 408,391	

(a Component Unit of the State of Alaska)

Notes to Financial Statements

(4) Loans receivable (cont.)

(b) Loans are financed by the issuance of tax-exempt revenue bonds, recycled loan payments, and proceeds from a State-funded loan. The loan portfolio summarized by program at June 30, is shown below:

	_	2011	2010
State Loans			
Supplemental Education	\$	397,644	423,697
Consolidation		71,172	84,072
Teacher Education		7,701	7,882
Family Education	_	4,366	5,311
Total State Loans		480,883	520,962
Federal Family Education Loans	_		
Stafford		154,438	164,132
PLUS		7,238	8,567
Consolidation	_	21,739	23,457
Total Federal Loans	_	183,415	196,156
Total	\$	664,298	717,118
	-		

(c) The loan portfolio summarized by status at June 30, follows:

	2011		20	10
	State	Federal	State	Federal
Enrollment	\$ 39,396	30,783	57,380	64,281
Grace	15,007	14,977	16,390	21,087
Repayment	368,230	94,766	375,233	76,608
Deferment	56,159	26,381	60,787	24,310
Forbearance	2,091	16,508	11,172	9,870
Total	\$ 480,883	183,415	520,962	196,156

(d) Included in loans receivable are \$42 and \$83 of loan warrants issued but not redeemed at June 30, 2011 and 2010, respectively. Redemption is contingent upon the borrower meeting certain eligibility requirements.

(a Component Unit of the State of Alaska)

Notes to Financial Statements

(4) Loans receivable (cont.)

(e) Loans awarded not disbursed at June 30, are shown below:

	 2011	2010
State Loans		
Supplemental Education	\$ 572	1,508
Family Education	48	66
Total State Loans	620	1,574
Federal Family Education Loans		
Stafford	-	896
PLUS	 -	56
Total Federal Loans	-	952
Total	\$ 620	2,526

(5) Allowances and Provision

A summary of activity in the allowances at June 30 follows:

		2011	2010
Balance at beginning of period Provision Balances charged off Balance at end of period	\$ \$_	140,134 3,404 (16,771) 126,767	142,505 5,083 (7,454) 140,134
		2011	2010
Allowance for doubtful loans Allowance for principal forgiveness Allowance for doubtful interest Allowance for interest forgiveness	\$ - \$	101,360 1,901 23,185 321 126,767	110,701 1,962 27,175 296 140,134

(a Component Unit of the State of Alaska)

Notes to Financial Statements

(6) Bonds Payable

(a) Bonds payable at June 30 consist of the following:

			Amount Ou	ıtstanding
		Original		
	Type	Amount	2011	2010
2002 Master Indenture, Education Loan:				
2003: Series A-1, due 2012 to 2016	Auction S	\$ 16,500	4,900	16,500
Series A-2, due 2038	Auction	30,500	30,300	30,500
2004: Series A-1, due 2044	Auction	45,500	32,100	44,500
Serial bonds, Series A-3, rates				
ranging from 5.0% to 5.25%,				
due 2012 to 2017	Fixed	22,015	15,730	22,015
2005: Serial bonds, Series A,				
rate 5.0%, due 2012 to 2018	Fixed	58,250	41,750	48,250
2006: Series A-1, due 2040	Auction	30,000	30,000	30,000
Serial bonds, Series A-2, rate				
5.0%, due 2012 to 2018	Fixed	55,000	43,000	48,500
2007: Series A-1, due 2042	Auction	41,500	28,500	41,500
Serial bonds, Series A-2, rate				
5.0%, due 2012 to 2019	Fixed	18,500	17,000	18,000
Serial bonds, Series A-3, rate		,	,	,
5.0%, due 2012 to 2014	Fixed	49,000	23,000	30,000
Sub-total		366,765	266,280	329,765

(a Component Unit of the State of Alaska)

Notes to Financial Statements

(6) Bonds Payable (cont.)

				Amount O	utstanding
		Original			
	Type	Amount	_	2011	2010
2004 Master Indenture, Series A Capital P	roject				
Serial bonds, rate 4.0%,					
due 2011 to 2016	Fixed	69,910)	26,595	33,415
Term bonds, rate 4.0%, due 2018	Fixed	5,230)	5,230	5,230
Sub-total		75,140)	31,825	38,645
2005 Master Indenture, Series A State Pro	jects:				
Serial bonds, rates ranging	v				
from 5% to 5.5%,					
due 2011 to 2014	Fixed	88,305	í	27,500	37,500
Total bonds payable		\$ 530,210)	325,605	405,910
Unamortized premium			=	3,798	5,376
Net bonds payable			\$	329,403	411,286
Current			\$	46,065	47,205
Noncurrent				283,338	364,081
Total			\$	329,403	411,286

- (b) Effective July 1, 2009, the Corporation changed its method of amortizing bond premiums from the straight-line method to the effective method. The effective method more closely matches premium amortization with bond interest expense, maintaining a constant effective rate of interest over the life of the bonds. The effect of this change in accounting principle could not be separated from the effect of the change in accounting estimate; therefore, it was accounted for as a change in estimate. As a result, change in net assets increased by \$4,342 (\$1,518 and \$2,824 related to operating interest expense and non-operating interest expense, respectively).
- (c) In early February 2008, the auction rate securities market collapsed. With the exception of the 2007 Series auction rate bonds/securities which auction every seven days, the Corporation's outstanding auction rate securities (ARS) continue to auction every thirty-five days. The Corporation's first auction failure occurred on February 12, 2008 and failures have continued through June 30, 2011. The supplemental indenture related to each series of ARS defines the maximum rate of interest to be assigned to the bonds when an auction fails.

(a Component Unit of the State of Alaska)

Notes to Financial Statements

(6) Bonds Payable (cont.)

The following definitions exist for the Corporation's ARS:

	Maximum Rate	Rate at June 30, 2011 by Series		
Bonds	(rounded to the nearest one-thousandth of 1%)	A-1	A-2	
2003	lesser of: (a) 150% of the higher of (i) the after-tax equivalent rate or (ii) the Kenny index; or (b) the Treasury bill cap; or (c) the commercial paper cap; or (d) the lesser of (i) 14% or (ii) the maximum rate permitted by State law (10.5%)	0.405%	0.465%	
2004	same as 2003 bonds	0.375%	-	
2006	same as 2003 bonds	0.420%	-	
2007	same as 2003 bonds except 12% replaces 14% in (d)	0.375%	-	

(d) The minimum payments and sinking fund installments for the five years subsequent to June 30, 2011, and thereafter are as follows:

Period Ending June 30	 Principal	Interest	Total
2012	\$ 46,065	10,098	56,163
2013	41,390	7,945	49,335
2014	39,730	5,983	45,713
2015	21,710	4,130	25,840
2016	20,020	3,173	23,193
2017-2021	35,790	5,054	40,844
2022-2026	-	2,471	2,471
2027-2031	-	2,471	2,471
2032-2036	-	2,471	2,471
2037-2041	60,300	1,900	62,200
2042-2044	60,600	428	61,028
Total	\$ 325,605	46,124	371,729

(a Component Unit of the State of Alaska)

Notes to Financial Statements

(6) Bonds Payable (cont.)

(e) Each Master Indenture represents a limited obligation trust which secures payment for the outstanding revenue bonds issued therein. The bonds are payable from assets pledged to the respective trust including principal and interest payments on pledged loans. The bonds do not constitute general obligations of the Corporation or of the State. The 2002 Master Indenture Bonds are private activity revenue bonds. The 2004 and 2005 Master Indenture Bonds are governmental purpose revenue bonds. Debt service payments are due as follows:

Master Indenture	Principal	Interest
2002	June 1 *	June 1 and December 1
2004	July 1 and January 1	July 1 and January 1
2005	July 1 and January 1	July 1 and January 1

^{*} The principal payments on the 2004 series auction rate bonds are due April 1st.

Certain bonds are subject to early redemption features, both mandatory and at the option of the Corporation. In addition, the bond indentures contain covenants relative to restrictions on additional indebtedness.

The 2004 Capital Project Revenue Bonds are insured by National Public Finance (formally MBIA Insurance Corporation) and the 2005 State Projects Revenue Bonds are insured by Assured Guaranty Municipal (formally Financial Security Assurance, Inc).

(f) The Corporation purchased \$84,700 of its outstanding auction rate securities on June 30, 2010, for \$67,294. On June 30, 2010, the Corporation cancelled the bonds purchased resulting in a gain on the cancellation of \$17,406.

The Corporation purchased \$35,600 of its outstanding auction rate securities on September 20, 2010, for \$30,866. On September 20, 2010, the Corporation cancelled the bonds purchased resulting in a gain on the cancellation of \$4,734.

(7) Other Debt Payable

(a) On July 17, 2009, the Corporation entered into a Trust and Loan Agreement with the State's Department of Revenue (acting on behalf of the State). The Loan Agreement provides up to \$100 million to the Corporation for the purpose of financing education loans. The loan is a four-year bullet loan accruing interest on the outstanding principal balance using a variable rate of interest equal to the most current rolling five-year average return on the State's general fund. The interest rate is reset annually and was 4.40% and 4.29% for the years ended 2011 and 2010, respectively. Interest is payable semi-annually in January and July. The loan is a limited obligation secured by pledged assets. The Corporation has the right to prepay the loan, in whole or in part, at any time, without penalty or premium.

(a Component Unit of the State of Alaska)

Notes to Financial Statements

(7) Other Debt Payable (cont.)

The Trust Agreement was entered into to secure payment of the loan. Loan proceeds drawn are deposited in the trust until education loans are originated. Education loans originated with loan proceeds, payments received on those loans, and earnings on pledged assets are all pledged to the trust.

Loan payable was \$67,500 and \$63,000 at June 30, 2011, and 2010, respectively.

(b) The Corporation refinanced \$118.8 million in Federal Family Education Loan Program (FFELP) loans through participation in the Asset-Backed Commercial Paper Conduit Put Program (Program) authorized by the HEA, as amended by the Ensuring Continued Access to Student Loans Act of 2008. To participate in the Program, the Corporation entered into a variable Funding Note Purchase Agreement (FNPA) dated June 9, 2010, with Straight-A Funding, LLC, who, on June 29, 2010, purchased the variable funding note at 97% of loans pledged.

The FNPA represents a limited obligation secured by pledged loans and other pledged assets, including principal and interest payments on pledged loans. Principal payments will be made from pledged assets as needed to maintain the required asset coverage ratio with the final payment due no later than November 19, 2013. The Corporation has the right to prepay the balance, in whole or in part, at any time, without penalty or premium.

Program financing costs, which include costs associated with commercial paper issued for the Program by Straight-A Funding, LLC, and other Program costs such as liquidity fees, administrative fees, managerial fees and put option fees, are allocated to Program participants monthly based on the participant's prorata share of total FNPA balances at month end. Program financing costs are paid monthly from pledged assets. Ratable financing costs paid by the Corporation was 0.66% and 0.78% of the Corporation's FNPA balance for the years ended 2011 and 2010, respectively.

The FNPA balance was \$105,106 and \$115,250 at June 30, 2011, and 2010, respectively.

The minimum payments for years subsequent to June 30, 2011 are as follows:

Period Ending June 30	 Principal	Interest	Total
2012	\$ 10,091	661	10,752
2013	9,122	597	9,719
2014	85,893	174	86,067
Total	\$ 105,106	1,432	106,538

(a Component Unit of the State of Alaska)

Notes to Financial Statements

(8) Debt Issue Cost

A summary of debt issue cost activity at June 30 follows:

	_	2011	2010
Balance at beginning of period	\$	3,215	3,829
Reimbursements		(15)	320
Retirements		(211)	(588)
Amortization	_	(425)	(346)
Balance at end of period	\$	2,564	3,215

(9) Yield Restriction and Arbitrage Rebate

Education loans financed with proceeds of tax-exempt bonds issued by the Corporation are subject to interest rate yield restrictions of no more than 2% over the bond yield. Education loans not financed by but pledged to secure tax-exempt bonds issued by the Corporation are subject to interest rate yield restrictions of no more than the bond yield. Earnings on non-loan investments pledged to bond indentures are subject to rebate provisions or restricted to the related bond yield. These restrictions are in effect over the lives of the bonds. As required by the Internal Revenue Service (IRS), the Corporation calculates and analyzes loan yields every ten years or earlier if necessitated by calling, cancelling or defeasing bonds. Investment yields are calculated and analyzed annually. These analyses are used to determine both compliance with IRS provisions and the arbitrage rebate liability. The amount accrued for arbitrage rebate liability represents the amount due to the IRS for earnings in excess of allowable yields. The amount recorded as arbitrage rebate receivable represents amounts paid to the IRS in past years that has now become refundable due to cumulative earnings no longer being in excess of those allowable.

(10) Federal Family Education Loan Program

Beginning with fiscal year 2003, the AlaskAdvantage program offerings expanded to include loans governed by the Higher Education Act (HEA), specifically federally guaranteed Stafford (subsidized and unsubsidized), PLUS and Consolidation (subsidized and unsubsidized) loans. To accommodate the Federal Family Education Loan Program (FFELP), the Corporation secured the status of "eligible lender" and entered into various agreements with Northwest Education Loan Association (NELA), which serves as the "eligible" guarantor. The lender-based FFELP was eliminated effective July 1, 2010, with the passage of the *Health Care and Education Affordability Reconciliation Act*. Therefore, fiscal year 2010 was the last year of federal loan guarantees for the Corporation.

As a holder of federal loans, the Corporation receives claim, special allowance and interest subsidy payments and pays excess interest, and rebate fees on federally guaranteed loans as specified in the HEA.

Claim payments are received from the guarantor when a borrower dies, becomes totally and permanently disabled, or defaults on a Federal loan. The lender is eligible for these payments provided they adhere to servicing requirements outlined in the HEA. Failure to fulfill the requirements may result in an interest penalty or loss of guarantee. In the case of a default claim, unpaid principal and interest are guaranteed

(a Component Unit of the State of Alaska)

Notes to Financial Statements

(10) Federal Family Education Loan Program (cont.)

at 98% if first originated prior to July 1, 2006, and 97% if first originated after June 30, 2006. Claims as a result of a borrower's death or total and permanent disability are guaranteed at 100%.

Special allowance rates are calculated quarterly based on the quarter's daily average three-month commercial paper rate as established by the Department, plus a predetermined factor that varies according to loan type, disbursement date, loan status, and not-for-profit eligibility of the lender less the loan's applicable interest rate. When the calculated rate is positive special allowance payments are received from the Department, when the calculated rate is negative the Corporation pays excess interest to the Department on loans first disbursed after April 1, 2006.

Interest subsidies are received quarterly from the Department on behalf of a qualified subsidized Stafford or subsidized Consolidation loan borrower during periods of enrollment, grace, deferment and eligible income based repayment periods.

A rebate fee, equal to 0.0875% of the unpaid principal and interest on consolidation loans, is paid monthly to the Department.

An origination fee was paid to the Department for Stafford and PLUS loans guaranteed through June 30, 2010 and disbursed by September 30, 2010. The fee was equal to a percentage of the disbursed amount. Borrowers of PLUS loans were charged 3% and borrowers of Stafford loans were charged 0.5%. The Corporation elected to pay the Stafford origination fee on behalf of the borrower.

Payment of a lender fee was required on federal loans guaranteed through June 30, 2010 and disbursed by September 30, 2010 in an amount equal to 1.0% of the disbursed amount. Origination and lender fees were paid quarterly to the Department.

Default fees were paid monthly to the guaranter for loans guaranteed through June 30, 2010 and disbursed by September 30, 2010. The fee, in the amount of 1.0% of the disbursed amount, was charged on Stafford and PLUS loans and paid on behalf of the borrower.

(11) Commitments and Contingencies

(a) **Operations**

The Corporation will fund approximately \$12,880 of the Commission's fiscal year 2012 operating budget for loan servicing and staff support. In addition, the Corporation will fund expenditures related to the Commission's fiscal year 2011 operating and capital project budgets of approximately \$268. The Commission's budget is subject to review and approval from both the executive and legislative branches of the State. Amounts funded by the Corporation will be based on expenditures paid by the Commission.

(b) Return of Capital

State statutes indicate that the Board may elect to pay the State a return of contributed capital or dividend annually based on net income. If the Board elects to make such a payment, the amount may not be less than 10%, or greater than 35%, of the Corporation's income before transfers when it equals or exceeds \$2,000 for the Base Fiscal Year. The Base Fiscal Year is defined as the fiscal year ending two years before the end of the fiscal year in which the payment is made.

(a Component Unit of the State of Alaska)

Notes to Financial Statements

(11) Commitments and Contingencies (cont.)

(b) Return of Capital

On October 27, 2010 and November 10, 2009, the Board chose not to return capital, based on income, to the State in fiscal year 2012 and 2011, respectively.

As an additional means of returning capital, State statutes allow the Corporation to issue bonds to finance State capital projects. No bonds have been issued since 2005 for this purpose. In fiscal years 2005 and 2004, the Corporation issued \$163,445 of capital project bonds to finance State capital projects. Bond documents related to the 2004 capital project bonds require earnings on bond proceeds to be used to finance State capital projects. The Corporation reimburses the State for expenditures related to projects funded with Corporation capital project bond proceeds and related earnings. Restricted investments include amounts specifically designated for financing State capital projects totaling \$10,688 and \$12,908 at June 30, 2011 and 2010, respectively.

(c) State Permanent Fund Dividend Garnishment

The Alaska Permanent Fund (Permanent Fund), established in the State Constitution in 1976, is held and managed by the State. The State deposits a percentage of oil and gas royalties into the Permanent Fund. By statute, the State pays a portion of the earnings of the Permanent Fund annually to individuals who apply and meet certain residency requirements, provided that sufficient funds are available for payment. Permanent Fund Dividend (PFD) payments could be eliminated or reduced by an amendment to State statutes. The Commission may garnish a borrower's PFD payment, if any, to satisfy the balance of a defaulted loan pursuant to State statutes. The Commission has garnishment priority over all other executors except State child support enforcement and any court ordered restitution. There is no assurance that any particular borrower will apply or qualify for a PFD payment.

PFD garnishments were approximately \$3,322 and \$3,421 for the years ended June 30, 2011 and 2010, respectively.

(d) Legislation

The State education loan program has traditionally been the subject of legislative action by the State. The laws governing the program have been amended from time to time and will continue to be the subject of legislative proposals calling for further amendment. The effect, if any, on the State program cannot be determined.

(e) Non Investment Interest Rate Risk

The Corporation is subject to interest rate risk relating to its variable rate bonds and variable rate loans. The bonds are subject to an interest rate cap of 10.50% while the loans are subject to an interest rate cap of 8.25% to 9.00% depending on loan type. The Corporation has various strategies available to manage the risk that the bond rate may rise above the loan rate.