

2011 COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Years Ended June 30, 2011 and 2010

(A Component Unit of the State of Alaska and Development Stage Enterprise)
Anchorage, Alaska



KNIK ARM BRIDGE AND TOLL AUTHORITY
Bringing Alaska together





ABOUT THE KNIK ARM BRIDGE AND TOLL AUTHORITY

For more than 80 years, Alaskans have aspired to build a bridge crossing the 35-mile long Knik Arm of Upper Cook Inlet to improve connections between Anchorage, the Matanuska-Susitna (Mat-Su) Borough and Interior Alaska. Since its selection as the site of the Alaska Railroad in 1915, Anchorage has evolved into the transportation, commercial and financial hub that serves as the lifeblood to most of Alaska. Today, about 90 percent of freight arriving in Alaska lands at the Port of Anchorage and serves 85 percent of our citizens. More recently, Port MacKenzie, the nation's northernmost deep-draft dock, was constructed on the west side of the Knik Arm, 80 miles from Anchorage by existing road, but only three miles across Knik Arm. Ted Stevens Anchorage International Airport is the fifth largest air cargo port in the world and serves millions of passengers annually. Anchorage continues to be the headquarters of the Alaska Railroad Corporation. Fifty-four percent of Alaskans live within 50 miles of the proposed Knik Arm Crossing project (KAC) and the regional population is expected to grow by an additional 145,000 to 260,000 people over the next 25 years, which equates to roughly 50 percent more people in the area. But Anchorage is still connected to the rest of the state by only a single highway. As a result, the need for the KAC has never been greater.

Recognizing the need to construct the KAC for the benefit of generations of Alaska's citizens, and understanding the funding challenge to meet the estimated \$650 to \$750 million project cost using conventional Federal Highway Trust Fund gas tax sources, the Alaska State Legislature created the Knik Arm Bridge and Toll Authority (KABATA or Authority) in 2003 under Alaska Statute 19.75. The Authority was established specifically "... to develop, stimulate, and advance the economic welfare of the state and further the development of public transportation systems in the vicinity of the Upper Cook Inlet with construction of a bridge to span Knik Arm and connect the Municipality of Anchorage and the Matanuska-Susitna Borough."

KABATA was created as a toll authority to access toll revenue-backed financing to pay for most of the project's estimated cost and to fund its operations and maintenance once constructed. Those citizens that benefit from using the toll bridge will pay for the majority of its construction, operations and maintenance costs over the life of the infrastructure.

KABATA is in the project development stage for the KAC and has been engaged in planning, conceptual design and environmental work for building the bridge and associated facilities, financial planning and other activities directed toward financing and constructing the KAC and establishing Authority operations. As the planning and environmental aspects of project development are well underway, KABATA initiated procurement of the KAC under a Public-Private Partnership (P3) to design, build, finance, operate and maintain the crossing for an estimated term of 35 years. KABATA is committed to completing the procurement in 2012 and opening the KAC to serve generations of Alaskans as soon as 2016.

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INTRODUCTORY SECTION





KNIK ARM BRIDGE AND TOLL AUTHORITY

820 East 15th Ave., Anchorage, AK 99501 | Phone: (907) 269-6698 Fax: (907) 269-6697

October 28, 2011

The Honorable Governor, Members of the Legislature and Citizens of the State of Alaska:

On behalf of the Knik Arm Bridge and Toll Authority (KABATA), it is our pleasure to present this Comprehensive Annual Financial Report (CAFR) for the fiscal years ended June 30, 2011 and 2010. The purpose of this CAFR is to provide the public and other stakeholders with detailed information reflecting KABATA's financial position and results of operations for the years ending June 30, 2011 and 2010 and its significant project development activities during 2011.

This CAFR has been prepared by the management of the Authority in accordance with U.S. generally accepted accounting principles. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. Accordingly, we have established and maintain a system of internal controls designed to achieve these financial objectives and the related objectives of safeguarding of assets, efficient operations and compliance with applicable laws and regulations. We believe that the data presented in this CAFR is accurate in all material respects and presents fairly the financial position and results of operations of KABATA.

KPMG LLP, certified public accountants, has performed an independent audit of KABATA's financial statements as of and for the years ended June 30, 2011 and 2010, in accordance with generally accepted auditing standards and the requirements of Alaska Statute (AS) 19.75.111. KPMG issued an unqualified opinion on those financial statements, which is included in the financial section of this CAFR. The financial section also includes Management's Discussion and Analysis (MD&A) that provides a narrative, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Recognizing the need to improve the State's transportation network by building the Knik Arm Crossing (KAC) for the benefit of Alaska's citizens, KABATA is dedicated to providing an effective and efficient facility that is substantially funded and maintained by user fees. KABATA initiated a public-private partnership (P3) procurement to design, construct, finance, operate and maintain the KAC for an expected term of 35 years after substantial completion. The Authority estimates that about 90 percent of the projected \$650 to \$750 million cost to construct the KAC will be privately financed with debt and equity. KABATA will own the toll revenue from the facility and make periodic availability payments to the selected private partner over the term of the agreement from that toll revenue. A P3 offers the potential to leverage the innovation and discipline of the private sector and share risks while allowing KABATA to maintain public ownership and oversight to deliver the project to Alaskans for the best value.

The Authority was established by the Alaska State Legislature in 2003 under AS 19.75 "... to develop, stimulate, and advance the economic welfare of the state and further the development of public transportation systems in the vicinity of the Upper Cook Inlet with construction of a bridge to span Knik Arm and connect the Municipality of Anchorage and the Matanuska-Susitna Borough." During 2011, the Authority progressed towards making the KAC a reality for the benefit of all Alaskans. Although 54 percent of Alaska's population lives within the Municipality of Anchorage and the Matanuska-Susitna Borough, the KAC will benefit all Alaskans through the transportation improvements it provides. It is our sincere belief that this CAFR demonstrates KABATA's financial position and results and its project development activities in a transparent and meaningful way.

Respectfully submitted,
KNIK ARM BRIDGE AND TOLL AUTHORITY

A handwritten signature in blue ink that reads "Michael L. Foster".

Michael L. Foster
Board Chairman

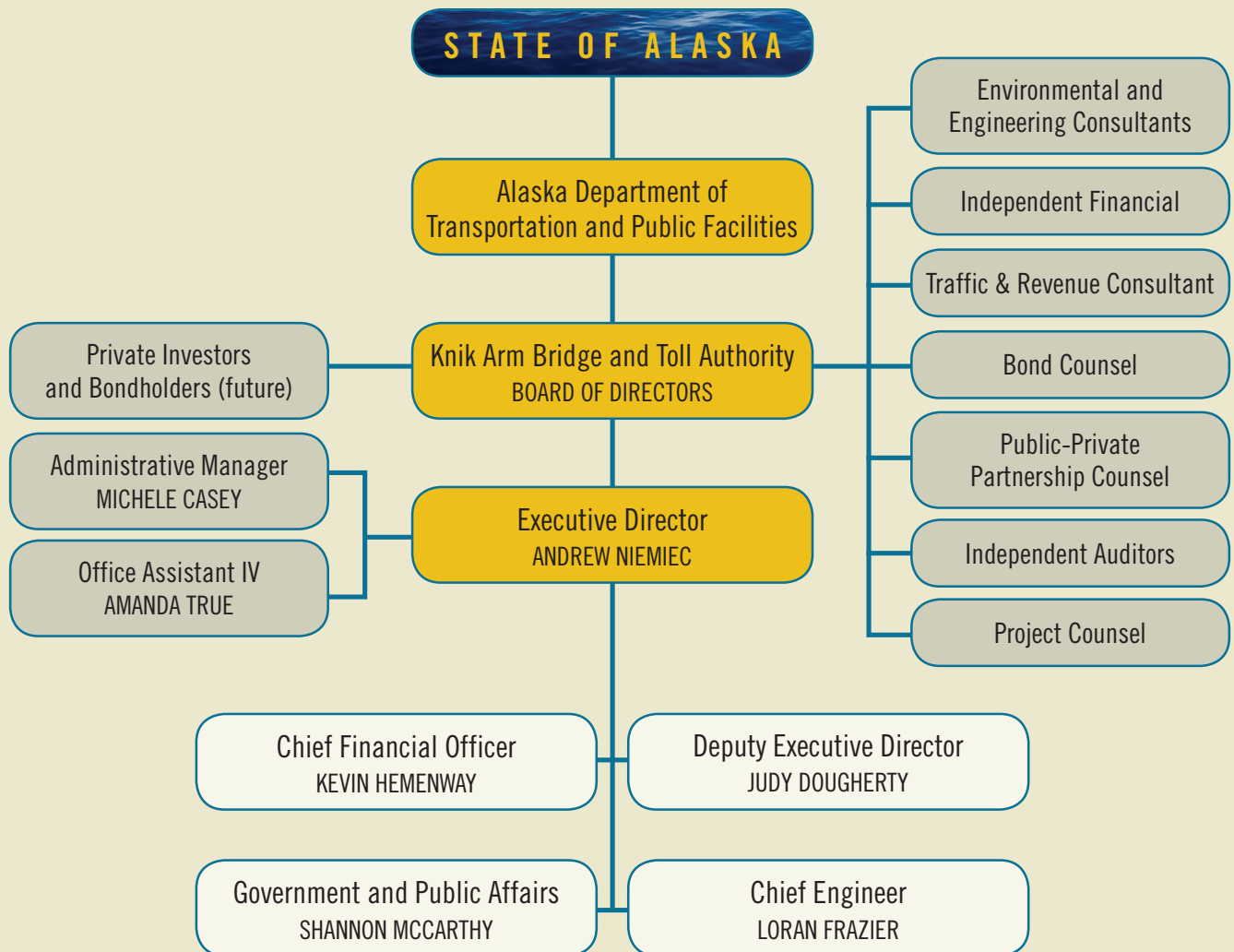
A handwritten signature in blue ink that reads "Andrew J. Niemiec".

Andrew J. Niemiec
Executive Director

A handwritten signature in blue ink that reads "Kevin P. Hemenway".

Kevin P. Hemenway
Chief Financial Officer

KNIK ARM BRIDGE AND TOLL AUTHORITY ORGANIZATIONAL CHART



BOARD OF DIRECTORS

The Knik Arm Bridge and Toll Authority is governed by a seven-member board of directors, consisting of three public members appointed by the Governor, the commissioners of the Alaska Department of Revenue and the Alaska Department of Transportation and Public Facilities (ADOT&PF) or their designees, one non-voting member from the State House of Representatives and one non-voting member from the State Senate. Public members serve for staggered, five-year terms. Once appointed, the public members cannot be removed during their term except for cause, and they represent a board of directors' quorum and majority under Alaska Statute 19.75 (Act). The powers of the Authority are vested solely in its board of directors under the Act.

The board of directors provides oversight and policy direction and appoints the executive director of the Authority, among other duties. The Board has also established a three-member audit committee to provide oversight of the financial, reporting and internal control environment of KABATA. The audit committee duties include the engagement of independent auditors.

The executive director, together with the management staff, supervises the Knik Arm Crossing project development activities and the daily operations of the Authority. The executive director and management staff selects and hires various consulting entities with national reputations for excellence, including the Authority's environmental and engineering consultants, independent financial advisor, traffic and revenue consultant, bond counsel and procurement counsel. General counsel is provided through the State of Alaska Attorney General's Office.

All actions taken by the Authority's board of directors and staff must be in strict accordance with the Act, KABATA's articles and bylaws and State and federal law.



Michael Foster
CHAIRMAN



Dave Haugen
DIRECTOR



Janet Kincaid
DIRECTOR



Marc Luiken,
DIRECTOR
Commissioner, ADOT&PF



Angela Rodell
DIRECTOR (designee)
Deputy Commissioner
of Revenue



Rep. Mark Neuman
EX-OFFICIO



Sen. Linda Menard
EX-OFFICIO

Mission Statement

The Knik Arm Bridge and Toll Authority (KABATA) will "develop, stimulate, and advance the economic welfare of the state and further the development of public transportation systems in the vicinity of the Upper Cook Inlet with construction of a bridge to span Knik Arm and connect the Municipality of Anchorage and the Matanuska-Susitna Borough."

ABOUT THE KNIK ARM CROSSING PROJECT

Alaska is a young state with transportation infrastructure insufficient to serve our citizens and access our resources effectively. Our state represents 17 percent of the land area of the United States but has only 16,302¹ public road miles, ranking it number 46 among the 50 states. For over 80 years, Alaskans have gazed across the Knik Arm of Cook Inlet and envisioned a crossing to provide a shorter route to the Matanuska-Susitna Borough, Fairbanks and the Interior to facilitate the movement of people and freight and provide access to land and resources. That dream of the Knik Arm Crossing is progressing rapidly toward reality.

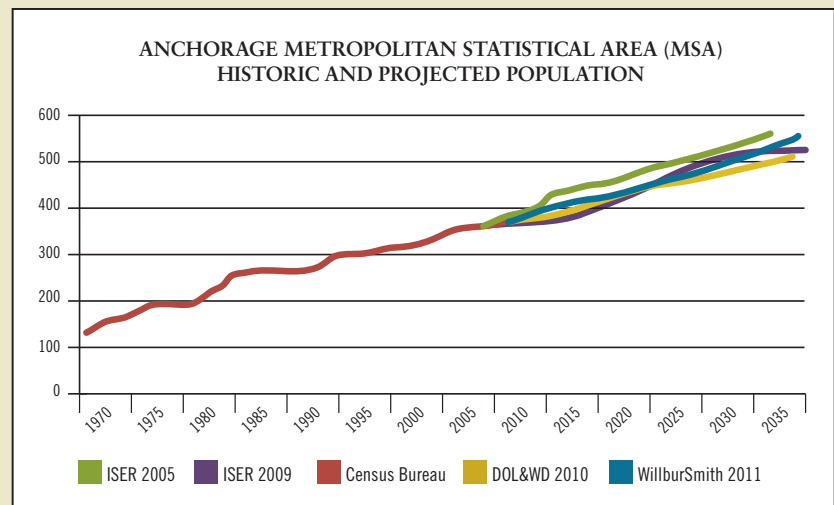


Figure 1

Since its selection as the site of the Alaska Railroad in 1915, Anchorage has evolved to be the transportation, commercial and financial hub to most of Alaska. Fifty-four percent of Alaskans live within 50 miles of the proposed Knik Arm Crossing Project. Population forecasts indicate that the regional population is expected to grow by 145,000 to 260,000 people over the next 25 years. That's about 50 percent more people in the region. But after over 50 years of statehood, Anchorage is still connected to the rest of the state by only a single highway.

Recognizing the State's significant and strategic transportation needs, the Alaska Legislature established the Knik Arm Bridge and Toll Authority in 2003 as a public corporation and an instrumentality of the State of Alaska under the Alaska Department of Transportation and Public Facilities. The KAC is a high priority for the State in meeting Alaska's transportation needs and improving its economic competitiveness. As a toll bridge, most of its costs will be paid by bridge users.

The Knik Arm Crossing will be built in two phases. Phase I includes a minimum 8,200-foot toll bridge and approximately 18 miles of two-to-four lane approach and connector roads and associated facilities. It includes an approximately 800-foot cut-and-cover tunnel on the Anchorage side of the bridge designed to minimize neighborhood impacts in Government Hill. Phase I costs have been estimated at between \$650 to \$750 million. Future phases will include capacity improvements and construction of a second connection in Anchorage to meet projected traffic demand, with the design meeting National Highway System standards.

¹ FHWA 2008 Highway Statistics, (excluding the Alaska Marine Highway System mileage)

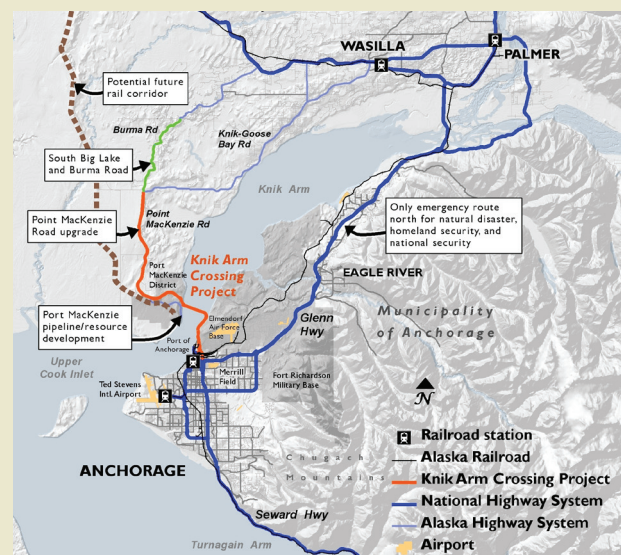


Figure 2: Regional Transportation Network

KNIK ARM CROSSING IS AN ESSENTIAL PROJECT

The purpose and need in the Environmental Impact Statement (EIS) confirmed the essential nature of the KAC and legislative mandate contained in AS § 19.75, stating:

“The project would further the development of transportation systems in the Upper Cook Inlet region by providing improved vehicular access and surface transportation connectivity between Anchorage and the Matanuska-Susitna Borough through the Port MacKenzie District, with a financially feasible and efficient crossing to meet the needs for:

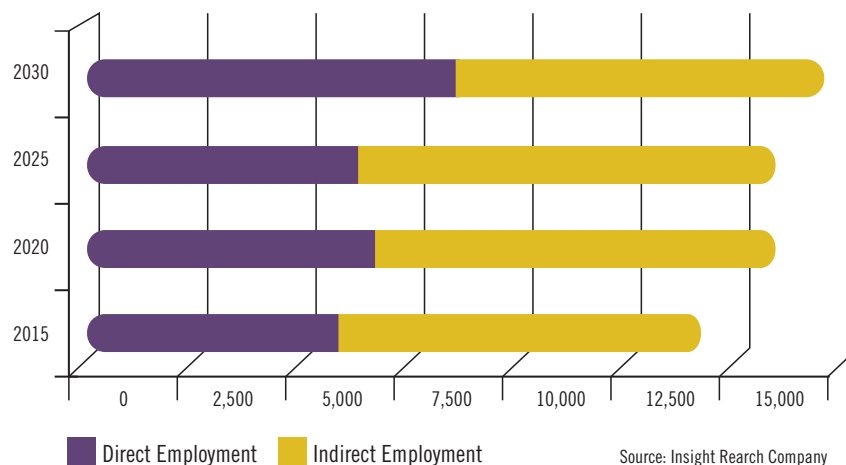
- Improved regional transportation infrastructure to meet existing and projected population growth and locally adopted economic development, land use, and transportation plans, as directed by the Alaska State Legislature in AS § 19.75.
- Regional transportation connectivity for the movement of people and the movement of freight and goods to, from and between the Municipality of Anchorage, the Mat-Su Borough, Interior Alaska and the North Slope.
- Safety and transportation system redundancy for alternative travel routing and access between regional airports, ports, and hospitals; and fire, police and disaster relief services for emergency response and evacuation.”

KNIK ARM CROSSING CREATES JOBS AND PROMOTES ECONOMIC ACTIVITY

In 2007, Insight Research Corporation studied the projected socio-economic impacts of the Knik Arm Crossing and found that the bridge would likely:

- Generate thousands of construction-related, full-time equivalents and 3,000 indirect jobs during project construction.
- Enable 14,000 additional permanent direct and indirect jobs in the region within 20 years of bridge opening.
- Support \$18 billion of incremental economic activity over the first 23 years.
- Produce \$1.2 billion of tax increment to local governments over the first 23 years of operation.

KNIK ARM CROSSING PROJECT
STIMULATED DIRECT AND INDIRECT EMPLOYMENT



KNIK ARM CROSSING GENERATES POSITIVE BENEFIT-COST RATIO IN EXCESS OF 2:1

The IRC report is corroborated by a Benefit-Cost Analysis (BCA) study that was prepared in October 2011. The BCA compares construction and operations costs with benefits like reductions in vehicle miles travelled, vehicle operating costs, accidents, greenhouse gas emissions and the value of time saved. A positive BC ratio indicates the economic and societal benefits of the project exceed its costs. The results of the BCA indicate a very positive benefit-cost ratio of 3.02:1 at a 3 percent discount rate and 2.06:1 using a 7 percent discount rate.

Table 1: Benefit-Cost Ratio Summary (26 Year Period)			
Parameter	Undiscounted	3% Discount Rate	7% Discount Rate
Analysis Period Benefit	\$ 5,251,542,158	\$ 2,993,518,899	\$1,574,928,459
Analysis Period Cost	\$ 1,270,236,509	\$ 991,727,858	\$ 764,264,515
Net Benefit	\$ 3,981,305,649	\$ 2,001,791,041	\$ 810,663,944
Benefit-Cost Ratio	4.13	3.02	2.06
Source: Wilbur Smith Associates Knik Arm Crossing Updated Benefit Cost Analysis Technical Document, 2011			

BRIDGE GENERATES POSITIVE TRAVEL, FUEL USE, AND CARBON DIOXIDE (CO₂) EMISSION IMPACTS

As depicted in Table 2, the project will reduce vehicle miles travelled by over 160 million miles per year, reducing congestion, fuel use and carbon dioxide emissions. This will result in significant environmental and pocketbook benefits for Alaskans. The report is titled Updated Projection of the Travel, Fuel Use, and Carbon Dioxide (CO₂) Emission Impacts of Trips Directly Affected by the Construction of the Knik Arm Crossing Project and was prepared by Wilbur Smith Associates in October 2011. Since the project is designed for a hundred-year life, the economic and social benefits of the Knik Arm Crossing will continue to accrue for generations of Alaskans.

Table 2: Annual Reductions in Fuel Use and CO ₂ Emissions			
Year	Net Annual Reduction in Vehicle Miles Travelled	Net Annual Reduction in Fuel Use (gallons)	Net Annual Reduction in CO ₂ Emissions (metric tons)
2019	166,516,580	5,925,857	61,790
2020	175,920,046	6,113,498	64,086
2021	182,174,482	6,182,196	65,151
2022	187,515,770	6,214,037	65,835
2023	191,944,589	6,211,446	66,157
2024	195,461,537	6,176,734	66,138
2025	199,843,514	6,166,922	66,384
2026	204,862,085	6,173,348	66,806
2027	208,665,106	6,140,303	66,802
2028	211,253,023	6,070,489	66,394

KNIK ARM CROSSING PROJECT ADVANCES IN 2011

PUBLIC-PRIVATE PARTNERSHIP (P3) PROCUREMENT UNDER WAY

KABATA is delivering the KAC under a public-private partnership in which the private partner will finance, design, build, operate and maintain the facility under the terms of a Public-Private Agreement (PPA) in exchange for periodic availability payments that KABATA will make using toll revenues and an anticipated reserve fund. The term of the agreement is expected to be 35 years after substantial completion. The P3 approach to contracting provides life-cycle facility management, private sector innovation and discipline, access to financing and management skills and risk sharing with the private sector, providing best value to the State of Alaska for constructing and maintaining the KAC. The facility will be owned by the State of Alaska for the duration of the PPA.

KABATA hosted an industry workshop in New York City in June and nearly 200 industry participants attended. That was followed by issuing a Request for Qualifications (RFQ) on July 13, 2011 and a well-attended August pre-Statement of Qualifications (SOQ) workshop was hosted in Anchorage. Six industry heavyweight teams submitted SOQs in response to the RFQ and three teams were shortlisted on Oct. 24, 2011 to compete for the project.

Next steps in the P3 procurement will include preparation of contract documents, a formal industry review process with the three shortlisted consortiums and the formal Request for Proposals (RFP). That will be followed by release of the formal RFP, proposal submission, proposal evaluation, selection of the preferred proposer and commercial and financial close during calendar year 2012. KABATA expects that the KAC will be under construction by 2013.

SENATOR MENARD AND REPRESENTATIVE NEUMAN INTRODUCE KNIK ARM CROSSING LEGISLATION

During the 2011 Alaska Legislative Session, Alaska Senator Linda Menard introduced Senate Bill (SB) 79 and SB 80 and Representative Neuman introduced House Bill (HB) 158 and HB 159. The bills, if passed, will enable KABATA to establish a project reserve fund and provide a \$150 million appropriation to fund that reserve. The legislation is designed to cover any shortfall in toll revenues for meeting periodic availability payments to our private partner during the first few years after opening while traffic is developing and population is growing. This credit enhancement will lower the cost of capital for debt and equity for our selected private partner, resulting in lower periodic payments from KABATA to the partner. This reduces the overall cost of the facility because it reduces interest rates and equity returns required by our private partner. Both the Senate and House companion bills are currently in their respective finance committees.

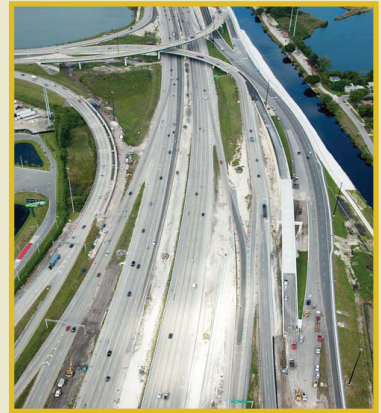


Photo courtesy of the Florida Dept. of Transportation.
Florida's I-595 Express is a successful P3 project.

The P3 approach to contracting provides life-cycle facility management, private sector innovation and discipline, access to financing and management skills and risk sharing with the private sector, providing best value to the State of Alaska for constructing and maintaining the KAC.



RIGHT-OF-WAY UNDER ACQUISITION

During the past year, KABATA, with the assistance of the Federal Highway Administration (FHWA) and ADOT&PF, completed right-of-way (ROW) surveying and plans for much of the project alignment. FHWA authorized KABATA to proceed with acquisition of whole private parcels, and appraisals and offers are being prepared. Surveying and plans for the remainder of the project alignment are expected to be completed by the end of 2011, with acquisitions in 2012.

ROW for the project will be acquired following the Uniform Relocation Assistance and Real Property Acquisition Policies Act, which ensures that property owners are compensated at fair market value and relocated to comparable safe and sanitary housing. Under the Act, tenants may also be entitled to relocation benefits. All required ROW for the project is expected to be secured by the end of calendar year 2012.

Securing ROW ahead of the P3 contract award will ensure that our private partner does not incur delays in gaining access to the project, reducing the project cost and risk and driving best value out of the procurement.

RECORD OF DECISION PERFECTED

The decision to build the Knik Arm Crossing is a culmination of years of environmental analyses and engineering to determine whether it is in the best public interest for the FHWA to approve the development of the project through a Record of Decision (ROD). This outcome is an assurance to Alaskans and the nation that the proposal is environmentally sound, feasible from an engineering standpoint and economically viable.

Receiving the Record of Decision was an important milestone in the advancement of this project. In short, it recognizes the Knik Arm Crossing as a viable and necessary project.

In July, the Municipality of Anchorage filed a lawsuit against FHWA challenging the ROD because of perceived impacts on the Port of Anchorage (POA) – an important infrastructure for the delivery of goods to the majority of Alaskans. KABATA, working together with the POA and the Municipality, developed an engineering solution to address the concerns of the Port. As a result of this solution, the Municipality subsequently withdrew its lawsuit, perfecting the Record of Decision for the project.

KEY PERMIT APPLICATIONS SUBMITTED IN 2011

During fiscal year 2011, KABATA submitted applications for several key permits. Two of the most notable are the Army Corps of Engineers 404 Permit for activities conducted in wetlands of the United States and the National Marine Fisheries Services Letter of Authorization for marine mammal takes under the Marine Mammal Protection Act. A “take” is considered any change in the behavior of the animal that varies from expected behavior in the absence of project activities. Coordination with the Corps Regulatory Division resulted in additional constructability reviews being conducted on the project for the Least Environmentally Damaging Practicable Alternative (LEDPA) analysis. This extensive work occupied most of the summer and the application for the 404 permit was finally submitted September 30, 2011. Applications for the remaining permits are planned to be submitted in late 2011.

HISTORIC PRESERVATION A PROJECT PRIORITY

Historic preservation continues to be a priority for KABATA and the project. The Knik Arm Crossing project through a Programmatic Agreement facilitated a collaborate working relationship between the Knik and Eklutna Tribes, the Mat-Su Borough, the Municipality of Anchorage and the State Historic Preservation Office. Archaeological field work initiated in 2010 continued through the 2011 season. Archaeologists from the



Mat-Su Borough and the Knik and Eklutna tribes discovered 59 new archaeological and historical sites this season, including one major site, an ancient fish camp that is now in mitigation and could become the replacement for the T'akat camp lost during the WWII era.

The Municipality of Anchorage Planning section has begun their work in preparing historic preservation plans for the Government Hill, Downtown, Fairview and South Addition neighborhoods in conjunction with developing the neighborhood plans. Arrangements have been made for the Municipality to purchase Citi-View GIS, a planning tool that will serve to best collect and preserve this important historic data.

ENVIRONMENTAL MANAGEMENT SYSTEM DEVELOPED

An Environmental Management System (EMS) has been developed to document and track the progress and completion of all project commitments. This database compiled project requirements brought forward from the National Environmental Protection Act (NEPA) process, including public comment resolution, agreements with local governments, the NEPA Record of Decision (ROD) and environmental permitting agency comments and requirements. The EMS will be used throughout the permitting, design and construction phases of project development to ensure that all commitments are delivered.

PROTECTING THE COOK INLET BELUGA WHALE THROUGH SCIENCE

In January 2010, KABATA obtained permission from Virginia DOT and PCL Contractors to record underwater acoustics of an oscillator installing a drilled shaft. KABATA funded the recordings and analysis of the acoustic data. The results show noise resulting from the oscillator operation is less than ambient noise present and below levels that are considered an impact to beluga whales in Knik Arm.

A two-week “Proof of Concept” study for our Marine Mammal Monitoring program was conducted this September to determine if we can hear belugas with an omni-directional acoustic device, which could warn us if



Port of Anchorage.

belugas are in the vicinity before they are actually seen, thus allowing shutdown of drilling and reducing the chance of incidental takes. While in theory the acoustic devices seemed promising, the results show regimented observation techniques with binoculars and “big eyes” (high-quality, high-powered marine binoculars) are more effective than the acoustic devices in locating belugas in Knik Arm. Observers were able to detect belugas up to six miles away. At times belugas were visually observed with little or no vocalizations detected with the acoustic device.

ENGINEERING

KABATA has funded several studies of the bridge effects on the Knik Arm currents, sedimentation and scour. Supplemental to the pioneering research and modeling effort by Dr. Colonell in 2009, KABATA more recently contracted with the Corps of Engineers to perform an independent analysis using their physical model of Knik Arm and their recently updated numeric model. In addition to the 8,200-foot bridge, the Corps modeled a 9,200-foot bridge and five other bridge length and position variations. The results from this analysis confirm the earlier study’s conclusion that other than the “fillets” expected to form near the bridge abutments, anticipated sedimentation elsewhere in Knik Arm as a result of bridge construction is expected to be insignificant.

Concurrent to the hydrodynamic modeling activities, KABATA has ongoing permit coordination with the National Marine Fisheries Service (NMFS) and Corps



of Engineers Regulatory Division. Although the 8,200 foot bridge was approved in the project EIS, NMFS has requested the bridge be lengthened by 800-feet in order to minimize the fill in critical beluga habitat. We have responded by lengthening the bridge to 9,200-feet, which has been modeled by the Corps of Engineers. Bridge abutments have been strategically placed to maximize the rate of flow beneath the structure, which closely approximates the “no bridge” baseline condition.

STAKEHOLDER AND PUBLIC OUTREACH



KABATA is funding a one-stop permit center within the Matanuska-Susitna Borough’s planning department. The new funding will assist the Borough in streamlining permitting processes, increasing staff efficiency, saving time for customers and helping to protect the environment by coordinating with federal and state resource and regulatory agencies. KABATA is also providing funds for a Corridor Study and Access Management Plan from Point MacKenzie to the Parks Highway.

Throughout 2011, the KABATA team has been dedicated to informing the public of project developments by providing various presentations throughout the state. KABATA also held its board of directors meetings in Anchorage, Wasilla, Juneau, Kenai and Fairbanks to provide updates, as well as receive input from communities who will benefit from the crossing.

The KABATA team presented information to the Legislature on Knik Arm Crossing and public-private partnerships at the Anchorage Legislative Information Office in August 2011. An additional legislative workshop was held in Wasilla in late November.

LOOKING AHEAD TO 2012

Obtaining the Record of Decision (ROD) on the FEIS reinforces certainty and our focus on project delivery. Our expectation for 2012 is to advance the project towards construction by securing remaining permits, acquiring rights-of-way and finalizing procurement activities for a Public-Private-Partnership. KABATA intends to utilize the innovation and financial resources of the private sector to deliver the Crossing that is in Alaska’s best interest.

KABATA on the move...

During 2011, KABATA added new staff. **Judy Dougherty** joined the Authority as deputy executive director. Judy is a registered engineer with significant transportation experience.

Our administrative manager, **Michele Casey**, started in January with an extensive background in State administrative and budget management. **Shannon McCarthy** also joined the Authority, serving as our public and government affairs liaison.

2011 also saw the retirement of **Dale Paulson**, who led the NEPA process to a successful conclusion with FHWA issuing a Record of Decision in December 2010. **Edrie Vinson** also retired from the Authority. Edrie served as our Section 106 Historic Preservation liaison. Welcome Judy and Shannon and congratulations and best wishes for Dale and Edrie.

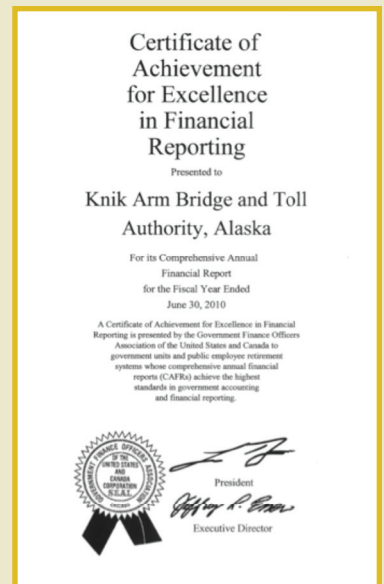
KABATA also moved into a new facility at 820 E. 15th Ave. in Anchorage. The new office provides the space to manage the project through procurement and construction as the Knik Arm Crossing project moves forward.



FINANCIAL REPORTING AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to KABATA, a component unit of the State of Alaska, for its comprehensive annual financial report for the fiscal year ended June 30, 2011. This is the fifth consecutive year that KABATA has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. KABATA believes that the current Comprehensive Annual Financial Report (CAFR) continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.



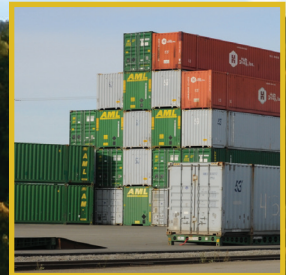
ACKNOWLEDGEMENTS

Grateful appreciation is extended to the Authority's management and staff for their professional contributions to this report. In particular, we acknowledge the contributions of former Authority board member Jerry Burnett, who served on the board from February 2009 to September 2011. Mr. Burnett is a strong advocate for the project and served KABATA and the people of Alaska faithfully during his tenure. We also welcome Ms. Angela Rodell, Deputy Commissioner of Revenue, to the board. Her investment banking and toll financing experience will benefit the project tremendously.

We extend our thanks to the Alaska Department of Transportation and Public Facilities staff and Department of Administration, Division of Finance staff who supported the preparation of this CAFR. Special appreciation is extended to the Administration, the Alaska State Legislature and KABATA's Board of Directors. Your united and constant support of KABATA and the Knik Arm Crossing project is invaluable in delivering this project and its economic promise to the citizens of Alaska, and is sincerely appreciated.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

FINANCIAL SECTION



MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Years Ended June 30, 2011 and 2010

This section of the Knik Arm Bridge and Toll Authority (KABATA or the Authority) Financial Statements presents the Authority's discussion and analysis of its financial position and results of operations as of and for the fiscal years ended June 30, 2011 and 2010. This information is presented to assist the reader in understanding financial highlights and to provide additional information regarding the Authority. Please read it in conjunction with the Independent Auditors' Report, the basic financial statements, and the accompanying footnotes to those financial statements, which immediately follow Management's Discussion and Analysis.

Financial Highlights

- KABATA's assets exceeded its liabilities by \$45,594,804 and \$41,066,067 as of June 30, 2011 and 2010, respectively (net assets). Net assets invested in capital assets represented \$45,190,775 and \$41,076,382 at June 30, 2011 and 2010. Unrestricted net assets (deficit) represented net assets of \$404,029 and a deficit of \$10,315 at June 30, 2010 and 2009, respectively.
- The Authority's total net assets increased by \$4,528,737 and \$4,758,361 for the fiscal years ended June 30, 2011 and 2010, respectively. These increases are entirely attributable to resources provided through Alaska legislative appropriations of federal-aid highway funds, state matching funds, and state general funds made available for the planning, preliminary engineering, environmental investigation, studies, and evaluation work for building, financing, and operating the Knik Arm Toll Bridge and establishing Authority operations for each of the fiscal years ended June 30, 2011 and 2010.
- Current liabilities increased by \$973,214 and \$130,667 during the fiscal years ended June 30, 2011 and 2010, respectively. The change in current liabilities was due substantially to the timing of invoices received from vendors for environmental, historic preservation, right-of-way surveying, permits preparation, and Public-Private Partnership (P3) procurement legal and consulting work.
- The Alaska Department of Transportation and Public Facilities (ADOT&PF) approved KABATA's use of up to \$7 million of state general funds in undertaking the P3 procurement and certain other costs, to be repaid with expected concession payment proceeds from a concession agreement it expects to award upon selection of a private partner and/or from future toll revenue. During the fiscal years ended June 30, 2011 and 2010, KABATA expended \$117,273 and \$0 of those state general funds, respectively. Accordingly, the Authority has recorded a long-term liability for that advance from the State of \$2,388,388 and \$2,271,115 at June 30, 2011 and 2010, respectively.
- Operating expenses were \$1,259,392 and \$778,417 for the fiscal years ended June 30, 2011 and 2010, respectively, representing an increase of \$480,975 and a decrease of \$111,664, respectively. The increase in 2011 was the result of adding personnel and restarting the P3 procurement process, which had been delayed for several years. The decrease in 2010 was attributable to the development stage nature of KABATA and reduced activities associated with establishing Authority operations and undertaking the P3 procurement which tapered off while KABATA focused on obtaining environmental clearance for the Project. In November 2006, KABATA commenced the procurement for a private partner to enter into a Public-Private Agreement (PPA) to finance, construct, operate, and maintain the proposed Knik Arm Crossing (KAC) and associated facilities over the term of the concession. That procurement was cancelled by the KABATA board of directors in April 2011 and the board directed KABATA management to undertake a new P3 procurement, which was initiated in July 2011. During the fiscal years ended June 30, 2011 and 2010, KABATA incurred \$550,457 and \$168,253 of P3 procurement related costs, respectively, of which \$36,268 and \$0 were paid using a portion of the \$7 million state general fund advance.
- Nonoperating revenues were \$1,673,736 and \$928,254 for the fiscal years ended June 30, 2011 and 2010, respectively, representing an increase of \$745,482 over 2010 and a decrease of \$38,985 over 2009. Capital contributions were \$4,114,393 and \$4,608,524 for the fiscal years ended June 30, 2011 and 2010, respectively, representing a decrease of \$494,131 over 2010 and an increase of \$1,207,640 over 2009. Nonoperating revenues and capital contributions consist of Alaska legislative appropriations of federal-aid highway funds, state matching funds and certain state general funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Years Ended June 30, 2011 and 2010

- Effective July 1, 2008, the Public Employees' Retirement System pension plan which KABATA employees participate in was converted from a multi-employer defined contribution plan to a multi-employer cost sharing plan through an act of the Alaska Legislature. This plan change resulted in an extraordinary item of \$46,072 for the charge-off in 2009 of pension and other post-retirement benefits liabilities of the Authority at plan conversion.

Overview of the Financial Statements

KABATA is a component unit of the State of Alaska. The Authority's basic financial statements for the fiscal years ended June 30, 2011 and 2010 include the *Statements of Net Assets*; the *Statements of Revenues, Expenses and Changes in Net Assets*; the *Statements of Cash Flows*; and the *Notes to Basic Financial Statements*. Summarized financial information as of and for the fiscal year ended June 30, 2009 is also presented and is intended to facilitate and enhance understanding of the Authority's financial position, results of operations, and cash flows as of and for the fiscal years ended June 30, 2011 and 2010 on a comparative basis.

The Authority is a development stage enterprise as that term is defined in Statement of Financial Accounting Standards (SFAS) No. 7, *Accounting and Reporting by Development Stage Enterprises*. The principal operations for which KABATA was formed — constructing, owning, operating, and maintaining the proposed Knik Arm Crossing (KAC) — have not commenced. Since its inception, KABATA has been engaged in planning, preliminary design and environmental work for building the bridge and appurtenant facilities, financial planning, procurement of a private partner under a P3 concession, and other activities directed toward financing and constructing the proposed KAC and establishing Authority operations. While in the development stage, KABATA does not presently generate operating revenue.

Basic Financial Statements

The *Statements of Net Assets* report the Authority's assets, liabilities, and resulting net assets. All of the Authority's net assets are presently invested in capital assets or unrestricted net assets (deficit). The *Statements of Revenues, Expenses, and Changes in Net Assets* report the Authority's income, expenses, and resulting change in net assets during the periods reported. The *Statements of Cash Flows* report the Authority's sources and uses of cash and change in cash balance resulting from the Authority's activities during the periods reported. All three of these statements are reported using the accrual basis of accounting and the economic resources measurement focus.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Years Ended June 30, 2011 and 2010

Financial Analysis

Total assets, total liabilities, and total net assets at June 30, 2011, 2010, and 2009 follow:

	As of June 30,			Increase (Decrease)	
	2011	2010	2009	2011-2010	2010-2009
Current assets	\$ 1,756,002	\$ 784,196	\$ 606,163	\$ 971,806	\$ 178,033
Capital assets	45,190,775	41,076,382	36,467,858	4,114,393	4,608,524
Other noncurrent assets	2,746,458	2,213,433	2,110,962	533,025	102,471
Total assets	<u>\$ 49,693,235</u>	<u>\$ 44,074,011</u>	<u>\$ 39,184,983</u>	<u>\$ 5,619,224</u>	<u>\$ 4,889,028</u>
Current liabilities	\$ 1,710,043	\$ 736,829	\$ 606,162	\$ 973,214	\$ 130,667
Noncurrent liabilities	2,388,388	2,271,115	2,271,115	117,273	-
Total liabilities	<u>4,098,431</u>	<u>3,007,944</u>	<u>2,877,277</u>	<u>1,090,487</u>	<u>130,667</u>
Net assets invested in capital assets	45,190,775	41,076,382	36,467,858	4,114,393	4,608,524
Unrestricted net assets (deficit)	404,029	(10,315)	(160,152)	414,344	149,837
Total net assets	<u>45,594,804</u>	<u>41,066,067</u>	<u>36,307,706</u>	<u>4,528,737</u>	<u>4,758,361</u>
Total liabilities and net assets	<u>\$ 49,693,235</u>	<u>\$ 44,074,011</u>	<u>\$ 39,184,983</u>	<u>\$ 5,619,224</u>	<u>\$ 4,889,028</u>

Components of the Authority's operating expenses and nonoperating revenues for the fiscal years ended June 30, 2011, 2010, and 2009 follow:

	Fiscal Years Ended June 30,			Increase (Decrease)	
	2011	2010	2009	2011-2010	2010-2009
Operating expenses	\$ 1,259,392	\$ 778,417	\$ 890,081	\$ 480,975	\$ (111,664)
Operating loss	(1,259,392)	(778,417)	(890,081)	(480,975)	111,664
Nonoperating revenues	1,673,736	928,254	967,239	745,482	(38,985)
Excess	414,344	149,837	77,158	264,507	72,679
Capital contributions	4,114,393	4,608,524	3,400,884	(494,131)	1,207,640
Extraordinary item - pension/OPEB	-	-	46,072	-	(46,072)
Increase in net assets	<u>\$ 4,528,737</u>	<u>\$ 4,758,361</u>	<u>\$ 3,524,114</u>	<u>\$ (229,624)</u>	<u>\$ 1,234,247</u>

Summary of Development Stage Activities

As previously discussed, KABATA is a development stage enterprise. Since its formation in September 2003, KABATA has been engaged primarily in development stage activities related to the planning and environmental work required in preparation for the construction and operation of the proposed KAC. The National Environmental Policy Act (NEPA) requires a rigorous review of the impacts on the natural and human environment and feasible alternatives for large transportation infrastructure projects like the KAC before construction can begin. Substantially all of the Authority's capital assets of \$45,190,775 and \$41,076,382 as of June 30, 2011 and 2010, respectively, consists of construction work in progress expenditures made in undertaking the planning and environmental evaluation of the KAC project in accordance with NEPA and Federal Highway Administration (FHWA) regulations. Notice of publishing the Draft Environmental Impact Statement (DEIS) was given by the FHWA in the Federal Register on September 15, 2006. A public comment period was completed on November 17, 2006. A Final Environmental Impact Statement (FEIS) was published on January 18, 2008, and a Record of Decision (ROD) on that FEIS was signed by the FHWA on December 15, 2010 indicating the selected build alternative. Now that a ROD selecting a build alternative has been issued, KABATA can proceed with design, permitting, construction, and financing of the project.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Years Ended June 30, 2011 and 2010

In November 2006, KABATA's Board of Directors resolved unanimously to pursue a Public-Private Partnership (P3) to finance, construct and operate the KAC and associated facilities. KABATA initiated a two-step procurement process in December 2006 to select a private partner and in April 2007 qualified two consortia to compete for the P3 concession agreement. KABATA's Board of Directors cancelled that procurement in April 2010 and directed management to initiate a new P3 procurement. KABATA has received six Statements of Qualifications in response to a Request for Qualifications it issued in July 2011, and will short-list the most qualified consortia under the first step of this procurement. Under the second step of the procurement, formal proposals will be solicited from the pre-qualified consortia. The ADOT&PF approved up to \$7 million of state general funds for KABATA's use in undertaking the P3 procurement, to be repaid with concession payment proceeds from the PPA upon selection of a private partner. KABATA has expended a total of \$5,266,801 on P3 procurement through June 30, 2011. Of that amount, \$2,049,900 was paid using advance funding from the state general fund through June 30, 2011.

KABATA has also been engaged in financing-related activities while developing the KAC project. These activities include developing an investment grade traffic and toll revenue study, applying for federal credit on behalf of the prospective private partners under the USDOT's Transportation Infrastructure Finance and Innovation Act (TIFIA) program using FHWA's Special Experimental Project 15 regulations, and applying for and obtaining a \$600-million allocation of national private activity bond capacity from the USDOT. Third party costs associated with these financing related activities totaling \$2,746,458 have been deferred as debt issue costs as of June 30, 2011. \$305,357 of the deferred debt issue costs were paid using a portion of the \$7 million of state general funds capacity.

The Alaska State Legislature has appropriated approximately \$112,420,099 of federal-aid highway funds plus state matching and general funds to the Authority for the KAC. KABATA has expended \$50,559,753 of federal-aid highway funds and \$5,313,438 of state matching and general funds through June 30, 2011, for the planning and environmental stages of the KAC (including \$573,635 expended by ADOT&PF prior to KABATA's formation). The state matching requirement to federal-aid highway funds is generally 9.03 percent. The ability to expend the remaining appropriated amounts is subject to the future availability of federal-aid highway funding.

Contacting Knik Arm Bridge and Toll Authority's Financial Management

This financial report is designed to provide residents of the State of Alaska, other stakeholders, and prospective investors in the KAC an overview of KABATA's finances and to demonstrate accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the Knik Arm Bridge and Toll Authority, 820 East 15th Avenue, Anchorage, Alaska 99501, (907) 269-6698, or visit us on the internet at www.knikarmbridge.com.

INDEPENDENT AUDITORS' REPORT



KPMG LLP
Suite 600
701 West Eighth Avenue
Anchorage, AK 99501

Independent Auditors' Report

The Board of Directors
Knik Arm Bridge and Toll Authority:

We have audited the accompanying basic financial statements of the Knik Arm Bridge and Toll Authority (Authority) as of and for the fiscal years ended June 30, 2011 and 2010, as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurances about whether the financial statements are free of material misstatement. An audit includes consideration of the internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for purposes of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Knik Arm Bridge and Toll Authority as of June 30, 2011 and 2010, and the changes in its financial position and cash flows for the fiscal years then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis on pages 14 through 17 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the Authority's basic financial statements. The introductory section and the statistical section, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

October 27, 2011

KPMG LLP is a Delaware limited liability partnership,
the U.S. member firm of KPMG International Cooperative
("KPMG International"), a Swiss entity.

STATEMENTS OF NET ASSETS

For the Fiscal Years Ended June 30, 2011 and 2010

	As of June 30,	
	2011	2010
Assets		
Current assets:		
Due from State of Alaska	\$ 1,699,263	\$ 736,829
Prepaid expenses	56,739	47,367
Total current assets	<u>1,756,002</u>	<u>784,196</u>
Noncurrent assets:		
Capital assets	45,190,775	41,076,382
Deferred charges and other assets	2,746,458	2,213,433
Total noncurrent assets	<u>47,937,233</u>	<u>43,289,815</u>
Total assets	<u>\$ 49,693,235</u>	<u>\$ 44,074,011</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 1,142,700	\$ 269,459
Accrued payroll and benefits	192,199	135,617
Other current liabilities	375,144	331,753
Total current liabilities	<u>1,710,043</u>	<u>736,829</u>
Noncurrent liabilities:		
Advance from State of Alaska	2,388,388	2,271,115
Total noncurrent liabilities	<u>2,388,388</u>	<u>2,271,115</u>
Total liabilities	<u>4,098,431</u>	<u>3,007,944</u>
Net assets:		
Net assets invested in capital assets	45,190,775	41,076,382
Unrestricted net asset (deficit)	404,029	(10,315)
Total net assets	<u>45,594,804</u>	<u>41,066,067</u>
Total liabilities and net assets	<u>\$ 49,693,235</u>	<u>\$ 44,074,011</u>

The accompanying notes are an integral part of these basic financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Fiscal Years Ended June 30, 2011 and 2010

	Years ended June 30,	
	2011	2010
Operating revenues	\$ -	\$ -
Operating expenses:		
Salaries and benefits	383,224	307,764
Travel	36,574	13,231
Services	823,004	449,301
Supplies	16,590	8,121
Total operating expenses	1,259,392	778,417
Operating loss	(1,259,392)	(778,417)
Nonoperating revenues:		
State and federal appropriations	1,673,736	928,254
Change in net assets before capital contributions	414,344	149,837
Capital contributions	4,114,393	4,608,524
Change in net assets	4,528,737	4,758,361
Net assets, beginning of period	41,066,067	36,307,706
Net assets, end of period	\$ 45,594,804	\$ 41,066,067

The accompanying notes are an integral part of these basic financial statements.

STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended June 30, 2011 and 2010

	Years ended June 30,	
	2011	2010
Cash flows from operating activities:		
Payments to employees	\$ (378,527)	\$ (308,140)
Payments to suppliers	(365,973)	(466,869)
Payments for intergovernmental charges from the State of Alaska	(183,008)	(165,846)
Net cash used by operating activities	<u>(927,508)</u>	<u>(940,855)</u>
Cash flows from non-capital financing activities:		
Receipts from state and federal appropriations	888,917	940,855
Advance from State of Alaska	38,591	-
Net cash provided by noncapital financing activities	<u>927,508</u>	<u>940,855</u>
Cash flows from capital and related financing activities:		
Receipts from state and federal appropriations	3,729,653	4,551,638
Deferred debt issue costs (including intergovernmental charges from the State of Alaska of \$35,662 and \$11,107 for 2011 and 2010, respectively)	(426,425)	(66,683)
Purchase of capital assets (including intergovernmental charges from the State of Alaska of \$515,256 and \$133,211 for 2011 and 2010, respectively)	<u>(3,303,228)</u>	<u>(4,484,955)</u>
Net cash provided by capital and related financing activities	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents, beginning of period	-	-
Cash and cash equivalents, end of period	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (1,259,392)	\$ (778,417)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Decrease (increase) in due from State of Alaska	228,394	(27,644)
Decrease (increase) in prepaid expenses	(9,372)	(47,367)
Increase (decrease) in accounts payable	92,026	(30,261)
Increase (decrease) in accrued payroll	4,697	(376)
Increase (decrease) in other current liabilities	<u>16,139</u>	<u>(56,790)</u>
Net cash used by operating activities	<u>\$ (927,508)</u>	<u>\$ (940,855)</u>
Noncash capital and related financing activities - additions to capital assets financed through accounts payable and other current liabilities	<u>\$ 811,165</u>	<u>\$ 123,569</u>

The accompanying notes are an integral part of these basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2011 and 2010

1. Nature of Organization and Summary of Significant Accounting Policies

Reporting Entity

The Knik Arm Bridge and Toll Authority (KABATA or the Authority) was created as a public corporation in 2003 by the Alaska State Legislature under Alaska Statute 19.75 (Act). The Authority was established to “develop, stimulate, and advance the economic welfare of the State of Alaska and further the development of public transportation systems in the vicinity of the Upper Cook Inlet through the construction of a bridge to span Knik Arm and connect the Municipality of Anchorage and the Matanuska-Susitna Borough.” KABATA is authorized under the Act to own, acquire, construct, develop, create, reconstruct, equip, operate, maintain, extend, and improve the proposed Knik Arm Crossing (KAC) project, consisting of a toll bridge and appurtenant facilities.

KABATA is governed by a Board of Directors consisting of the Commissioner of the Department of Revenue, the Commissioner of the Alaska Department of Transportation and Public Facilities (ADOT&PF), three public members appointed by the Governor, one non-voting member from the State House of Representatives, and one non-voting member from the State Senate. Public members serve for staggered, five-year terms. Once appointed, the public members cannot be removed during their term except for cause, and they represent a board of directors’ quorum and majority under the Act. The powers of the Authority are vested in its Board of Directors under the Act.

KABATA is a component unit of the State of Alaska. In evaluating how to define the Authority for financial reporting purposes, management has determined that there are no entities over which the Authority exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the Authority. Since KABATA does not exercise significant influence or accountability over other entities, it has no component units.

The Authority is a Development Stage Enterprise as that term is defined in Statement of Financial Accounting Standards (SFAS) No. 7, Accounting and Reporting by Development Stage Enterprises. The principal operations for which KABATA was formed – owning, operating, and maintaining the proposed KAC – have not commenced. Since its inception, KABATA has been engaged in planning, design and environmental work in preparation for building the toll bridge and appurtenant facilities, financial planning for funding the KAC, and other activities aimed at financing and constructing the proposed KAC and establishing Authority operations. Funding these development stage activities has been entirely dependent upon state legislative appropriations of federal-aid highway funds and state matching funds.

In November 2006, KABATA’s board of directors resolved to pursue a Public-Private Partnership (P3) to finance, construct, operate, and maintain the KAC under a Public-Private Agreement (PPA). In April, 2011, KABATA’s board of directors resolved to cancel that procurement and directed management to initiate a new P3 procurement. In response to the board of directors, KABATA commenced a two-step procurement process in July 2011 to select a private partner and will pre-qualify a short list of the most qualified firms of the six consortia that submitted statements of qualifications to compete for the KAC toll concession under the terms of the PPA.

The Authority is authorized to issue revenue bonds and otherwise incur indebtedness for the purpose of paying all or a portion of the costs of constructing the KAC, payable solely from tolls and other revenue derived from the facility once it is constructed. The Authority also has exclusive power to establish tolls and fees for the use of the KAC and appurtenant facilities. Under the provisions of the Act, any revenue bonds or other indebtedness of the Authority shall not constitute a debt or pledge of the faith and credit of the State of Alaska or any other political subdivision thereof. The Authority may not be terminated as long as it has bonds, notes, or other obligations outstanding. Upon termination of the Authority, its rights and property pass to the State of Alaska.

NOTES TO BASIC FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2011 and 2010

1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The operations of the Authority are accounted for as an enterprise fund on the accrual basis of accounting in order to recognize the flow of economic resources. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, regardless of the timing of related cash flows, and all assets and liabilities associated with the operation of the KAC and appurtenant facilities are included in the Statement of Net Assets. Grants and appropriations for the project are recognized as nonoperating revenue when all eligibility requirements have been met.

The Authority applies all applicable Government Accounting Standards Board (GASB) pronouncements for accounting and financial reporting. The Authority also follows all private-sector accounting standards issued on or before November 30, 1989, including the Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins, unless those directives conflict with or contradict GASB pronouncements. KABATA has elected not to follow private-sector accounting and financial reporting standards issued after November 30, 1989.

The principal revenues of the Authority, once it commences operations, are expected to consist of toll revenue and investment earnings. The Authority also expects to assess fees and rents for other uses of its facilities. Operating expenses presently include general and administrative expenses and will include the costs of overseeing the KAC PPA and depreciation expense on capital assets once the KAC is constructed and placed in service. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses, including state and federal budget appropriations.

The Authority receives federal and State of Alaska appropriations which are administered on a cost reimbursement basis. Revenues and receivables of the Authority are generally recorded when eligible expenditures are incurred to the extent of available appropriations.

When both restricted and unrestricted resources are available for use, it is KABATA's policy to use restricted resources first, then unrestricted resources as they are required.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Cash and Cash Equivalents

KABATA considers cash and cash equivalents to be cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition. The Authority does not have any cash or cash equivalent accounts as of June 30, 2011 or 2010 and does not expect to establish such accounts until it is prepared to enter into a PPA or issue debt for the construction stage of the KAC project.

NOTES TO BASIC FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2011 and 2010

1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Compensated Absences

Vested or accumulated vacation leave is recorded as an expenditure as the benefit accrues to employees. There are no accumulating sick leave benefits that vest for which any liability must be recognized.

Capital Assets and Depreciable Lives

Purchased, transferred, or constructed capital assets are recorded at cost or, in the case of contributed right of way, at estimated fair value. The Authority capitalizes individual assets with a cost of \$50,000 or greater consistent with State of Alaska policy. Depreciation is provided over the estimated useful lives of the assets, once placed into service, using the straight-line method with consideration given to salvage value.

When property and equipment are disposed, depreciation is removed from the respective accounts, and the resulting gain or loss, if any, is recorded in operations. Labor and benefits costs attributable to the construction of capital assets are capitalized. KABATA capitalized \$708,367 and \$654,077 of labor and benefits costs during 2011 and 2010, respectively. Interest costs incurred on revenue bonds used to finance the construction or acquisition of assets are capitalized and allocated to the associated assets during the construction period. There was no interest capitalized in 2011 or 2010. Capitalized interest is amortized over the lives of the associated assets, once placed in service, and is included in depreciation expense.

Deferred Debt Issue Costs

Costs related to the issuance of debt, including legal and professional services, printing, underwriting discounts, insurance, and other financing costs, are deferred and amortized over the term of the debt using the effective interest method. Once amortization of deferred debt issue costs commences, it will be included as a component of interest expense in the statement of revenues, expenses, and changes in net assets. The Authority has deferred \$2,746,458 and \$2,213,433 of costs related to expected debt issuance as of June 30, 2011 and 2010, respectively. KABATA has initiated certain financing activities on behalf of P3 proposers. To the extent that the costs of those activities recorded as deferred debt issue costs result in private partner borrowing rather than Authority borrowing to fund the KAC, those deferred costs will be charged to expense.

Income Taxes

As a public corporation and instrumentality of the State of Alaska, the income of the Authority is not subject to state or federal income tax under the Internal Revenue Code Section 115.

2. Due from State of Alaska and Intergovernmental Charges

To the extent liabilities have been incurred but not paid by the Authority and there is an expectation that such expenditures will be paid for using state legislative appropriations, KABATA recognizes these amounts as due from the State of Alaska. Amounts due from the State of Alaska were \$1,699,263 and \$736,829 as of June 30, 2011 and 2010, respectively. The State of Alaska has also provided \$7,000,000 of capacity to fund P3 procurement related expenses. See note 4.

KABATA has entered into an agreement with ADOT&PF to process payables and payroll, administer federal-aid highway funds, manage the disbursement of funds for expenditures incurred from legislative appropriations, and carry out other general and administrative duties on behalf of the Authority through the planning and environmental stages of KAC project development. All historical Authority expenditures have been made from state legislative appropriations authorized for the KAC and have been processed and administered by ADOT&PF under this agreement. In exchange for these services, KABATA incurs an interagency overhead charge from ADOT&PF,

NOTES TO BASIC FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2011 and 2010

2. Due from State of Alaska and Intergovernmental Charges (Continued)

which was \$270,431 and \$223,333 for the fiscal years ended June 30, 2011 and 2010, respectively. This interagency overhead charge is calculated as a percentage of expenditures and has been allocated to capital assets work in progress, deferred charges and other assets, and operating expense pro-rata with the underlying expenditures upon which it is based.

Authority legal services are provided by the State of Alaska Department of Law. The Authority has incurred \$477,917 and \$112,269 of legal services through this arrangement for the fiscal years ended June 30, 2011 and 2010, respectively. These expenditures have been allocated to construction work in progress, deferred debt issue costs, and operating expense based upon the nature of the specific legal services provided.

KABATA has also contracted with other State of Alaska agencies to provide services related to the environmental phase of the KAC project all of which have been capitalized as construction work in progress. The Authority incurred \$48,833 and \$18,017 for the fiscal years ended June 30, 2011 and 2010, respectively, for services provided by the Alaska Departments of Natural Resources and Fish and Game.

KABATA leases its office space from the State of Alaska and receives other administrative services under various arrangements administered primarily by the State of Alaska Department of Administration. The lease agreement is on a month-to-month basis with annual rent increases designed to recover operating cost of the State of Alaska-owned office building. The Authority incurred \$55,045 and \$54,215 of rent and \$13,897 and \$15,393 of administrative charges under these arrangements for the fiscal years ended June 30, 2011 and 2010, respectively, all of which has been charged to operating expense.

3. Capital Assets

The following schedules summarize the capital assets of the Authority as of June 30, 2011 and 2010:

	<u>June 30, 2010</u>	<u>Additions</u>	<u>June 30, 2011</u>
Capital assets not subject to depreciation:			
Construction Work in Progress	<u>\$ 41,076,382</u>	<u>\$ 4,114,393</u>	<u>\$ 45,190,775</u>
	<u>June 30, 2009</u>	<u>Additions</u>	<u>June 30, 2010</u>
Capital assets not subject to depreciation:			
Construction Work in Progress	<u>\$ 36,467,858</u>	<u>\$ 4,608,524</u>	<u>\$ 41,076,382</u>

The Authority, as a development stage enterprise, has primarily been engaged in the planning and environmental phases for the KAC. Therefore, all capital expenditures through June 30, 2011, have been recorded as construction work in progress, and no capital assets have been placed in service or depreciated as of June 30, 2011. Capital expenditures through June 30, 2011, have resulted primarily from expenditures for planning, conceptual engineering, and environmental activities associated with KAC project development.

NOTES TO BASIC FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2011 and 2010

4. Advance from State of Alaska

In November 2006, KABATA's Board of Directors resolved to pursue a private-sector partner to finance, construct, operate and maintain the KAC under a PPA. KABATA commenced a two-step procurement process to select a private partner for the KAC concession under the terms of a PPA. The procurement was cancelled by the KABATA board of directors in April 2011 and a new P3 procurement was initiated in July 2011. In support of the P3 procurement, the State of Alaska has provided up to \$7 million of non-interest bearing funding capacity for legal, consulting, and other costs associated with the P3 procurement. KABATA has agreed to repay amounts expended from this funding capacity using concession payment proceeds it expects to receive under the contemplated PPA and/or from future toll revenue. KABATA has expended \$2,388,388 and \$2,271,115 of the \$7 million funding capacity provided by the State of Alaska as of June 30, 2011 and 2010, respectively. The advance from the State of Alaska has been recorded as a noncurrent liability based on management's expectation that the P3 concession will not be awarded until the second half of 2012 or later.

5. Legislative Appropriations

The Alaska State Legislature has appropriated in various capital budget bills a total of \$112,420,099 in federal-aid highway funds for the KAC through June 30, 2011. The Alaska State Legislature has also appropriated state matching funds to the federal program. State matching funds are not appropriated on a specific project basis, but as a pool of funds to provide for the federally required match under the federal-aid highway program as the funds are expended. The state matching requirement to federal-aid highway funds is generally 9.03 percent. The ability to expend the appropriated amounts is subject to the availability of future federal-aid highway funding and authorization by the Federal Highway Administration. Sufficient federal funds may not be available in the future to fulfill the state legislative appropriations. The Authority has expended \$50,559,753 of the appropriated federal-aid highway funds through June 30, 2011 (including \$573,635 expended by ADOT&PF prior to KABATA's formation). Sufficient funding is available to meet amounts encumbered under existing contract commitments as of June 30, 2011. See note 7.

6. Risk Management

In conjunction with its operations, the Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. KABATA participates in the State of Alaska's risk management pool through its affiliation with ADOT&PF. ADOT&PF pays into the State's self insurance pool through a cost-of-risk premium, which is in turn paid for by the Authority as a component of its interagency overhead charge (see Note 2). The State has excess coverage policies in place for certain types of risks. There have been no significant changes in coverage over the past three years. KABATA has not experienced any claims in excess of available coverage. A copy of the State's certificate of self insurance and its risk management annual report discussing risk management strategies and coverages can be obtained by writing the State of Alaska Department of Administration, Division of Risk Management, P.O. Box 110218, Juneau, Alaska 99811-0218, by calling (907) 465-2180, or by internet at <http://doa.alaska.gov/drm/>.

7. Commitments

In December 2005, KABATA entered into an agreement with the ADOT&PF and the Matanuska-Susitna Borough (Mat-Su) that, among other things, had obligated the Authority to fund the construction of approximately 13.1 miles of two-lane paved roadway on the west side of the crossing. This included 3.5 miles of new two-lane roadway to connect the KAC with the Point MacKenzie Road and the realignment and paving of two-lanes on the 9.6 mile Point MacKenzie.

NOTES TO BASIC FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2011 and 2010

7. Commitments (Continued)

Road. Subsequently, the Alaska State Legislature appropriated a \$15,350,800 grant directly to the Mat-Su to pay for the 9.6 mile Point MacKenzie Road reconstruction and paving, substituting in part for KABATA's obligation. That reconstruction and paving was completed during 2010. However, the Authority's commitment remains for the 3.5 mile section to connect the KAC to Point MacKenzie Road. The Mat-Su Borough has committed within the agreement to provide \$1,000,000 toward the construction of KAC roadway in the Borough provided the KAC advances to construction. The agreement also obligates KABATA to fund the design and construction of an upgrade from two lanes to four lanes for the entire 13.1 miles at such time that traffic volumes warrant the upgrade.

In September 2006, the Authority entered into an agreement with ADOT&PF that, among other things, obligates KABATA to fund the design and construction of certain elements of the KAC project on the east side of the KAC from the north end of the Port of Anchorage south through Government Hill and connecting to the A/C Couplet in Anchorage via Loop Road. Upon satisfactory completion of those segments, ADOT&PF has agreed to accept ownership of them and to provide for their future operations and maintenance. KABATA also agreed to provide the primary funding for future expansion of these project segments to be transferred to ADOT&PF and to help fund future connectivity between the KAC and Anchorage at such time that traffic volumes warrant the upgrades and/or connectivity.

KABATA has entered into various contracts, primarily for environmental services under the National Environmental Policy Act; professional services to support the procurement of a private partner to finance, construct, and operate the KAC under the terms of a PPA; and traffic and revenue consulting services to support financing the KAC. During 2009 the Federal Highway Administration (FHWA) entered into agreements with various agencies on behalf of the Authority committing \$1,169,160 over a period of approximately three years for the inventory and preservation of historic properties in the vicinity of the KAC of which \$820,486 remains outstanding. In August 2007 the KABATA Board of Directors also approved and adopted a policy to provide a \$2,000,000 stipend to each of the losing P3 consortia provided they submit a responsive proposal to the P3 procurement request for proposals. The Authority has encumbered \$7,531,604 under these contractual commitments and the stipend policy as of June 30, 2011. The Alaska State Legislature has appropriated sufficient state and federal funding, and the ADOT&PF has provided credit capacity to KABATA that collectively are sufficient to meet these contractual commitments as of June 30, 2011. See Note 5.

On August 31, 2011, KABATA terminated its lease arrangement with the State of Alaska Department of Administration for office space and entered into a long-term facility lease with ADOT&PF for a period of 10 years with one optional five year extension. Future minimum lease payments under this agreement are as follows:

Year Ending June 30,	Minimum Lease Payment
2012	\$ 71,950
2013	86,340
2014	86,340
2015	86,340
2016	86,340
Thereafter	446,090
Total future minimum lease payments	\$ 863,400

NOTES TO BASIC FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2011 and 2010

8. Contingencies

Amounts received or receivable from grant agencies are subject to audit and adjustment by the grantor agencies, principally from the federal government and administered through the ADOT&PF. Any disallowed claims, including amounts already collected, may constitute a liability of the Authority. The amount, if any, of expenditures disallowed by the grantor cannot be determined at this time, although KABATA expects such amounts, if any, not to be material to the financial statements taken as a whole.

9. Pension Plan

All full-time, regular employees of the Authority participate in the State of Alaska Public Employees Retirement System (PERS), and all employees of the Authority participate in the Alaska Supplemental Annuity Plan (SBS). PERS is a multiple-employer public employee retirement system. Retirement-reform legislation passed during 2005 created a new PERS Defined Contribution Retirement (DCR) Plan. Employees entering the system on or after July 1, 2006 are classified as Tier IV members and participate under the DCR portion of PERS. Employees who entered the system prior to July 1, 2006 are classified as Tier I, II or III members and participate under the PERS Defined Benefit Retirement Plan. Tier I-III employees are required to contribute 6.75 percent of their annual salaries to PERS. Tier IV employees are required to contribute 8 percent of their annual salaries to PERS. The Authority contributed a matching 22 percent to the PERS system for the benefit of each participating employee during the years ended June 30, 2011 and 2010, totaling \$144,705 and \$132,930, respectively. The actuarially determined contribution rates were 27.79 percent and 27.65 percent for the fiscal years ended June 30, 2011 and 2010, respectively. The State of Alaska annually appropriates contributions to PERS which, when combined with the employer contributions, meets the required funding for the fiscal years ended June 30, 2011 and 2010. The Authority's allocation of the State appropriated employer relief was \$25,581 and \$16,577 for the fiscal years ended June 30, 2011 and 2010, respectively.

The Alaska Legislature passed Senate Bill 125, which was signed into law on April 9, 2008 and effective July 1, 2008. Senate Bill 125 converted the Public Employees Retirement System to a cost-sharing plan and provided for an integrated system of accounting for all employers. Under the integrated system, the Public Employees' Retirement System defined benefit plans' unfunded liability will be shared among all employers. The Bill also established a uniform PERS employer contribution rate of 22 percent of participating employees' covered payroll. The conversion took effect July 1, 2008.

Each fiscal year, PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Alaska Public Employees' Retirement System, Division of Retirement and Benefits, Accounting Section, P.O. Box 110203, Juneau, Alaska 99811-0203, by calling (907) 465-4460, or via the internet at <http://doa.alaska.gov/dr/pers/actuarial-valuation.html>.

The SBS is a defined contribution multiple-employer plan that was created under Alaska statutes effective January 1, 1980, pursuant to Internal Revenue Code section 401(a), to provide benefits in lieu of those provided by the Federal Social Security System. All Authority employees are required to contribute 6.13 percent of their annual salaries to SBS, and the Authority contributes a matching 6.13 percent to the plan for the benefit of each employee, up to a specified maximum each year.

STATISTICAL SECTION (UNAUDITED)

This part of KABATA's Comprehensive Annual Financial Report presents detailed information to provide context on KABATA's overall health as presented in the financial reports, notes disclosures, and required supplementary information.

FINANCIAL TRENDS 30

These schedules contain trend information to help the reader understand how KABATA's financial performance and well-being have changed over time.

REVENUE CAPACITY 31

These schedules contain information to help the reader assess the factors affecting KABATA's revenue. Because KABATA is in the development stage, revenues are presently limited to state and federal grants.

DEBT CAPACITY

These schedules are omitted because KABATA is in the development phase and has not issued any debt as of the date of this CAFR. By statute, KABATA is permitted to issue up to \$500 million net proceeds of revenue bonds and to borrow from the Transportation Infrastructure Finance Innovation Act (TIFIA) program and other lending sources. KABATA believes it has adequate borrowing capacity and authority to finance the KAC.

OPERATING INFORMATION 32

These schedules contain information about KABATA's operations and resources to help the reader understand how the Authority's financial information relates to the services it provides and the activities it performs. Because KABATA is in the development phase, only personnel and payroll data is provided.

DEMOGRAPHIC AND ECONOMIC INFORMATION 33

These schedules offer demographic and economic indicators, including top regional employers, to help the reader understand the environment within which KABATA's financial activities take place and to help make comparison over time.

Sources: Except as noted on individual schedules, the information presented in the statistical section is derived from the Authority's audited basic financial statements as of and for the years ended June 30, 2010, 2009, 2008, 2007, 2006, and 2005 and from the books and records of the Authority.

KNIK ARM BRIDGE AND TOLL AUTHORITY
(A Component Unit of the State of Alaska and Development Stage Enterprise)

STATISTICAL SECTION (UNAUDITED)

Changes in and Components of Net Assets since Inception (Accrual basis of accounting)

	Years ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Operating revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating expenses:								
Salaries and benefits	383,224	307,764	311,257	754,132	423,680	140,702	101,717	42,596
Travel	36,574	13,231	8,157	46,553	51,196	23,587	20,311	18,351
Services	823,004	449,301	570,327	2,943,955	1,694,928	420,178	324,366	206,794
Supplies	16,590	8,121	340	15,515	51,616	14,006	17,282	39,031
Total operating expense	1,259,392	778,417	890,081	3,760,155	2,221,420	598,473	463,676	306,772
Net loss from operations	(1,259,392)	(778,417)	(890,081)	(3,760,155)	(2,221,420)	(598,473)	(463,676)	(306,772)
Nonoperating revenues:								
State and federal appropriations	1,673,736	928,254	967,239	3,893,008	1,543,408	835,697	488,229	306,772
Change in net assets - unrestricted	414,344	149,837	77,158	132,853	(678,012)	237,224	24,553	-
Capital contributions	4,114,393	4,608,524	3,400,884	2,158,449	8,891,290	11,929,237	7,925,314	2,162,684
Extraordinary item - pension/OPEB	-	-	46,072	-	-	-	-	-
Change in total net assets	4,528,737	4,758,361	3,524,114	2,291,302	8,213,278	12,166,461	7,949,867	2,162,684
Beginning net assets	41,066,067	36,307,706	32,783,592	30,492,290	22,279,012	10,112,551	2,162,684	-
Ending net assets	\$ 45,594,804	\$ 41,066,067	\$ 36,307,706	\$ 32,783,592	\$ 30,492,290	\$ 22,279,012	\$ 10,112,551	\$ 2,162,684
Components of net assets:								
Net assets invested in capital assets	\$ 45,190,775	\$ 41,076,382	\$ 36,467,858	\$ 33,066,974	\$ 30,908,525	\$ 22,017,235	\$ 10,087,998	\$ 2,162,684
Unrestricted net assets (deficit)	404,029	(10,315)	(160,152)	(283,382)	(416,235)	261,777	24,553	-
Total net assets	\$ 45,594,804	\$ 41,066,067	\$ 36,307,706	\$ 32,783,592	\$ 30,492,290	\$ 22,279,012	\$ 10,112,551	\$ 2,162,684

KNIK ARM BRIDGE AND TOLL AUTHORITY
(A Component Unit of the State of Alaska and Development Stage Enterprise)

STATISTICAL SECTION (UNAUDITED)

Revenues and Capital Contributions by Underlying Source since Inception (Accrual basis of accounting)

	Years ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Operating revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonoperating revenues:								
Federal-aid highway funds	1,506,640	766,950	735,953	3,321,608	1,247,764	600,559	333,704	192,000
State general fund match to federal-aid highway funds	149,528	76,130	73,053	329,714	123,857	59,613	16	37,160
Non-participating state general funds	17,568	85,174	158,233	241,686	171,787	175,525	154,509	77,612
Total nonoperating revenues	<u>1,673,736</u>	<u>928,254</u>	<u>967,239</u>	<u>3,893,008</u>	<u>1,543,408</u>	<u>835,697</u>	<u>488,229</u>	<u>306,772</u>
Total revenues	<u>\$ 1,673,736</u>	<u>\$ 928,254</u>	<u>\$ 967,239</u>	<u>\$ 3,893,008</u>	<u>\$ 1,543,408</u>	<u>\$ 835,697</u>	<u>\$ 488,229</u>	<u>\$ 306,772</u>
Capital contributions								
Federal-aid highway funds	\$ 3,727,762	\$ 4,182,176	\$ 2,927,226	\$ 1,923,908	\$ 8,089,053	\$ 10,932,131	\$ 7,925,314	\$ 1,589,049
State general fund match to federal-aid highway funds	370,031	415,075	291,078	190,315	802,237	997,106	-	
Non-participating state general funds	16,600	11,273	182,580	44,226				
Capital contributed by Alaska Department of Transportation	-	-	-	-	-	-	-	573,635
Total capital contributions	<u>\$ 4,114,393</u>	<u>\$ 4,608,524</u>	<u>\$ 3,400,884</u>	<u>\$ 2,158,449</u>	<u>\$ 8,891,290</u>	<u>\$ 11,929,237</u>	<u>\$ 7,925,314</u>	<u>\$ 2,162,684</u>

STATISTICAL SECTION (UNAUDITED)

Full Time Equivalent and Total Payroll Related Expenditures since Inception (Actual basis of accounting)

	Years ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Full time equivalents	6.4	6.2	6.0	7.1	7.0	5.0	4.0	1.8
Payroll and benefits expenditures:								
Capitalized construction work in progress	708,367	654,077	679,607	557,310	\$ 677,572	\$ 497,569	\$ 300,310	\$ 150,659
Operating expense	383,224	307,764	311,257	754,132	423,680	140,702	101,717	42,596
Total payroll and benefits expenditures	<u>\$ 1,091,592</u>	<u>\$ 961,841</u>	<u>\$ 990,864</u>	<u>\$ 1,311,442</u>	<u>\$ 1,101,252</u>	<u>\$ 638,271</u>	<u>\$ 402,027</u>	<u>\$ 193,255</u>

STATISTICAL SECTION (UNAUDITED)

Regional Population, Total Personal Income, Per Capita Personal Income and Unemployment Statistics for Anchorage, Mat-Su and Anchorage Metropolitan Statistical Area (MSA)

June 30,	Population			Total Personal Income			Per Capita Personal Income			Unemployment		
	Anchorage	Mat-Su	Anchorage MSA	Anchorage	Mat-Su	Anchorage MSA	Anchorage	Mat-Su	Anchorage MSA	Anchorage	Mat-Su	Anchorage MSA
2011	na	na	na	na	na	na	na	na	na	6.7%	8.9%	7.2%
2010	291,826	88,995	380,821	na	na	na	na	na	\$46,886	7.0%	8.7%	7.4%
2009	286,174	88,379	374,553	\$13,907,382	\$3,403,299	\$17,310,681	\$48,598	\$38,508	\$46,217	7.0%	9.1%	7.5%
2008	279,243	85,458	364,701	\$14,148,639	\$3,373,008	\$17,521,647	\$49,805	\$38,657	\$47,205	5.5%	7.2%	5.8%
2007	279,671	82,669	362,340	\$13,129,215	\$2,983,977	\$16,113,192	\$47,051	\$35,969	\$44,521	5.0%	6.7%	5.4%
2006	279,922	79,538	359,460	\$12,484,186	\$2,673,812	\$15,157,998	\$44,601	\$33,673	\$42,186	5.4%	6.8%	5.7%
2005	276,613	75,026	351,639	\$11,713,999	\$2,415,255	\$14,129,254	\$42,304	\$32,209	\$40,153	5.6%	7.1%	5.9%
2004	274,698	71,231	345,929	\$11,077,530	\$2,170,587	\$13,248,117	\$40,298	\$30,484	\$38,279	6.3%	8.3%	6.7%
2003	271,463	67,527	338,990	\$10,446,858	\$1,988,980	\$12,435,838	\$38,453	\$29,460	\$36,663	6.9%	8.9%	7.3%
2002	268,009	64,550	332,559	\$10,216,588	\$1,905,773	\$12,122,361	\$38,088	\$29,529	\$36,428	5.9%	8.0%	6.3%
2001	263,814	61,914	325,728	\$9,757,609	\$1,759,949	\$11,517,558	\$36,004	\$28,826	\$34,640	4.9%	6.9%	5.3%

Source: U.S. Census Bureau, U.S. Bureau of Economic Analysis, Alaska Department of Labor and Workforce Development, respectively.

na = data not available at time of publication

STATISTICAL SECTION (UNAUDITED)

Top ten regional employers in Anchorage, Mat-Su and Anchorage MSA

Rank	Employer
Anchorage Metropolitan Statistical Area (MSA)	
(Includes Municipality of Anchorage and the Matanuska-Susitna Borough)	
1	Federal Government (including DoD)
2	Anchorage School District
3	State of Alaska
4	Providence Hospital
5	Municipality of Anchorage
6	Matanuska-Susitna Borough Schools
7	University of Alaska
8	Fred Meyer Stores, Inc.
9	Walmart Associates, Inc.
10	Safeway, Inc.
Municipality of Anchorage (Anchorage)	
1	Federal Government (including DoD)
2	Anchorage School District
3	State of Alaska
4	Providence Hospital
5	Municipality of Anchorage
6	University of Alaska
7	Safeway, Inc.
8	Alaska Native Tribal Health Consortium
9	Fred Meyer Stores, Inc.
10	Walmart Associates, Inc.
Matanuska-Susitna Borough (Mat-Su)	
1	Matanuska-Susitna Borough Schools
2	State of Alaska
3	Palmer-Wasilla Health System LLC
4	ASRC Energy Services O&M, Inc.
5	Fred Meyer Stores, Inc.
6	Walmart Associates, Inc.
7	VECO Alaska, Inc.
8	Matanuska-Susitna Borough
9	Providence Hospital
10	Safeway, Inc.

Source: Alaska Department of Labor and Workforce Development