Essential Infrastructure

Ready to Build

Knik Arm Bridge and Toll Authority

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

2012 COMPREHENSIVE ANNUAL FINANCIAL REPORT

As of and for the Years Ended June 30, 2012 and 2011

PREPARED BY THE AUTHORITY FINANCE AND ADMINISTRATIVE STAFF

ABOUT THE KNIK ARM BRIDGE AND TOLL AUTHORITY

Alaskans have been blazing new trails in our great state for centuries. Connecting the people to open land, providing them with additional, safe transportation options and building infrastructure to support economic growth has moved our young state forward in its short history. 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. This is where the Knik Arm Bridge and Toll Authority plays a crucial role.

Since its selection as the site of the Alaska Railroad in 1915, Anchorage has evolved to be 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 the Port serves 80 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, 82 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. Presently, 54 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. That's about 50 percent more people in Southcentral Alaska. 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-million 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 also purposely created as a toll authority to access toll revenue to pay for most of the project's estimated cost and to fund its operations and maintenance once constructed. Those motorists who benefit from using the toll bridge will pay for a substantial amount of its construction, operations and maintenance costs over the life of the infrastructure.

KABATA is in the project development stage for the KAC and, since its formation, has been engaged in planning, conceptual design and environmental work for building the bridge and appurtenant 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 drew to a close, KABATA initiated procurement of the KAC under a Public-Private Partnership (P3) to finance, design, build, operate and maintain the bridge for an estimated term of 35 years. As you read this, three consortiums have been short-listed out of six that expressed interest in the project. All three are competing to be named the state's private partner. KABATA is committed to completing the procurement in 2013 and opening the KAC to serve generations of Alaskans as soon as 2017.

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INTRODUCTORY SECTION

THE STATE of ALASKA
GOVERNOR SEAN PARNELL

Knik Arm Bridge and Toll Authority

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October 23, 2012

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

On behalf of the Knik Arm Bridge and Toll Authority (KABATA or the Authority), we are pleased to present to you our Comprehensive Annual Financial Report (CAFR) for the fiscal years ended June 30, 2012 and 2011. 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 as of and for the years ending June 30, 2012 and 2011 and its significant project development activities during 2012.

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 and 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, 2012 and 2011, 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. The 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 from user fees. KABATA initiated a Public-Private Partnership (P3) procurement to finance, design, construct, 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 $715-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 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 the Alaskan public 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 2012, the Authority progressed toward making the KAC a reality for the benefit of all of the citizens of Alaska. 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.

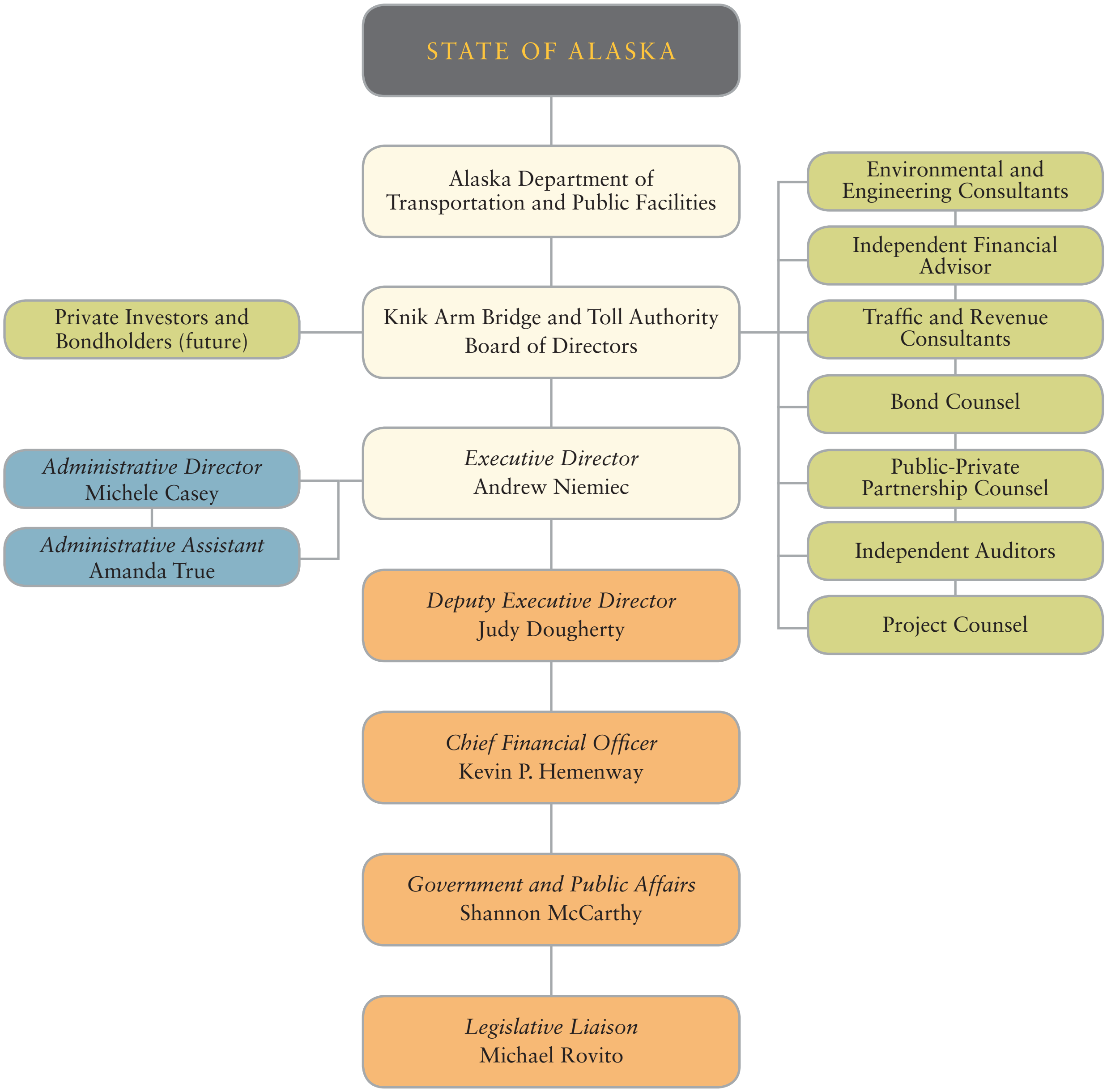
Respectfully submitted,
KNIK ARM BRIDGE AND TOLL AUTHORITY

Michael L. Foster
Board Chairman

Andrew J. Niemiec
Executive Director

Kevin P. Hemenway
Chief Financial Officer

ORGANIZATION CHART



BOARD OF DIRECTORS

The Knik Arm Bridge and Toll Authority (KABATA) 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 and oversight 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.

Board Members:

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."

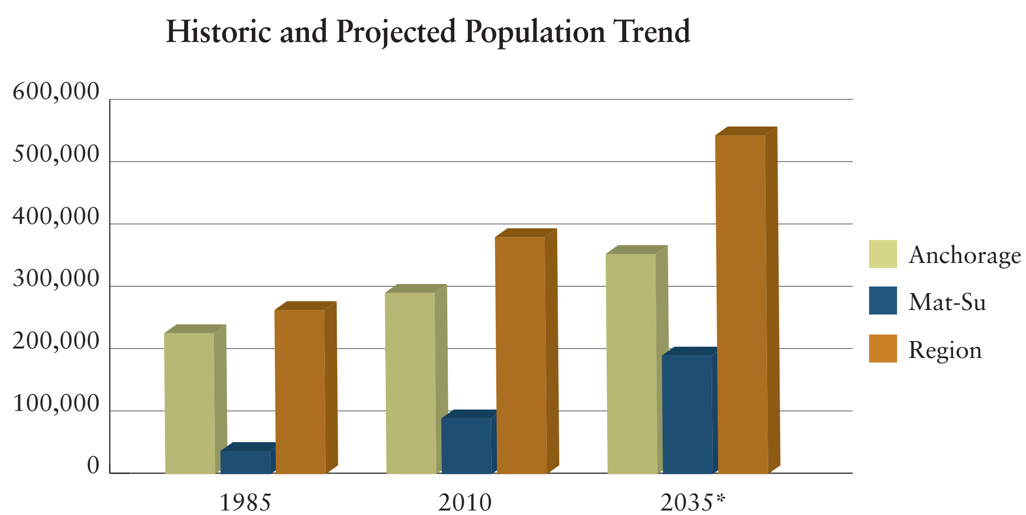
ABOUT THE KNIK ARM CROSSING PROJECT

Alaska is a young state with transportation infrastructure insufficient to serve our citizens and access our resources effectively. This has become more true as we have grown in population during past decades. Our state represents 17 percent of the land area of the United States but has only 16,302 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 more efficient route to the Matanuska-Susitna Borough, Alaska's Interior and Far North. The bridge will become an effective way to facilitate the movement of people and freight and provide access to land and resources. That dream of the Knik Arm Crossing (KAC) is progressing rapidly toward reality.

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. Today, 54 percent of Alaskans live within 50 miles of the proposed Knik Arm Crossing Project (KAC). Population forecasts indicate that the regional population is expected to grow between 145,000 and 260,000 people over the next 25 years. That's about 50 percent more people in the region. But after more than 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 (KABATA) in 2003 as a public corporation and an instrumentality of the State of Alaska under the Alaska Department of Transportation and Public Facilities (ADOT&PF). The specific purpose of KABATA is "… 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" (Alaska Statutes § 19.75 [AS § 19.75]). 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 9,200-foot toll bridge and approximately 18 miles of two-to-four lane approach and connector roads and associated facilities. It also 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 $715 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. Once open for traffic, the bridge will become part of the National Highway System, and it will continue benefiting Alaskans for many years to come.



*2010 Census number increased by ISER annual growth rate for 2035 forecast.

KNIK ARM CROSSING IS ESSENTIAL INFRASTRUCTURE, READY TO BUILD

The Purpose and Need included in the Knik Arm Crossing's (KAC) Environmental Impact Statement (EIS) confirmed the essential need for 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 (Mat-Su) 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, and Interior Alaska.

- Safety and transportation system redundancy for alternative travel routing and access between regional airports; ports; 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:

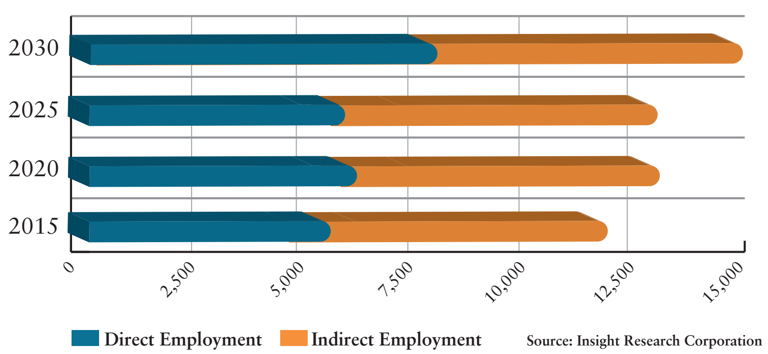
- Generate over 5,000 construction-related, full-time equivalents and 3,000 indirect jobs during Project construction.

- Enable 14,000 additional permanent direct and indirect jobs in the region by year 20 of bridge operation.

- Support $18 billion of incremental economic activity over the first 23 years of construction and opertion.

- Facilitate $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



Source: Insight Research Corporation

BRIDGE GENERATES POSITIVE TRAVEL, FUEL USE, AND CARBON DIOXIDE (CO_2) EMISSION IMPACTS

As depicted in Table 19, the Project will reduce vehicle miles traveled 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 (CO_2) Emission Impacts of Trips Directly Affected by the Construction of the Knik Arm Crossing Project" and was prepared by Wilbur Smith Associated in October 2011.

Table 19: 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 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 2 - 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			

KNIK ARM CROSSING PROJECT PREPARES FOR CONSTRUCTION

PUBLIC-PRIVATE PARTNERSHIP (P3) PROCUREMENT CONTINUES

KABATA is delivering the Knik Arm Crossing under a Public-Private Partnership (P3) 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. KABATA will make those payments 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 facility management for the life of the project, 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.

During 2012, KABATA held formal one-on-one industry meetings in Anchorage with the three short-listed consortiums. The meetings are a way to provide information uniformly to all three teams and to dialogue with each of them to help us finalize our contract documents. An industry workshop was hosted in New York City in September and was widely attended by industry participants from around the world. Chairman Michael Foster took part in a panel discussion during the workshop, and, like 2011, interest in the Knik Arm Crossing Project was a major topic at the conference.

The next steps in the P3 Procurement will include finalization of contract documents and the formal Request for Proposals (RFP). That will be followed by release of the formal RFP, proposal submission, proposal evaluation, selection, and commercial and financial close during calendar 2013 and early 2014. KABATA expects that the KAC will be under construction by 2014.

HOUSE BILL 158 PASSES HOUSE OF REPRESENTATIVES, GIVING MOMENTUM GOING INTO 2013 SESSION

Much progress was made in 2012 on legislation towards achieving the best value for the state in the public-private partnership for the Project. House Bill 158, filed by Rep. Mark Neuman, passed the House of Representatives 25-12 near the end of the legislative session. Senate Bill 80, filed by Sen. Linda Menard, received a hearing in the Senate Finance Committee. Time ran out on session before firm ground could be gained in the Senate, but the momentum of the House passage will carry the legislation into the 2013 session.

The bills, if passed, will enable KABATA to establish a Project reserve fund, clarify the tax exempt nature of the project and increase the amount of Private Activity Bonds the Authority can issue on behalf of our selected private partner. The reserve fund is designed to cover any shortfall in toll revenues used for meeting periodic availability payments to our private partner. This will be necessary during the first few years after the bridge is open while traffic is developing. This credit enhancement will lower the cost of capital for debt and equity for our selected private partner. This in turn reduces the overall cost of the facility to the State because it will result in lower periodic payments from KABATA to the private partner.

RIGHT-OF-WAY UNDER ACQUISITION

Funding for all of the right-of-way acquisition has been obligated, and FHWA has issued KABATA the authority to appraise and acquire all necessary parcels in the Government Hill area (Segment 9) and on the Mat-Su side of the crossing (Segment 2). Appraisals for Segment 2 parcels will be complete this winter, and offer letters will follow. The relocation of owners and tenants continues as agreements are reached on Segment 9 parcels. Coordination continues with Joint Base Elmendof-Richardson (JBER) and the Port of Anchorage to establish temporary construction easements. The permanent easements will be established from the post construction limits of the roadway. The easement application for the corridor through Port Mackenzie was submitted to the Mat-Su Borough last month with the associated mapping. Other government-to-government right-of-way activities include early entry authorization for submerged lands controlled by the Department of Natural Resources and Municipality of Anchorage property near the Port of Anchorage. KABATA expects to secure all right-of-way and rights-of-entry for the Project by mid-2013.

HISTORIC PRESERVATION A PROJECT PRIORITY

Implementation of the Programmatic Agreement for Section 106 – Historic Preservation – is ongoing. The Mat-Su Borough, in coordination with the Knik and Eklutna tribes, has completed two field seasons of archaeology and found three sites that require further exploration. In 2012, the Authority amended the Memorandum of Agreement with the Mat-Su Borough for the "one stop permitting" and corridor management plan to use the funding allocated for the plan for continued archaeology, since KABATA has already developed a corridor management plan of its own (which was necessary to identify right-of-way acquisition needs). The borough will finish the fieldwork next spring, and will provide its reports upon conclusion. The Municipality of Anchorage has its four work products near completion (Government Hill Neighborhood Plan and Historic Preservation Plan for Anchorage's four Original Neighborhoods are in "final draft" format and making the rounds at the Planning and Zoning Commission. If passed they will move on to the Assembly). The South Addition Inventory is complete as well as an Oral Histories project. All of this work was scheduled to be at final draft within two years of the ROD and the deadline was achieved. The Authority has also completed a draft Cultural Resources Training Manual and a draft Architectural Documentation for three Government Hill Properties in the Government Hill Urban Renewal District for FHWA and SHPO review and comment. These should be in final document format by the end of the year.

STATEWIDE SUPPORT FOR THE KNIK ARM CROSSING REMAINS STRONG

Although the Knik Arm Bridge physically connects the Municipality of Anchorage and the Mat-Su Borough, its positive impact will be felt beyond those areas. That's one reason why the Alaska State Chamber of Commerce included the Crossing project and the legislation from last session in its 2012 Legislative Priorities list. The Chamber recognizes that economic development and less expensive shipping costs directly related to the bridge will benefit Alaskans in Southcentral and the Interior. Further, the Alaska Trucking Association came out strongly in support of the project, calling the bridge a "critical infrastructure link between our communities."

The leadership of Anchorage and the Mat-Su Borough have expressed their strong support of the Project. The Mat-Su Borough adopted a resolution stating its continued support of the project and Mayor Dan Sullivan of Anchorage urged the Legislature to "approve the supporting legislation and recommended statute changes to move the project forward in a timely and beneficial manner."

Recent polling has confirmed positive statewide attitudes about the project and its ability to generate positive economic development. In a statewide sample of 609 Alaskans over the age of 18, 65 percent said now is the time to build the bridge, and 76 percent believe it will lead to economic growth.

ENGINEERING

The Authority was busy in 2012 working on various engineering components of the project. We have completed an Unexploded Ordinance (UXO) Training Manual, a draft Design Study Report, and a Storm Water Management Plan that will be provided to the private contractor. KABATA is obtaining access rights to conduct subsurface exploration of soil conditions on JBER and the Government Hill area. Environmental baselines are being established to support the right-of-way acquisitions from JBER, the Port of Anchorage, and the Alaska Railroad. Utility Memorandum of Agreements are underway with affected utility companies and right-of-way mapping to define the project corridor and support property acquisition is also in process.

STAKEHOLDER AND PUBLIC OUTREACH

It is important that the public, federal, state and local government agencies and elected officials have accurate information on the Knik Arm Crossing project. This year we stepped up our efforts to provide information, present project updates and participate at events in an effort to share facts and figures about the project. We kicked off the new year with the results of a new statewide public opinion survey by Dittman Research that shows a high rate of support for the project statewide at 65 percent. KABATA has conducted this poll throughout the years and these results reflect consistent support. We also distributed our annual report and comprehensive annual financial report to the legislature and provided hundreds of copies to stakeholders throughout the state. We were asked to present project updates throughout Alaska – from Fairbanks to Bethel. Some of our larger venues included the Anchorage Chamber of Commerce, the Resource Development Council and the Alaska Municipal League. Our smaller venues included a number of Anchorage community councils, DOT&PF Southcentral construction staff meeting, and the Fairbanks Chamber of Commerce Transportation Committee. We also participated in statewide tradeshows – providing information to business and industry leaders from all over Alaska. We produced newsletters, fact sheets and guides to help disseminate accurate information on the project.

Staff at the Authority launched a Facebook page in October of this year and quickly gathered more than 1,500 "likes" within the first month. Alaskans have a high rate of Facebook use, with a reported 385,340 users in the spring of 2011, so this is a great way to reach out with information. The new year promises more new approaches to communication for the Knik Arm Crossing.

NEW FACE AT KABATA AND CHANGES TO THE BOARD

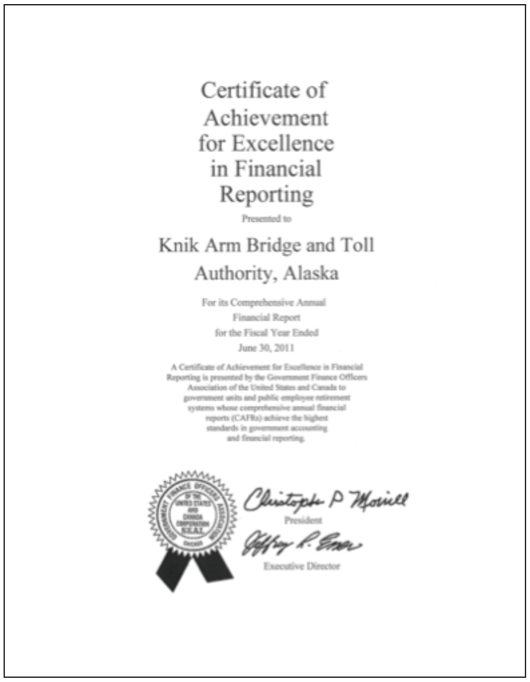
During 2012, KABATA added a new staff member, Michael Rovito, who is serving as our Legislative Liaison. The KABATA Board of Directors will also see change as we bid farewell to Sen. Linda Menard and welcome Department of State Transportation Deputy Commissioner Pat Kemp to the Board. Sen. Menard served on the KABATA board for two years, and her enthusiasm for the project and diligence in helping to move it forward are much appreciated. Deputy Commissioner Kemp will bring decades of experience to the table and be a valuable addition to the Board. We'd like to say thank you and good luck to former Commissioner Marc Luiken, whose expertise and enthusiasm for the project was a great asset.

LOOKING AHEAD TO 2013

The 2013 Legislative Session will be very important to the Project. KABATA expects credit enhancing legislation to be filed again, and the Authority is happy to meet with legislators, their staff and community members who have questions or who simply want to talk about the project. Our expectation for 2013 is to complete obtaining key permits, acquiring rights-of-way and finalizing the procurement for a Public-Private-Partnership, ending calendar 2013 with a contract award so construction can begin as soon as summer 2014. KABATA intends to utilize the innovation and financial resources of the private sector to deliver this essential infrastructure that's ready to build for Alaskan's as soon as possible and at the best value to the State.

AWARD SUBMISSION AND ACKNOWLEDGEMENTS

AWARD SUBMISSION



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Knik Arm Bridge and Toll Authority, Alaska

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Knik Arm Bridge and Toll Authority (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 sixth 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 Marc Luiken, who served on the board from June 2011 to September 2012. Mr. Luiken is a strong advocate for the project and served KABATA and the people of Alaska faithfully during his tenure. We also welcome ADOT&PF Acting Commissioner Pat Kemp to the board. His experience with infrastructure projects large and small in Alaska will be a valuable asset to the project and the Authority as we continue to move forward.

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.

FINANCIAL SECTION

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, 2012 and 2011. 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 notes to those financial statements, which immediately follow Management's Discussion and Analysis.

FINANCIAL HIGHLIGHTS

- KABATA's assets exceeded its liabilities by $55,314,236 and $45,594,804 as of June 30, 2012 and 2011, respectively (net assets). Net assets invested in capital assets represented $52,631,561 and $45,190,775 at June 30, 2012 and 2011 respectively. Unrestricted net assets were $2,682,675 and $404,029 at June 30, 2012 and 2010, respectively.

- The Authority's total net assets increased by $9,719,432 and $4,528,737 for the fiscal years ended June 30, 2012 and 2011, 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, 2012 and 2011.

- Current liabilities decreased by $250,967 and increased by $973,214 during the fiscal years ended June 30, 2012 and 2011, respectively. The change in current liabilities was due substantially to the timing of invoices received from vendors.

- The Alaska Department of Transportation and Public Facilities (ADOT&PF) previously approved KABATA's use of up to $7 million of state general funds in undertaking the Public-Private Partnership (P3) procurement and certain other costs with the expectation that those funds would be repaid. During the fiscal years ended June 30, 2012 and 2011, KABATA expended $99,235 and $117,273 of those state general funds, respectively. Subsequently, ADOT&PF determined that funds expended under this arrangement would not be required to be repaid. Accordingly, the Authority recorded the discharge of the advance from ADOT&PF of $2,487,623 on June 30, 2012, representing the cumulative amount of funds expended to date.

- Operating expenses were $4,787,697 and $1,259,392 for the fiscal years ended June 30, 2012 and 2011, respectively, representing increases of $3,528,305 and $480,975, respectively. The increase in 2012 was substantially the result of expenditures associated with the P3 procurement. The increase in 2011 was attributable to the development stage nature of KABATA and activities associated with establishing Authority operations and undertaking the P3 procurement. 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 availability payment P3 procurement, which was initiated in July 2011. During the fiscal years ended June 30, 2012 and 2011, KABATA incurred $3,681,139 and $550,457 of P3 procurement related costs, respectively.

- Nonoperating revenues were $7,066,343 and $1,673,736 for the fiscal years ended June 30, 2012 and 2011, respectively, representing an increase of $5,392,607 and $745,482 over 2011 and 2010, respectively. The increased revenue of $3,130,682 associated with funding the P3 procurement costs and the discharge of $2,487,623 of the advance from the State of Alaska represented substantially all of the increase in 2012. Capital contributions were $7,440,786 and $4,114,393 for the fiscal years ended June 30, 2012 and 2011, respectively, representing an increase of $3,326,393 over 2011 and a decrease of $494,131 over 2010. The majority of the increase for 2012 was due to rights-of-way acquisition and relocations during the fiscal year for which no corresponding expenditures were made in 2011. Nonoperating revenues and capital contributions consist primarily of Alaska legislative appropriations of federal-aid highway funds, state matching funds, and certain state general funds.

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, 2012 and 2011 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, 2010 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, 2012 and 2011 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 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. 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.

FINANCIAL ANALYSIS

Total assets, total liabilities, and total net assets at June 30, 2012, 2011 and 2010 are as follows:

	As of June 30,			Increase (Decrease)	
	2012	2011	2010	2012-2011	2011-2010
Current assets	$ 1,458,459	$ 1,756,002	$ 784,196	$ (297,543)	$ 971,806
Capital assets	52,631,561	45,190,775	41,076,382	7,440,786	4,114,393
Other noncurrent assets	2,683,292	2,746,458	2,213,433	(63,166)	533,025
Total assets	$ 56,773,312	$ 49,693,235	$ 44,074,011	$ 7,080,077	$ 5,619,224
Current liabilities	$ 1,459,076	$ 1,710,043	$ 736,829	$ (250,967)	$ 973,214
Noncurrent liabilities	-	2,388,388	2,271,115	(2,388,388)	117,273
Total liabilities	1,459,076	4,098,431	3,007,944	(2,639,355)	1,090,487
Net assets invested in capital assets	52,631,561	45,190,775	41,076,382	7,440,786	4,114,393
Unrestricted net assets (deficit)	2,682,675	404,029	(10,315)	2,278,646	414,344
Total net assets	55,314,236	45,594,804	41,066,067	9,719,432	4,528,737
Total liabilities and net assets	$ 56,773,312	$ 49,693,235	$ 44,074,011	$ 7,080,077	$ 5,619,224

	Fiscal Years Ended June 30,			Increase (Decrease)	
	2012	2011	2010	2011-2010	2011-2010
Operating expenses	$ 4,787,697	$ 1,259,392	$ 778,417	$ 3,528,305	$ 480,975
Operating loss	(4,787,697)	(1,259,392)	(778,417)	(3,528,305)	(480,975)
Nonoperating revenues, net	7,066,343	1,673,736	928,254	5,392,607	745,482
Excess	2,278,646	414,344	149,837	1,864,302	264,507
Capital contributions	7,440,786	4,114,393	4,608,524	3,326,393	(494,131)
Increase in net assets	$ 9,719,432	$ 4,528,737	$ 4,758,361	$ 5,190,695	$ (229,624)

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, environmental work, and procurement 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 $52,631,561 and $45,190,775 as of June 30, 2012 and 2011, respectively, consist 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.

In November 2006, KABATA's board of directors resolved unanimously to pursue a 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 received six Statements of Qualifications in response to a Request for Qualifications it issued in July 2011, and short-list three consortia under the first step of this procurement. Under the second step of the procurement, formal proposals will be solicited from the prequalified consortia. The ADOT&PF approved up to $7 million of state general funds for KABATA's use in undertaking the P3 procurement.

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 United States Department of Transportation's (USDOT's) Transportation Infrastructure Finance and Innovation Act (TIFIA) program, 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 $2,683,292 have been deferred as debt issue costs as of June 30, 2012.

Federal Aid Highway funds of $112,026,522 plus state matching and general funds have been provided to the Authority for the KAC by the Alaska Legislature. KABATA has expended $61,425,631 of federal-aid highway funds and $5,009,154 of state matching and general funds through June 30, 2012, for the planning, environmental, and procurement 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. KABATA has also expended $3,948,047 of state general funds on the project, and has $4,514,564 of appropriated state general funds remaining unexpended as of June 30, 2012.

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 http://www.knikarmbridge.com.

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), a component unit of the State of Alaska and development stage enterprise, as of and for the fiscal years ended June 30, 2012 and 2011, 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, 2012 and 2011, and the changes in its financial position and its cash flows for the fiscal years then ended in conformity with U.S. generally accepted accounting principles.

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 13-16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 our 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.

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.

October 12, 2012

KPMG LLP

KNIK ARM BRIDGE AND TOLL AUTHORITY

(A Component Unit of the State of Alaska and Development Stage Enterprise)
Statements of Net Assets.
As of June 30, 2012 and 2011

	As of June 30,	
	2012	2011
Assets		
Current assets:		
Accounts receivable	$ 21,267	$ -
Due from State of Alaska	1,437,192	1 ,699,263
Prepaid expenses	-	56,739
Total current assets	1,458,459	1,756,002
Noncurrent assets:		
Capital assets	52,631,561	45,190,775
Deferred charges and other assets	2,683,292	2,746,458
Total noncurrent assets	55,314,853	47,937,233
Total assets	$ 56,773,312	$ 49,693,235
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 553,170	$ 1 ,142,700
Accrued payroll and benefits	210,672	192,199
Other current liabilities	695,234	375,144
Total current liabilities	1,459,076	1 ,710,043
Noncurrent liabilities:		
Advance from State of Alaska	-	2,388,388
Total liabilities	1,459,076	4,098,431
Net assets:		
Net assets invested in capital assets	52,631,561	45,190,775
Unrestricted net asset (deficit)	2,682,675	404,029
Total net assets	55,314,236	45,594,804
Total liabilities and net assets	$ 56,773,312	$ 49,693,235

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

KNIK ARM BRIDGE AND TOLL AUTHORITY

(A Component Unit of the State of Alaska and Development Stage Enterprise)
Statements of Revenues, Expenses, and Changes in Net Assets.
For the Fiscal Years Ended June 30, 2012 and 2011

	Years ended June 30, 2012	Years ended June 30, 2011
Operating revenues	$ -	$ -
Operating expenses:		
Salaries and benefits	508,244	383,224
Travel	45,363	36,574
Services	4,221,932	823,004
Supplies	12,158	16,590
Total operating expenses	4,787,697	1,259,392
Operating loss	(4,787,697)	(1,259,392)
Nonoperating revenues:		
State and federal appropriations	7,058,619	1,673,736
Other, net of expenses of $13,160 for 2012	7,724	-
Total nonoperating revenues, net	7,066,343	1,673,736
Change in net assets before capital contributions	2,278,646	414,344
Capital contributions	7,440,786	4,114,393
Change in net assets	9,719,432	4,528,737
Net assets, beginning of period	45,594,804	41,066,067
Net assets, end of period	$55,314,236	$45,594,804

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

KNIK ARM BRIDGE AND TOLL AUTHORITY

(A Component Unit of the State of Alaska and Development Stage Enterprise)
Statements of Cash Flows.
For the Fiscal Years Ended June 30, 2012 and 2011

	Years ended June 30, 2012	2011
Cash flows from operating activities:		
Payments to employees	$ (506,253)	$ (378,527)
Payments to suppliers	(3,793,182)	(365,973)
Payments for intergovernmental charges from the State of Alaska	(423,299)	(183,008)
Net cash used by operating activities	(4,722,734)	(927,508)
Cash flows from non-capital financing activities:		
Receipts from state and federal appropriations	4,565,206	888,917
Advance from State of Alaska	157,528	38,591
Net cash provided by noncapital financing activities	4,722,734	927,508
Cash flows from capital and related financing activities:		
Receipts from state and federal appropriations	7,719,884	3,729,653
Advance from State of Alaska	20,389	-
Deferred debt issue costs (including intergovernmental charges from the State of Alaska of $34,245 and $35,662 for 2012 and 2011, respectively)	(52,528)	(426,425)
Purchase of capital assets (including intergovernmental charges from the State of Alaska of $412,903 and $515,526 for 2012 and 2011, respectively)	(7,687,745)	(3,303,228)
Net cash provided by capital and related financing activities	-	-
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents, beginning of period	-	-
Cash and cash equivalents, end of period	$ -	$ -
Reconciliaton of operating loss to net cash used by operating activities:		
Operating loss	$ (4,787,697)	$ (1,259,392)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Decrease (increase) in due from State of Alaska	(12,305)	228,394
Decrease (increase) in prepaid expenses	56,739	(9,372)
Increase in accounts payable	18,492	92,026
Increase in accrued payroll	1,991	4,697
Increase in other current liabilities	46	16,139
Net cash used by operating activities	$ (4,722,734)	$ (927,508)
Noncash noncapital financing activities - discharge of advance from State of Alaska	$ 2,487,623	$ -
Noncash capital and related financing activities - capital assets financed through accounts payable and other other current liabilities	$ 1,209,153	$ 1,571,807

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

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 Alaska Department of Transportation and Public Facilities (ADOT&PF), three public members appointed by the Governor, one nonvoting member from the State House of Representatives, and one nonvoting 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, environmental work, and procurement 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 prequalified a short list of three firms 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

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 and 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 that 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, 2012 or 2011 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.

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. 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 $778,965 and $708,367 of labor and benefits costs during 2012 and 2011, 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 2012 or 2011. 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 $2,683,292 and $2,746,458 of costs related to expected debt issuance as of June 30, 2012 and 2011, 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 $1,437,192 and $1,699,263 as of June 30, 2012 and 2011, respectively. The State of Alaska has also provided $7,000,000 of general fund capacity to fund P3 procurement related expenses and other costs not eligible for federal participation. 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, which was $510,887 and $270,431 for the fiscal years

2. DUE FROM STATE OF ALASKA AND INTERGOVERNMENTAL CHARGES (continued)

ended June 30, 2012 and 2011, 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 $1,511,460 and $477,917 of legal services through this arrangement for the fiscal years ended June 30, 2012 and 2011, 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 $28,563 and $48,833 for the fiscal years ended June 30, 2012 and 2011, 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 and ADOT&PF. The lease agreement is on a month-to-month basis with annual rent increases designed to recover operating cost of the ADOT&PF-owned office building. The Authority incurred $81,627 and $55,045 of rent and $13,485 and $13,897 of administrative charges under these arrangements for the fiscal years ended June 30, 2012 and 2011, respectively, substantially 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, 2012 and 2011:

	June 30, 2011	Additions	June 30, 2012
Capital assets not subject to depresciation:			
Construction work in progress	$ 45,190,775	$ 7,440,786	$ 52,631,561

	June 30, 2011	Additions	June 30, 2012
Capital assets not subject to depresciation:			
Construction work in progress	$ 41,076,382	$ 4,114,393	$ 45,190,775

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, 2012 have been recorded as construction work in progress, and no capital assets have been placed in service or depreciated as of June 30, 2012. Capital expenditures through June 30, 2012 have resulted primarily from expenditures for planning, conceptual engineering, environmental activities, and rights-of-way acquisition associated with KAC project development.

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 had provided up to $7 million of noninterest bearing funding capacity for legal, consulting, and other costs associated with the P3 procurement. Subsequently, the State of Alaska determined that funds expended under this arrangement would not be required to be repaid. KABATA had expended $2,487,623 of the $7 million funding capacity provided by the State of Alaska as of June 30, 2012, and recorded the discharge of that obligation as nonoperating revenue as of June 30, 2012.

5. LEGISLATIVE APPROPRIATIONS

The Alaska State Legislature has appropriated in various capital budget bills a total of $112,026,522 in federal-aid highway funds for the KAC through June 30, 2012. 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. Additionally, the State of Alaska has appropriated $8,462,611 of general funds for project purposes that are not eligible for federal participation. 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 (FHWA). Sufficient federal funds may not be available in the future to fulfill the state legislative appropriations. The Authority has expended $61,425,631 of the appropriated federal-aid highway funds through June 30, 2012 (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, 2012. 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

7. COMMITMENTS (continued)

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 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 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 $282,560 remains unexpended. 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 $10,728,664 under these various contractual commitments and the stipend policy as of June 30, 2012. The Alaska State Legislature has appropriated sufficient state and federal funding to KABATA to meet these contractual commitments as of June 30, 2012. 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
2013	$ 86,340
2014	$ 86,340
2015	$ 86,340
2016	$ 86,340
2017	$ 86,340
Thereafter	$ 359,750
Total future minimum lease payments	$ 791,450

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, 2012 and 2011, totaling $167,202 and $144,705, respectively. The actuarially determined contribution rates were 33.49 percent and 27.79 percent for the fiscal years ended June 30, 2012 and 2011, respectively. The State of Alaska annually appropriates contributions to PERS that, when combined with the employer contributions, meets the required funding for the fiscal years ended June 30, 2012 and 2011. The Authority's allocation of the State appropriated employer relief was $75,128, $25,581, and $16,577 for the fiscal years ended June 30, 2012, 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 by the Internet at http://doa.alaska.gov/drb/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. The Authority contributed $46,589 and $40,320 and the employees contributed $46,589 and $40,320 for the fiscal years ended June 30, 2012 and 2011, respectively.

STATISTICAL SECTION

This part of KABATA's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial reports, notes disclosures and required supplementary information says about KABATA's overall health.

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, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005 and 2004 and from the books and records of the Authority. 2004 was the Authorities first year of activity.

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

Changes in Net Assets Since Inception (Accrual basis of accounting)

	Years ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Operating revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Operating expenses:									
Salaries and benefits	508,244	383,224	307,764	311,257	754,132	423,680	140,702	101,717	42,596
Travel	45,363	36,574	13,231	8,157	46,553	51,196	23,587	20,311	18,351
Services	4,221,932	823,004	449,301	570,327	2,943,955	1,694,928	420,178	324,366	206,794
Supplies	12,158	16,590	8,121	340	15,515	51,616	14,006	17,282	39,031
Total operating expense	4,787,697	1,259,392	778,417	890,081	3,760,155	2,221,420	598,473	463,676	306,772
Net loss from operations	(4,787,697)	(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	7,058,619	1,673,736	928,254	967,239	3,893,008	1,543,408	835,697	488,229	306,772
Other, net	7,724	-	-	-	-	-	-	-	-
Total non-operating revenue, net	7,066,343	1,673,736	928,254	967,239	3,893,008	1,543,408	835,697	488,229	306,772
Change in net assets - unrestricted	2,278,646	414,344	149,837	77,158	132,853	(678,012)	237,224	24,553	-
Capital contributions	7,440,786	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	9,719,432	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	45,594,804	41,066,067	36,307,706	32,783,592	30,492,290	22,279,012	10,112,551	2,162,684	-
Ending net assets	$ 55,314,236	$ 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	$ 52,631,561	$ 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)	2,682,675	404,029	(10,315)	(160,152)	(283,382)	(416,235)	261,777	24,553	-
Total net assets	$ 55,314,236	$ 45,594,804	$ 41,066,067	$ 36,307,706	$ 32,783,592	$ 30,492,290	$ 22,279,012	$ 10,112,551	$ 2,162,684

Note: The Authority was established in September 2003 (fiscal year 2004). Therefore only nine years of data are presented.

KNIK ARM BRIDGE AND TOLL AUTHORITY

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

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

	Years ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Operating revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Nonoperating revenues:									
Federal-aid highway funds	4,129,813	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	409,915	149,528	76,130	73,053	329,714	123,857	59,613	16	37,160
Non-participating state general funds	2,518,891	17,568	85,174	158,233	241,686	171,787	175,525	154,509	77,612
Other, net	7,724	-	-	-	-	-	-	-	-
Total nonoperating revenues	7,066,343	1,673,736	928,254	967,239	3,893,008	1,543,408	835,697	488,229	306,772
Total revenues	$ 7,066,343	$ 1,673,736	$ 928,254	$ 967,239	$ 3,893,008	$ 1,543,408	$ 835,697	$ 488,229	$ 306,772
Capital contributions									
Federal-aid highway funds	$ 6,726,754	$ 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	667,721	370,031	415,075	291,078	190,315	802,237	997,106	-	-
Non-participating state general funds	46,311	16,600	11,273	182,580	44,226	-	-	-	-
Capital contributed by Alaska Department of Transportation	-	-	-	-	-	-	-	-	573,635
Total capital contributions	$ 7,440,786	$ 4,114,393	$ 4,608,524	$ 3,400,884	$ 2,158,449	$ 8,891,290	$ 11,929,237	$ 7,925,314	$ 2,162,684
Nonoperating revenue	7,066,343	1,673,736	928,254	967,239	3,893,008	1,543,408	835,697	488,229	306,772
Extraordinary item	-	-	-	46,072	-	-	-	-	-
Capital contributions	7,440,786	4,114,393	4,608,524	3,400,884	2,158,449	8,891,290	11,929,237	7,925,314	2,162,684
Total revenues and capital contributions	$ 14,507,129	$ 5,788,129	$ 5,536,778	$ 4,414,195	$ 6,051,457	$ 10,434,698	$ 12,764,934	$ 8,413,543	$ 2,469,456
Cumulative revenues and capital contributions	$ 70,380,319	$ 55,873,190	$ 50,085,061	$ 44,548,283	$ 40,134,088	$ 34,082,631	$ 23,647,933	$ 10,882,999	$ 2,469,456

Note: The Authority was established in September 2003 (fiscal year 2014). Therefore only nine years of data are presented.

Full Time Equivalents and Total Payroll Expenditures Since Inception (Accrual basis of accounting)

	Years ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Full time equivalents	6.7	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	$ 778,965	$ 708,367	$ 654,077	$ 679,607	$ 557,310	$ 677,572	$ 497,569	$ 300,310	$ 150,659
Operating expense	508,244	383,224	307,764	311,257	754,132	423,680	140,702	101,717	42,596
Total payroll and benefits expenditures	$ 1,287,210	$ 1,091,592	$ 961,841	$ 990,864	$ 1,311,442	$ 1,101,252	$ 638,271	$ 402,027	$ 193,255

Note: The Authority was established in September 2003 (fiscal year 2004). Therefore only nine years of data are presented.
Full time equivalents are derived from the Authority's personnel records.

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

	Population			Total Personal Income (thousands)			Per Capita Personal Income			Unemployment		
June 30,	Anchorage	Mat-Su	Anchorage MSA	Anchorage	Mat-Su	Anchorage MSA	Anchorage	Mat-Su	Anchorage MSA	Anchorage	Mat-Su	Anchorage MSA
2012	na	na	na	na	na	na	na	na	na	5.9%	9.1%	6.6%
2011	296,197	91,697	387,894	na	na	na	na	na	na	6.1%	8.9%	6.7%
2010	293,356	89,772	383,128	$14,372,302	$3,649,774	$18,022,076	$ 48,993	$ 40,656	$ 47,039	6.8%	9.1%	7.3%
2009	287,677	86,885	374,562	13,815,106	3,442,852	17,257,958	48,023	39,625	46,074	6.5%	8.9%	7.0%
2008	281,554	84,079	365,633	14,262,565	3,376,514	17,639,079	50,657	40,159	48,243	5.2%	7.3%	5.7%
2007	278,792	81,402	360,194	13,129,215	2,983,977	16,113,192	47,093	36,657	44,735	4.9%	6.9%	5.3%
2006	280,085	78,633	358,718	12,484,186	2,673,812	15,157,998	44,573	34,004	42,256	5.2%	7.4%	5.7%
2005	276,494	74,409	350,903	11,713,999	2,415,255	14,129,254	42,366	32,459	40,265	5.5%	7.6%	5.9%
2004	274,484	70,761	345,245	11,077,530	2,170,587	13,248,117	40,358	30,675	38,373	5.9%	8.3%	6.3%
2003	270,568	67,162	337,730	10,446,858	1,988,980	12,435,838	38,611	29,615	36,822	6.2%	8.6%	6.6%

Sources: Population, Total Personal Income and Per Capita Personal Income - U.S. Bureau of Economic Analysis.
Unemployment - Alaska Department of Labor and Workforce Development.

2012 Unemployment data represents average for six months ended June 30, 2012 and is not seasonally adjusted or representative of a full year.

na = data not available at time of publication.

Anchorage, Matanuska-Susitna Borough (Mat-Su) and Anchorage Metropolitan Statistical Area (MSA)
2012 Average Employment by Industry

	Anchorage	Mat-Su	Anchorage MSA
Total Nonfarm Employment	**155,150**	**18,758**	**173,908**
Goods Producing	**13,083**	**233**	**13,317**
Mining and Logging	3,042	83	3,125
Construction	7,975	117	8,092
Manufacturing	2,067	33	2,100
Services Providing	**142,042**	**18,550**	**160,592**
Wholesale Trade	4,592	75	4,667
Retail Trade	17,233	2,842	20,075
Transportation/Warehouse/Utilities	11,533	750	12,283
Information	3,925	858	4,783
Financial Activities	8,858	1,142	10,000
Professional and Business Services	18,917	1,767	20,683
Educational and Health Services	23,667	3,933	27,600
Leisure and Hospitality	16,692	1,567	18,258
Other Services	5,833	325	6,158
Federal Government	9,475	83	9,558
State Government	10,592	1,158	11,750
Local Government	10,725	4,050	14,775

Source: Alaska Department of Labor and Workforce Development.
Note: Top ten employer date is no longer available from the Alaska Department of Labor and Workforce Development due to State of Alaska confidentiality laws that apply to employer reported payroll and employment.