ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Management's Discussion and Analysis and
Financial Statements

June 30, 2015 and 2014

Together with Independent Auditor's Report

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

June 30, 2015 and 2014

Table of Contents

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Alaska Student Loan Corporation's (Corporation) history, financial position at, and financial performance for, the fiscal years ended June 30, 2015 and 2014 is being presented to assist readers in understanding the Corporation's structure, activities and significant financial issues. Fiscal year 2013 information is shown for comparative purposes.

This information is required supplementary information and should be read in conjunction with the Independent Auditor's Report, the audited financial statements and accompanying notes, all of which follow.

History

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

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

The Alaska Student Loan Corporation (ASLC or Corporation) was created in 1987 by an act of the State Legislature. The Corporation is a public corporation and governmental instrumentality within the Department of Education and Early Development with a legal existence independent of and separate from the State. Therefore, the Corporation is not a part of the State's primary government. The financial activity related to the Corporation is reported as a discretely presented component unit in the State's comprehensive annual financial report.

The Corporation was created to raise alternative financing for education loans through the issuance of debt. The Corporation's goal is to provide low-cost education loans to Alaskans pursuing education and training at a postsecondary level and for other qualified individuals attending postsecondary institutions in the State. By statute the Corporation has one employee, the Executive Officer. The employees of the Commission serve as staff for the Corporation. In 1987, the Corporation entered into an agreement with the Commission for on-going administrative services related to the loan programs. In April of 1988, by an act of the State Legislature, the assets, liabilities, and equities of the State's existing education loan programs were transferred to the Corporation effective December 1987. Loan originations are currently funded by recycling non-pledged loan payments.

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

Under contract with the Corporation, the Commission awards and services education loans. Additional information is available at http://acpe.alaska.gov. The Corporation funds the Commission's expenditures that relate to loan program administration as permitted by ASLC statutes and bond indentures.

The loan program includes various Federal Family Education Loan Program (FFELP) loans (Federal loans) governed by the Higher Education Act (HEA) and State Education loans (State loans) governed by State statutes. The loan program includes both fixed and variable rate loans.

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

Program Highlights

- The Corporation continues to hold and administer its FFELP portfolio. Loans in that portfolio are guaranteed by Northwest Education Loan Association.

- The Corporation continues to originate state loans as well as administer its state loan portfolio. State loans are not supported by collateral nor are they guaranteed.

- Loan portfolio by type is as follows:

Fiscal Year and Loan Type	Net loans as a percentage of total loans
2015	
State	68
Federal	32
2014	
State	68
Federal	32
2013	
State	68
Federal	32

- Loans are pledged to various trusts or held by the Corporation free and clear (non-pledged) as follows:

	Principal balance, gross			Principal balance as a percentage of
	State	Federal	Total	total
2002 Trust	$ 138,353	-	138,353	34
2012B Trust	67,956	-	67,956	17
2013 Trust	-	102,604	102,604	26
Non-pledged	92,268	-	92,268	23
Total	$ 298,577	102,604	401,181	100

- State loans were made to borrowers meeting the following credit criteria:

	Principal balance, gross	Principal balance as a percentage of total
FICO of 680 or greater	$ 35,233	12
Good payment history	39,100	13
Credit ready	183,072	61
No credit criteria	41,172	14
Total	$ 298,577	100

FICO score requirements were implemented on all Alaska Supplemental Education Loans first disbursed on or after July 1, 2009. The borrower or a co-signor must have a qualifying FICO score at the time the loan is awarded.

All State Consolidation Loans were made subject to credit criteria which included good repayment histories on the underlying loans for the eighteen months preceding consolidation or a FICO score of at least 680.

Credit-ready loans disbursed on or after July 1, 1998 and before July 1, 2009 were made to borrowers with no adverse credit history.

Financial Highlights

- Financing education loans:

  The Corporation last issued bonds, for the purpose of financing new education loans, in June 2007 and has used non-pledged assets and proceeds from a State loan to finance education loans through June 30, 2015. Annual loan volume is anticipated to be between \$6 and \$10 million. Absent significant increases in operating costs or material changes in the loan program, the Corporation anticipates meeting loan demand with non-pledged assets. When non-pledged assets are no longer available, the Corporation anticipates issuing debt to meet loan demand.

- Loan-related reports are available at: acpe.alaska.gov/about_us/Investor/Investor_Relations.

Overview of the Financial Statements

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

Statements of Net Position – This statement presents information regarding the Corporation's assets, liabilities and net position at a point in time. Net position represents the total amount of assets less the total amount of liabilities. This statement reflects the Corporation's financial health at the end of the year. Over time, changes in net position may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

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

Statements of Revenue, Expense, and Changes in Net Position – This statement measures the activities of the Corporation's operations over the past year and presents operating income, results of non-operating activities and change in net position for the year. This statement can be used to determine whether the Corporation has successfully recovered its costs through education loan and investment income.

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

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

Financial Analysis

- The Corporation's total assets at June 30, 2015, 2014, and 2013 were $0.4, $0.5, and $0.5 billion, respectively. The change in assets from fiscal year 2014 to 2015 was a decrease of $55 million or 12%, and the change between fiscal year 2013 to 2014 was a decrease of $70 million or 13%.

- The Corporation's net education loans receivable was $319, $379, and $435 million, at June 30, 2015, 2014 and 2013, respectively. These balances represent a decrease in fiscal year 2015 of $60 million or 16% and a decrease in fiscal year 2014 of $56 million or 13%.

- The Corporation's debt at June 30, 2015, 2014, and 2013 was $188, $243, and $314 million, respectively. The change in debt from fiscal year 2014 to 2015 was a decrease of $55 million or 23%, and the change in debt from fiscal year 2013 to 2014 was a decrease of $71 million or 23%.

- The assets of the Corporation exceed its liabilities (reported as net position) at the close of fiscal year 2015, 2014 and 2013 by $221, $220, and $216 million, respectively. These balances represent an increase in fiscal year 2015 of $1 million or 1% and an increase in fiscal year 2014 of $4 million or 2%.

- The Corporation's operating revenue was $18, $23, and $23 million at June 30, 2015, 2014 and 2013, respectively. These balances represent a decrease in fiscal year 2015 of $5 million or 20% and a decrease in 2014 of $1 million or 4%.

- The Corporation's operating interest expense was $4, $5, and $7 million during fiscal years 2015, 2014 and 2013, respectively. These balances represent a decrease in fiscal year 2015 of $1 million or 28%, and a decrease in 2014 of $2 million or 30%.

- The Corporation's operating administration expense was $13, $14, and $16 million during fiscal years 2015, 2014 and 2013. These balances represent a decrease in fiscal year 2015 of $1 million or 5% and a decrease in fiscal year 2014 of $2 million or 13%.

- The following condensed financial information reflects changes during the fiscal year:

Statement of Net Position (in thousands)

Assets:	2015	2014	$ Change	% Change	2013
Current	$ 38,986	42,580	(3,594)	(8)	63,073
Noncurrent	374,944	426,070	(51,126)	(12)	475,469
Total assets	$ 413,930	468,650	(54,720)	(12)	538,542
Liabilities:					
Current	$ 53,692	59,813	(6,121)	(10)	67,273
Noncurrent	139,410	189,292	(49,882)	(26)	255,234
Total liabilities	193,102	249,105	(56,003)	(22)	322,507
Net position:					
Unrestricted	95,710	81,618	14,092	17	85,848
Restricted	125,118	137,927	(12,809)	(9)	130,187
Total net position	220,828	219,545	1,283	1	216,035
Total liabilities and net position	$ 413,930	468,650	(54,720)	(12)	538,542

The fiscal year 2015 decrease in current assets is due to the decrease in current restricted investments. Current restricted investments represent investments set aside for accrued interest and principal debt service payments due in the next year. Debt service payments due in the next year have declined approximately $5.5 million from the prior year. The fiscal year 2015 decrease in noncurrent assets is due to the $69 million reduction in the restricted net loan receivable balance between years. Loan principal repayments continue to be greater than originations and capitalized interest. The reduction in the restricted net loan receivable balance was offset by an increase of $11.2 million in restricted investments. Management expects this trend to continue in the years to come. Noncurrent restricted investments increased because debt service payments due in the next year declined and noncurrent loan collections are keeping pace with cash outflows.

The fiscal year 2015 decrease in current liabilities is primarily due to the continuing decline in bonds payable. The remaining decline is due to the decline in the return of capital payable balance as State agency projects, funded with the Corporation's capital project bond proceeds, near completion.

Noncurrent liabilities are $50 million lower in 2015 than they were in fiscal year 2014 due to the decline in bonds payable. No new bonds have been issued by the Corporation and existing debt service payments are being made as scheduled.

Unrestricted net position increased in 2015 because assets in the 2005 capital project trust, which were restricted in past years, become unrestricted when the bonds issued under that trust were paid off in July 2014. This reclassification of assets resulted in the decline of the restricted net position balance.

The fiscal year 2014 decrease in current assets is due to the decrease in current restricted investments. Current restricted investments represent investments at year end set aside for accrued interest and principal debt service payments due in the next year. Debt service payments due in the next year and investments set aside for such debt service payments have declined from the prior year. The fiscal year 2014 decrease in noncurrent assets is due to the reduction of the restricted net loan receivable balance between years. Loan principal repayments continue to be greater than originations and capitalized interest. The reduction in the restricted net loan receivable balance was offset by an increase in restricted investments. Noncurrent restricted investments increased because debt service payments due in the next year declined and noncurrent loan collections are keeping pace with cash outflows.

The fiscal year 2014 decrease in current liabilities is due to several items. The due to U.S. Dept. of Education balance in 2013 was for two quarters and the balance in 2014 was for one quarter. The Return of capital payable balance continues to decline as State agency projects, funded with the Corporation's capital project bond proceeds, near completion. The remaining decline is due to the decline in bonds payable.

Noncurrent liabilities have declined due to the reduction in bonds payable.

Unrestricted net position declined because administrative expenses exceeded unrestricted assets generated for such expenditures again in fiscal year 2014. The decline in fiscal year 2014 was less than the decline in fiscal year 2013 because the non-pledged loan portfolio is growing.

Restricted net position increased due to the reduction in debt exceeding the reduction in restricted loans receivable and investments.

Statements of Revenue, Expenses and Changes in Net Position (in thousands)

	2015	2014	$ Change	% Change	2013
Operating revenue	$ 18,006	22,544	(4,538)	(20)	23,418
Operating expense	(17,012)	(19,087)	2,075	(11)	(23,282)
Nonoperating revenue	289	238	51	21	1,019
Nonoperating expense	-	(185)	185	(100)	(1,382)
Change in net position	1,283	3,510	(2,227)	(63)	(227)
Net position - beginning	219,545	216,035	3,510	2	216,262
Net position - ending	$ 220,828	219,545	1,283	1	216,035

Operating revenue represents interest on education loans, loan-related provisions and earnings on investments. Interest on education loans continues to decline due to the decline in the loan portfolio. As the education loan portfolio decreases so will related loan interest revenue. The net education loan portfolio decreased 14% in fiscal year 2015 and the resulting decrease in education loan interest income, prior to recording the change in yield restriction payable, was 14%. The decrease in fiscal year 2015 is also due to the increase in the yield restriction payable of approximately $430 which is netted against interest on loans. The average return on gross loans, prior to recording the change in the yield restriction payable, was 4.4%, 4.3% and 4.3% in fiscal years 2015, 2014 and 2013, respectively. The provision represents the current year change in estimated principal losses and interest losses on that principal. The provision related to principal losses increased $1,468 in fiscal year 2015 due to the fact that the additional cohort (year loans first entered repayment) added to the calculation had slightly higher loss rates than those already in the calculation. The interest loss provision decreased by $1,040 in fiscal year 2015 due to the smaller increase in interest receivable on higher loss rate categories compared to the previous year. Interest continues to accrue on doubtful loans until they are written off or until the borrower begins to make payments allowing the loan to be removed from the doubtful category. The investment portfolio increased 10.7% in fiscal year 2015; however, the return on the portfolio was significantly lower than prior year. The average return on investments, prior to recording the change in the arbitrage rebate receivable was 0.2%, 0.5% and 0.5% in fiscal years 2015, 2014 and 2013, respectively. The decrease in investment income in fiscal year 2015 is offset by the increase in the arbitrage rebate receivable.

Operating expense declined due to the reduction in debt-related interest expense and administrative costs in fiscal year 2015. The decline in interest expense is related to the decline in debt-related rates as well as an overall reduction of approximately $54,437 in debt outstanding. The average rate on outstanding debt was 1.60%, 1.75% and 2.18% for fiscal years 2015, 2014 and 2013, respectively. The reduction in administrative costs is due to several items. The most significant being the reduction in information technology related costs due to the transition in the operating platform for the student loan servicing system that occurred in fiscal year 2015. In addition, bond-related costs were lower in fiscal year 2015 due to the reduction in bonds payable subject to credit enhancement. Lastly, fiscal year 2014 costs included one-time costs contributing to the reduction in fiscal year 2015.

Nonoperating revenue consists of federal direct loan servicing fees which are earned on the direct loans allocated to the Corporation for servicing. This servicing is performed by a third-party for a share of the fee.

Nonoperating expense declined in fiscal year 2015 due to nonoperating debt being paid off in July 2014.

Operating revenue which represents interest on education loans, loan related provisions and earnings on investments declined in fiscal year 2014 due to the reduction in the loan and investment portfolios. As the education loan and investment portfolios decrease so will related loan and investment interest revenue. The net education loan portfolio decreased 13% in fiscal year 2014 and the resulting decrease in education loan interest income, prior to recording the change in the yield restriction payable, was 11%. The decrease in fiscal year 2014 was also due to the increase in the yield restriction payable of approximately $203 which is netted against interest on loans. The provision represents the current year change in estimated principal losses and interest losses on that principal. The provision related to principal losses decreased $1,755 in fiscal year 2014 due to the fact that the additional cohort (year loans first entered repayment) added to the calculation had lower loss rates than those already in the calculation. The interest loss provision decreased by $231 in fiscal year 2014 due to the reduction of the increase of interest receivable in higher loss rate categories over the previous year. Interest continues to accrue on doubtful loans until they are written off or until the borrower begins to make payments allowing the loan to be removed from the doubtful category. The average return on gross loans, prior to the adjustment for the yield restriction payable, was 4.3% and 4.3% in fiscal years 2014 and 2013, respectively. The investment portfolio decreased 12.6% in fiscal year 2014. The average return on investments, prior to recording the change in rebate payable was 0.5% and 0.5% in fiscal years 2014 and 2013, respectively. The decrease in investment income in fiscal year 2014 was offset by the increase in rebate receivable.

Operating expense declined due to the reduction in debt-related interest expense and debt issue costs in fiscal year 2014. The decline in interest expense is related to the decline in debt-related rates as well as an overall reduction of approximately $70,717 in debt outstanding. The average rate on outstanding debt was 1.75% and 2.18% for fiscal years ending June 30, 2014 and 2013, respectively. Debt issue costs declined in fiscal year 2014 because no bonds were issued. These costs in fiscal year 2013 relate to three bond issues completed.

Nonoperating revenue consists of Federal direct loan servicing fees. This revenue declined $0.7 and $0.5 in fiscal years 2014 and 2013, respectively. The decrease between fiscal year 2014 and 2013 was due to the reduction in the Federal direct loan portfolio allocated to the corporation for servicing as a result of normal runoff related to borrower loan payments.

Nonoperating expense declined $1,197 and $435 in fiscal year 2014 and 2013, respectively, due to the reduction in debt-related interest expense.

Borrower Benefits

The Board has approved various loan benefits to provide incentives and rewards to borrowers. The benefit package, intended to lower borrowers' interest costs, is subject to annual approval by the Board. Changes to the package are subject to a confirmation from rating agencies rating the Corporation's outstanding bonds supported by loans eligible for borrower benefits. The rating confirmation must indicate that the change to the borrower benefit package will not have a negative impact on bond ratings previously issued. Borrower benefits awarded in fiscal years 2015, 2014 and 2013 cost approximately $969, $1,013, and $1,102, respectively. The cost is recorded as an offset to interest on loans. The borrower benefit package for fiscal year 2016 will be the same as that in 2015. Information related to benefits to eligible borrowers is at: acpe.alaska.gov/Financial_Aid/Loans/Borrower_Benefits.

Contacting the Corporation

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

ELGEE REHFELD MERTZ, LLC

CERTIFIED PUBLIC ACCOUNTANTS

9309 Glacier Highway, Suite B-200 • Juneau, Alaska 99801
907.789.3178 • FAX 907.789.7128 • www.ermcpa.com

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Alaska Student Loan Corporation
Juneau, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the Alaska Student Loan Corporation, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Alaska Student Loan Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Alaska Student Loan Corporation, as of June 30, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1 through 9 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2015 on our consideration of the Alaska Student Loan Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Alaska Student Loan Corporation's internal control over financial reporting and compliance.

ERM

October 1, 2015

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

Statements of Net Position

June 30, 2015 and 2014

(in thousands)

	2015	2014
Assets:		
Current assets:		
Cash (note 3)	$ 1,108	894
Other	733	362
Interest receivable on investments	111	76
Interest receivable on loans	1,265	781
Investments (note 3)	-	203
Loans receivable (note 4)	11,197	8,674
Restricted:		
Investments (note 3)	24,547	30,861
Arbitrage rebate receivable (notes 2 and 7)	-	701
Other	25	28
Total current assets	38,986	42,580
Noncurrent assets:		
Interest receivable on loans, net (note 5)	1,502	1,400
Loans receivable, net (notes 4 and 5)	49,974	43,066
Investments (note 3)	30,604	27,355
Other	2	8
Restricted:		
Cash (note 3)	555	893
Other	-	341
Arbitrage rebate receivable (notes 2 and 7)	433	373
Interest receivable on investments	99	173
Interest receivable on loans, net (note 5)	6,763	9,678
Investments (note 3)	27,102	15,878
Loans receivable, net (notes 4 and 5)	257,910	326,905
Total noncurrent assets	374,944	426,070
Total assets	$ 413,930	468,650

See accompanying Notes to Financial Statements. (continued)

ALASKA STUDENT LOAN CORPORATION

(A Component Unit of the State of Alaska)

Statements of Net Position

June 30, 2015 and 2014

(in thousands)

		2015	2014
Liabilities and Net Position:			
Liabilities:			
Current:			
Payable from unrestricted assets:			
Due to State of Alaska	$	447	572
Warrants outstanding (note 4)		123	97
Accounts payable		216	523
Payables from restricted assets:			
Due to U.S. Dept. of Education (note 8)		853	997
Warrants outstanding (note 4)		6	6
Accounts payable		45	64
Return of capital payable (note 9)		1,291	2,303
Interest payable		198	342
Bonds payable (note 6)		50,513	54,909
Total current liabilities		53,692	59,813
Noncurrent - payable from restricted assets:			
Yield restriction payable (notes 2 and 7)		1,554	1,124
Bonds payable (note 6)		137,856	188,168
Total noncurrent liabilities		139,410	189,292
Total liabilities		193,102	249,105
Net position:			
Unrestricted (note 2)		95,710	81,618
Restricted		125,118	137,927
Total net position		220,828	219,545
Total liabilities and net position	$	413,930	468,650

See accompanying Notes to Financial Statements.

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

Statements of Revenue, Expense, and Changes in Net Position

Years Ended June 30, 2015 and 2014

(in thousands)

	2015	2014
Operating revenue:		
Interest on loans, net (note 2)	$ 21,845	25,705
Provision (note 5)	(4,110)	(3,682)
Investment income, net (note 2)	271	521
Total operating revenue	18,006	22,544
Operating expense:		
Interest	3,553	4,921
Administration	13,459	14,166
Total operating expense	17,012	19,087
Operating income	994	3,457
Nonoperating revenue - other	289	238
Nonoperating expense:		
Interest	-	174
Administration	-	11
Total nonoperating expense	-	185
Nonoperating income	289	53
Change in net position	1,283	3,510
Total net position - beginning	219,545	216,035
Total net position - ending	$ 220,828	219,545

See accompanying Notes to Financial Statements.

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

Statements of Cash Flows

Years Ended June 30, 2015 and 2014

(in thousands)

	2015	2014
Cash flows from operating activities:		
Principal payments received on loans	$ 69,531	70,730
Interest received on loans	13,963	14,282
Other receipts	(161)	378
Loans originated	(3,772)	(4,699)
Administration	(13,550)	(14,432)
Interest paid on debt	(3,889)	(5,414)
Principal paid on debt	(51,437)	(63,275)
Income received on investments	588	544
Investments matured or sold	326,462	384,665
Investments purchased	(334,055)	(373,998)
Net cash provided by operating activities	3,680	8,781
Cash flows from capital activities:		
Other receipts	289	242
Administration	(2)	(13)
Interest paid on debt	(79)	(420)
Principal paid on debt	(3,000)	(7,000)
Return of capital payments	(1,012)	(1,516)
Net cash used by capital activities	(3,804)	(8,707)
Net increase (decrease) in cash	(124)	74
Cash at beginning of period	1,787	1,713
Cash at end of period	$ 1,663	1,787

See accompanying Notes to Financial Statements. (continued)

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

Statements of Cash Flows

Years Ended June 30, 2015 and 2014

(in thousands)

		2015	2014
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	994	3,457
Adjustments to reconcile operating income to net cash provided by operating activities:			
Provision		4,110	3,682
Change in assets and liabilities:			
Increase in other assets		(20)	(138)
Decrease in interest receivable - investments		39	66
Increase in interest receivable - loans		(934)	(1,416)
Decrease (increase) in investments		(7,956)	10,692
Decrease in loans receivable		58,717	57,144
Decrease in due to U.S. Dept. of Education		(144)	(1,180)
Increase (decrease) in net due to State of Alaska		(125)	53
Increase (decrease) in warrants outstanding		26	(114)
Increase (decrease) in accounts payable		(325)	168
Increase in net yield restriction/arbitrage rebate payable		1,071	135
Decrease in interest payable		(65)	(113)
Decrease in bonds payable		(51,708)	(63,655)
Total adjustments		2,686	5,324
Net cash provided by operating activities	$	3,680	8,781
Summary of noncash capital activities that affect recognized assets and liabilities:			
Interest payable	$	-	236
Bond premium/discount amortization, net		5,950	2,307

See accompanying Notes to Financial Statements.

(1) Authorizing Legislation and Organization

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

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

(2) Summary of Significant Accounting Policies

(a) *Fund Accounting*

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

(b) *Fiscal Year*

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

(c) *Operating Revenue and Expense*

The Corporation was created with the authority to issue bonds and other obligations in order to finance education loans to qualified borrowers. Operating revenue is derived from interest on education loans, the loan and interest related provision and earnings on investments. The cost of financing and servicing education loans is considered operating activity.

(d) *Management Estimates*

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

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

(e) *Loans*

Loans represent education loans which include Supplemental Education, Alternative Consolidation, Teacher Education (TEL), Family Education (FEL), (collectively referred to as State loans), federally guaranteed Stafford (subsidized and unsubsidized), PLUS, and Consolidation (subsidized and unsubsidized) loans (collectively referred to as Federal loans). Loan terms vary depending on year of origination and type.

(f) *Interest on Loans*

Interest on loans is accrued when earned at fixed and variable rates ranging from 1.73% to 9.00%. For federally guaranteed subsidized loans, interest from the disbursement date of the loan until a date that is six months after the borrower withdraws from school (plus any authorized deferment and eligible income-based repayment periods) is paid by the U.S. Department of Education (Department) under the Federal Family Education Loan Program (FFELP). The borrower is responsible for interest accruing subsequent to that date.

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

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

Non-interest bearing loans were approximately $1,642 and $2,365 at June 30, 2015 and 2014, respectively.

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

The change in the yield restriction payable is recorded as an adjustment to interest on loans.

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

(g) *Allowances and Provision*

The allowances represent management's estimate, based on experience, of loans, and accrued interest on loans that will ultimately be uncollectible or forgiven. The Corporation writes off State loans upon death, total disability, or when payment activity, including co-signer payment activity, ceases and the loan is no longer credit reportable. The Corporation also writes off State loans legally discharged in bankruptcy proceedings and the portion of Federal loan balances not guaranteed and deemed uncollectible. Accrued unpaid interest is written off when the related loan is written off. A borrower of a TEL can obtain up to 100% forgiveness of loan principal and interest if the borrower teaches in rural Alaska for periods specified by the Program. A borrower of a State loan (other than TEL) awarded prior to July 1, 1987, can obtain up to 50% forgiveness of loan principal and interest if the borrower meets conditions specified by the program.

The provision is the annual change in the allowances.

(h) *Origination Fee*

Borrowers of State loans originated after June 30, 1994 and before July 1, 2014, were subject to an origination fee at disbursement, the amount of which is generally determined by year of origination. Loan origination fees offset loan principal write offs as required by State statute.

(i) *Bond Premiums and Note Discounts*

The Corporation uses the effective method of amortization to amortize bond premiums and note discounts over the life of the bond or note. The effective method matches amortization with interest expense, maintaining a constant effective rate of interest over the life of the bonds and notes.

(j) *Income Taxes*

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

(k) *Investments and Investment Income*

Investments are carried at fair value and trades are recorded on a trade-date basis. Securities are valued at least monthly using prices obtained from a pricing service when such prices are available; otherwise, such securities are valued at the mid-point between the bid and asked price or at prices for securities of comparable maturity, quality and type. The change in the arbitrage rebate receivable is recorded as an adjustment to investment income.

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

(l) *Unrestricted Net Position*

Unrestricted net position represents net assets not pledged as collateral to secure payment of debt.

(m) *Reclassifications*

Reclassifications not affecting change in net position have been made to the 2014 financial statements to conform to the 2015 presentation. The provision has been moved to the operating revenue section of the Statements of Revenue, Expense and Changes in Net Position.

(3) Cash and Investments

(a) *Cash*

(1) Cash summarized by classification at June 30 follows:

		2015	2014
Current, unrestricted	$	1,108	894
Noncurrent, restricted		555	893
Total	$	1,663	1,787

(2) Custodial Credit Risk

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

At June 30, 2015, the Corporation had no cash exposed to custodial credit risk.

(b) *Investments*

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

		2015	2014
Current:			
Unrestricted	$	-	203
Restricted		24,547	30,861
Noncurrent:			
Unrestricted		30,604	27,355
Restricted		27,102	15,878
Total	$	82,253	74,297

(3) Cash and Investments (cont.)

(b) *Investments*

(2) Investment Policies

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

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

- Under the 2002 Master Indenture, direct general obligations of, or obligations fully and unconditionally guaranteed as to the timely payment of principal and interest by, the United States (U.S.) or any agency thereof.

- Under the 2013 Master Indenture, senior bonds, debentures, notes, discount notes, short-term obligations or other evidences of indebtedness issued or guaranteed by any of the following agencies: Federal Farm Credit Banks, FHLMC; Export-Import Bank of the U.S.; FNMA; FHLB; or any agency or instrumentality of the U.S. established for the purposes of acquiring the obligations of any of the foregoing or otherwise providing financing therefore; provided such obligation, or the issue or guarantor of such obligation, is rated "AA+" by S&P and "AAA" by Fitch (if rated by Fitch) and, if applicable and/or available, rated "A-1+" by S&P and "F1+" by Fitch and having maturities of not more than 365 days.

- Under the 2002 and 2013 Master Indentures, U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short-term certificates of deposit on the date of purchase of at least A-1+ by S&P and P-1 by Moody's and maturing no more than 360 days after the date of purchase.

- Under the 2002 Master Indenture, commercial paper which is rated, at purchase, at least A-1+ by S&P and P-1 by Moody's. Under the 2012B Master Indenture, such investments are allowed if rated at purchase in the highest short-term rating category by each rating agency, and which mature not more than 270 days after the date of purchase.

- Under the 2012B Master Indenture, interest-bearing negotiable certificates of deposit, interest-bearing time deposits, interest-bearing savings accounts or money market

(3) Cash and Investments (cont.)

(b) *Investments*

(2) Investment Policies

deposit accounts issued by or held in any commercial bank, savings and loan association or trust company whose unsecured short-term obligations are rated P-1 or better by Moody's or A-1 or better by S&P.

- Under the 2002 Master Indenture, investments in money market funds rated AAAm or AAAm-G or better by S&P and Aaa by Moody's. Under the 2013 Master Indenture, such investments are allowed if maturities are not more than 365 days. Under the 2012B Master Indenture, any money market fund, each rated by Moody's and S&P not lower than its highest applicable rating category.

- Under the 2002 Master Indenture, general obligations of any State or municipality with a rating of at least A by S&P and Aaa by Moody's.

- Under the 2012B Master Indenture, any bonds or other obligations of any State of the U.S. or of any agency, instrumentality or local government unit of any such State which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (a) which are rated, based upon an irrevocable escrow account or fund (the "escrow"), in one of the two highest rating categories of each rating agency which rates such debt; or (b) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in item (a) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and which escrow is sufficient, as verified by an independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

- Under the 2013 Master Indenture, repurchase obligations with respect to any security that is a direct obligation of, or fully guaranteed by the U.S. or any agency or instrumentality thereof, the obligations of which are backed by the full faith and credit of the U.S., in either case entered into with a depository institution or trust company (acting as principal) rated AA+ by S&P and AAA by Fitch which repurchase obligations shall be replaced within 60 days if the rating thereon falls below a rating of "A" from S&P.

(3) Cash and Investments (cont.)

(b) *Investments*

(2) Investment Policies

- Under the 2012B Master Indenture, repurchase agreements, in a standard form prescribed by The Securities Industry and Financial Markets Association or similar form, contracted with banks which are members of the Federal Deposit Insurance Corporation, or with government bond dealers reporting to and trading with the Federal Reserve Bank of New York, in each case rated in the highest rating category by each rating agency which rates such debt, which agreements are secured by obligations which are unconditionally guaranteed by the U.S. or any agency thereof rated in one of the two highest rating categories by each rating agency which rates such obligations, or book-entry interests therein.

- Under the 2002 Master Indenture, guaranteed investment contracts, investment agreements and repurchase agreements secured by qualifying collateral.

- Under the 2012B Master Indenture, any investment agreement having a term of not more than 18 months with an entity having outstanding short-term debt rated at least A-1, P-1 or F1+, as applicable, or the equivalent.

- Under the 2012B Master Indenture, shares in an investment company rated in the highest rating category by each rating agency which rates such investment company, and registered under the federal Investment Company Act of 1940, whose shares are registered under the federal Securities Act of 1933 and whose only investments are otherwise allowable under the Indenture.

- Under the 2002 Master Indenture, unsecured guaranteed investment contracts or investment agreements with any bank, bank holding company, corporation or any other financial institution meeting the following:

	Ratings			
	Commercial Paper		Unsecured Long-term	
Maturity	S&P's	Moody's	S&P's	Moody's
12 months or less	A-1+	P-1	-	-
24 months or less	A-1+	P-1	A-	Aa3
More than 24 months	A-1+	P-1	AA-	Aa3

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

(3) Cash and Investments (cont.)

(b) *Investments*

(2) Investment Policies

- Under the 2012B Master Indenture, a collective investment fund of the Trustee created pursuant to Regulation 9 of the Office of the Controller of the Currency which is invested in one or more of the types of obligations in which the principal of and interest on are unconditionally guaranteed by the U. S. or any agency thereof rated in one of the two highest rating categories by each rating agency which rates such obligations, or book-entry interests therein.

- Under the 2002 Master Indenture, any other investment approved in writing by S&P and Moody's.

- Under the 2012B Master Indenture, any other investment allowed by law if approved in a credit confirmation.

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

A complete description of the investment policy for each of the State's fixed-income investment pools is included in the Department of Revenue, Treasury Division's, Policies and Procedures found at: treasury.dor.alaska.gov/investments.

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

- Direct obligations of the U.S. Treasury, obligations of federal agencies which represent the full faith and credit of the U.S. and also unconditionally guaranteed as to the timely payment of principal and interest by the U.S.

- Bonds, notes or other evidences of indebtedness rated "AAA/Aaa" and issued by federal agencies which do not represent the full faith and credit of the U.S.

- Bonds, notes or other evidences of indebtedness rated "A" or better and issued by domestic municipalities.

- Corporate bonds and convertible securities rated "A" or better.

- Collateralized mortgage obligations originated from a federal agency.

(3) Cash and Investments (cont.)

(b) *Investments*

(2) Investment Policies

- Collateralized investment contracts and repurchase agreements.
- Uncollateralized investment contracts as long as the investment provider's long-term rating is and remains the highest possible throughout the contract term.
- Fixed income money or mutual funds rated "A" or better.
- Certificates of deposit and term deposits of U.S. domestic financial institutions or trust companies which are members of the Federal Deposit Insurance Corporation as long as collateralized at 100% of principal and accrued unpaid interest or that the long-term unsecured debt obligations of such depository institution or trust company during the term of such investment are rated at least in the second highest rating category possible.
- Short-term domestic corporate promissory notes (commercial paper) payable in U.S. dollars as long as the provider's short-term rating is of the highest rating possible throughout the investment term.

The highest rating of a nationally recognized rating agency is the rating used to determine compliance with this policy.

(3) Cash and Investments (cont.)

(b) *Investments*

(3) Credit Risk

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

The fair value of the Corporation's investments by type and credit quality, using a nationally recognized statistical rating organization without modifiers, at June 30 are shown below:

Investment Type	Ratings	2015	2014
Mortgage-backed securities (agencies)	AA	$ 22,558	19,598
Mortgage-backed securities (agencies)	Not rated	9,501	-
Money market funds	AAA	12,799	30,577
Certificates of deposit (FDIC insured)	Not rated	1,500	-
Corporate bonds	AAA	521	-
Corporate bonds	AA	6,207	1,951
Corporate bonds	A	13,012	4,789
Corporate bonds	BBB	385	-
Internal investment pools	Next schedule	7,813	6,920
U.S. Treasury securities	AA	7,957	10,462
Total		$ 82,253	74,297

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

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

Short-term Liquidity Pool investments are limited to U.S. Treasury obligations or other U.S. government securities issued in full faith or guaranteed by agencies and instrumentalities of the U.S. government, obligations of foreign governments, sovereign States, supranational entities, and their instrumentalities denominated in U.S. dollars and the State's internally-managed Short-Term Fixed Income Pool.

(3) Cash and Investments (cont.)

(b) *Investments*

(3) Credit Risk

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

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

The Corporation invests in the State's internally managed General Fund and Other Non-segregated Investments Pool (GeFONSI). GeFONSI consists of investments in the State's internally managed Short-term (50%), Short-term Liquidity (15%) and Intermediate-term Fixed Income Pools (35%).

The Corporation's ownership share of the GeFONSI was 0.20%, and 0.13% at June 30, 2015 and 2014, respectively.

(3) Cash and Investments (cont.)

(b) *Investments*

(3) Credit Risk

The fair value of the Corporation's share of the State's internal investment pools by type and credit quality, using ratings from a nationally recognized statistical rating organization without modifiers, at June 30 are below:

Investment Type	Rating	2015	2014
Certificate of deposit	Not rated	$ 13	-
U.S. Government agency	AA	2	3
U.S. Government agency strip	AA	-	3
U.S. Government agency strip	Not rated	-	5
Mortgage-backed	AAA	70	41
Mortgage-backed	AA	55	21
Mortgage-backed	A	22	6
Mortgage-backed	Not rated	30	13
Other asset-backed	AAA	2,001	832
Other asset-backed	AA	51	17
Other asset-backed	A	62	27
Other asset-backed	Not rated	719	294
Overnight sweep account	Not rated	-	357
Municipal bonds	AA	3	-
Corporate bonds	AAA	4	5
Corporate bonds	AA	92	136
Corporate bonds	A	180	210
Corporate bonds	BBB	42	20
Repurchase agreement	AAA	318	-
Repurchase agreement	AA	-	223
Repurchase agreement	Not rated	114	-
Yankees:			
Government	AA	3	10
Government	A	4	-
Government	Not rated	2	1
Government	BBB	2	-
Corporate	AAA	1	-
Corporate	AA	48	44
Corporate	A	49	36
Corporate	BBB	6	1
Corporate	Not rated	-	3
No credit exposure:			
U.S. Treasury notes		2,223	2,358
U.S. Treasury bills		1,865	3,020
U.S. Treasury strip		15	-
U.S. dollar		3	30
Pool-related net assets		(186)	(796)
Total		$ 7,813	6,920

(3) Cash and Investments (cont.)

(b) ***Investments***

(4) Concentration Risk

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

At June 30, 2015, the Corporation had investment balances greater than five percent of the Corporation's total investments with the following investment providers:

	Fair Value	Percent of Total Investments
Federal Home Loan Bank	$ 17,741	22
Federated Prime Obligations Fund	9,469	11

(5) Interest Rate Risk

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

Duration

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

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

(3) Cash and Investments (cont.)

(b) *Investments*

(5) Interest Rate Risk

At June 30, 2015, the weighted average modified duration of investments, other than investments in money market funds and the State's internal investment pools, follows:

Certificates of deposit	0.18
U.S. Government agency	0.61
Corporate bonds	2.52
U.S. Treasury securities	0.64
Portfolio modified duration	1.25

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

Through its investment policy, Treasury manages exposure to fair value losses arising from increasing interest rates by limiting effective duration of its Intermediate-term Fixed Income Pool to ± 20% of the Barclays 1-3 year Government Bond Index. At June 30, 2015, the effective duration for the Barclays 1-3 year Government Bond Index was 1.80 years.

At June 30, 2015, the Intermediate-term Fixed Income Pool's effective duration, by investment type, follows:

Certificate of Deposit	0.14
U.S. Government agency	3.96
Mortgage-backed	1.03
Other asset-backed	0.61
Corporate bonds	1.63
Yankee:	
Government	1.08
Corporate bonds	0.94
U.S. Treasury bills, notes and bonds	1.96
Portfolio effective duration	1.81

As a means of limiting the Short-term Fixed Income Pool's exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to fourteen months to maturity or fourteen months expected average life at purchase. Floating rate securities are limited to three years to maturity or three years expected average life at purchase. These constraints apply to trade date, except for securities bought at new issue, for which settlement date applies. At June 30, 2015, the expected average life of fixed rate securities held in the Short-term Fixed Income Pool ranged from ten days to approximately three and a half years and the expected average life of floating rate securities ranged from ten days to fourteen and a half years.

(3) Cash and Investments (cont.)

(b) *Investments*

(5) Interest Rate Risk

As a means of limiting the Short-term Liquidity Fixed Income Pool's exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits the maturity of individual fixed rate securities to six months to maturity. These constraints apply to trade date, except for securities bought at new issue, for which settlement date applies. At June 30, 2015, the expected average life of fixed rate securities ranged from sixty-five to one hundred seventy days.

(c) *Other*

Unrestricted cash and unrestricted investments specifically designated for financing education loans include $70 and $153 at June 30, 2015 and June 30, 2014, respectively.

(4) Loans Receivable

Loans were financed by the issuance of revenue bonds, recycled loan payments, proceeds from a State-funded loan, and non-pledged assets.

(a) The loan portfolio summarized by classification at June 30 follows:

	2015	2014
State loans:		
Current, unrestricted	$ 11,197	8,674
Noncurrent:		
Unrestricted	81,071	64,404
Restricted	206,309	271,095
Total, gross State loans	298,577	344,173
Federal loans:		
Noncurrent:		
Restricted	102,604	122,273
Total, gross loans	401,181	466,446
Allowance for doubtful loans	80,034	85,762
Allowance for principal forgiveness	2,066	2,039
Total allowance	82,100	87,801
Total, net loans	$ 319,081	378,645
Current, unrestricted	$ 11,197	8,674
Noncurrent:		
Unrestricted	49,974	43,066
Restricted	257,910	326,905
Total, net loans	$ 319,081	378,645

(4) Loans receivable (cont.)

(b) The loan portfolio summarized by program at June 30 follows:

	2015	2014
State Education Loans		
Supplemental	$ 251,416	291,376
Consolidation	39,100	43,801
Teacher	6,290	6,757
Family	1,771	2,239
Total State Education Loans	298,577	344,173
Federal Family Education Loans		
Stafford	85,287	102,124
Consolidation	13,868	16,082
PLUS	3,449	4,067
Total Federal Loans	102,604	122,273
Total, gross loans	$ 401,181	466,446

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

	2015		2014	
	State	Federal	State	Federal
Enrollment	$ 10,371	2,647	14,823	5,670
Grace	2,825	678	3,649	1,038
Repayment	256,066	74,386	288,593	82,863
Deferment	28,337	14,119	35,785	20,167
Forbearance	978	10,774	1,323	12,535
Total	$ 298,577	102,604	344,173	122,273

(d) Included in loans receivable are $16 and $28 of loan warrants issued but not redeemed at June 30, 2015 and 2014, respectively. Redemption is contingent upon the borrower meeting eligibility requirements.

(4) Loans receivable (cont.)

(e) Loans awarded not distributed at June 30 follows:

		2015	2014
State Education Loans			
Supplemental	$	70	147
Family		-	6
Total State Education Loans	$	70	153

(5) Allowances and Provision

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

		2015	2014
Balance, beginning of period	$	110,562	118,628
Provision		4,110	3,682
Balances charged off		(9,696)	(11,748)
Balance, end of period	$	104,976	110,562

		2015	2014
Allowance for:			
doubtful loans	$	80,034	85,762
principal forgiveness		2,066	2,039
doubtful interest		22,273	22,246
interest forgiveness		603	515
Total	$	104,976	110,562

(6) Bonds Payable

(a) Bonds payable at June 30 follows:

	Type	Original Amount	Outstanding Amount 2015	Outstanding Amount 2014
2002 Master Indenture, Education Loan:				
2004: Serial bonds, Series A-3 rates ranging from 5.0% to 5.25%, due 2016 to 2017	Fixed	$ 22,015	2,445	2,445
2005: Serial bonds, Series A, rate 5.0%, due 2015 to 2018	Fixed	58,250	15,750	22,250
2006: Serial bonds, Series A-2, rate 5.0%, due 2015 to 2018	Fixed	55,000	19,500	26,000
2007: Serial bonds, Series A-2, rate 5.0%, due 2015 to 2019	Fixed	18,500	9,000	11,500
Total 2002 Master Indenture		153,765	46,695	62,195
2005 Master Indenture, Series A State Projects serial bonds, rate 5.25%, due 2015	Fixed	88,305	-	3,000
2012B Trust Indenture, Education Loan Revenue, Refunding Bonds, Senior Series 2012B-1, due 2043	Variable	78,435	39,435	54,435
2013 Trust Indenture, Education Loan Revenue, Refunding Note, Series 2013, due 2031	Variable	144,730	102,135	123,072
Total Bonds/Note Payable		$ 465,235	188,265	242,702
Unamortized premium/discount, net			104	375
Net Bonds/Note Payable			$ 188,369	243,077
Current			50,513	54,909
Noncurrent			137,856	188,168
Total			$ 188,369	243,077

(6) Bonds Payable (cont.)

(b) At issuance, the Series 2012B bonds bore interest at an annual term rate, determined by the remarketing agent. On June 1, 2013 the bonds were converted to a weekly rate, determined by the remarketing agent. The maximum rate applicable to the bonds is 12% per annum. The rate at June 30, 2015 and 2014 was 0.09% and 0.08%, respectively.

The 2013 Series Note bears interest at a rate equal to the one-month London Interbank Offered Rate (LIBOR) plus 0.50%. There is no maximum rate. The rate at June 30, 2015 and 2014 was 0.687% and 0.65%, respectively.

(c) The minimum payments and sinking fund installments subsequent to June 30, 2015, are as follows:

Period Ending June 30		Principal	Interest	Total
2016	$	50,513	3,011	53,524
2017		45,803	1,977	47,780
2018		42,785	1,072	43,857
2019		28,146	231	28,377
2020		21,018	55	21,073
Total	$	188,265	6,346	194,611

(d) The following bonds and notes were issued at a premium/discount which is being amortized using the effective method. The effective rate associated with each follows:

Bonds issued at a premium:	
2004 Series A-3	4.74
2005 Series A	4.22
2006 Series A-2	4.51
2007 Series A-2	4.28
Note issued at a discount:	
2013 Series	0.60 over LIBOR

(6) Bonds Payable (cont.)

(e) Each Master Indenture represents a limited obligation trust which secures payment for the outstanding bonds issued therein. The bonds are payable from assets pledged to the respective trust including principal and interest payments on pledged loans. The bonds do not constitute general obligations of the Corporation or of the State. The 2002, 2012B and 2013 Master Indenture Bonds/Note are private activity revenue debt. Debt service payments are due as follows:

Master Indenture	Principal	Interest	Bond Type
2002	June 1	June 1 and December 1	Tax-exempt
2012B	December 1, 2043	June 1 and December 1	Tax-exempt
2013	Monthly	Monthly	Taxable

The bond indentures contain covenants relative to restrictions on additional indebtedness.

The 2012B revenue bonds have liquidity support by means of an irrevocable direct-pay Letter of Credit issued by State Street Bank and Trust Company that expires on September 1, 2016. In addition the State of Alaska, Department of Revenue, Treasury Division entered into a Standby Bond Purchase Agreement with State Street Bank and Trust Company thereby agreeing to purchase 2012B revenue bonds under certain conditions. The Standby Bond Purchase Agreement expires September 12, 2016. The Corporation entered into a Reimbursement Agreement dated September 12, 2012 with the State of Alaska, Department of Revenue, Treasury Division thereby agreeing to reimburse them for the purchase of 2012B Revenue Bonds pursuant to the Standby Bond Purchase Agreement. The Reimbursement Agreement expires on September 12, 2016.

(7) Yield Restriction and Arbitrage Rebate

Education loans financed with proceeds of tax-exempt bonds issued by the Corporation are subject to interest rate yield restrictions of no more than 2% over the bond yield. Earnings on non-loan investments pledged to bond indentures are subject to rebate provisions which restrict earnings to the related bond yield. These restrictions are in effect over the life of the bonds. Loan and investment yields are calculated and analyzed annually. These analyses are used to determine both compliance with Internal Revenue Service (IRS) provisions and the amount of arbitrage rebate and yield restriction receivable/payable amounts, if any. The amount recorded for yield restriction payable represents the amount due to the IRS for earnings in excess of allowable yields. The amount recorded as arbitrage rebate receivable represents amounts paid to the IRS in past years that is refundable due to cumulative investment earnings no longer being in excess of those allowable.

(8) Federal Family Education Loan Program

Northwest Education Loan Association (NELA) serves as the "eligible" guarantor for the Corporation's FFELP portfolio.

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

Claim payments are received from the guarantor when a borrower dies, becomes totally and permanently disabled, or defaults on a Federal loan. The Corporation is eligible for these payments provided they adhere to servicing requirements outlined in the HEA. Failure to fulfill the requirements may result in an interest penalty or loss of guarantee. In the case of a default claim, unpaid principal and interest are guaranteed at 98% if first originated prior to July 1, 2006, and 97% if first originated after June 30, 2006. Claims as a result of a borrower's death or becoming totally and permanently disabled are guaranteed at 100%.

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

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

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

(9) Commitments and Contingencies

(a) *Internal Revenue Service Examination*

The IRS is examining the Corporation's tax-exempt education loan revenue bonds. As part of this examination, the IRS delivered to the Corporation a letter asserting that the bonds under examination are not in full compliance with applicable tax-exempt provisions of the Internal Revenue Code (IRC). The asserted lack of compliance relates to the Corporation's method of tracking recycled loan payments to finance education loans. The Corporation believes the IRS position is inconsistent with applicable law and disagrees with the assertion that a violation has occurred. The Corporation is vigorously contesting the IRS assertion and cannot predict the outcome related to this matter.

(9) Commitments and Contingencies (cont.)

(b) *Operations*

The Corporation will fund approximately $12,518 and $461 of the Commission's fiscal year 2016 and 2015 operating budgets, respectively, for loan servicing and staff support. The Corporation's and the Commission's budgets are subject to review and approval from both the executive and legislative branches of the State. The Commission's costs funded by the Corporation will be based on expenditures incurred by the Commission.

(c) *Return of Capital*

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

Income for fiscal year 2013 and 2012 did not equal or exceed $2,000; therefore, no capital was returned to the State in fiscal year 2015 or 2014.

As an additional means of returning capital, State statutes allow the Corporation to issue bonds to finance State capital projects. No bonds have been issued since 2005 for this purpose. The Corporation reimburses the State for expenditures related to projects funded with Corporation capital project bond proceeds and related earnings. Restricted investments include amounts specifically designated for financing State capital projects totaling $1,291 and $2,303 at June 30, 2015 and 2014, respectively.

(d) *State Permanent Fund Dividend Garnishment*

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

PFD garnishments were approximately $4,609 and $2,288 for the years ended June 30, 2015 and 2014, respectively.

(9) Commitments and Contingencies (cont.)

(e) *Legislation*

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

(f) *Non-Investment Interest Rate Risk*

The Corporation is subject to interest rate risk relating to its variable rate bonds and variable rate loans. The 2012B bonds are subject to an interest rate cap of 12% while the loans pledged to the 2012B bonds are subject to an interest rate cap of 8.25%. The Corporation has various strategies available to manage the risk that the 2012 bond rate may rise above the related pledged loan rate. The 2013 bond rate and the loans pledged to the 2013 bonds are both based on one-month LIBOR, significantly reducing interest rate risk for this portion of the portfolio.

(10) Subsequent Events

On September 30, 2015, the Corporation called all outstanding 2005 serial, series A bonds, at par in the amount of $15,750.