

Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Basic Financial Statements and *Government
Auditing Standards* Auditor's Report
Year Ended June 30, 2025

(With Independent Auditor's Report Thereon)

Alaska Mental Health Trust Authority
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(A Component Unit of the State of Alaska)

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Independent Auditor's Report

To the Board of Trustees
Alaska Mental Health Trust Authority
Anchorage, Alaska

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Alaska Mental Health Trust Authority (the Trust), a component unit of the State of Alaska, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of Alaska Mental Health Trust Authority, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the investments managed by the Alaska Permanent Fund Corporation and related disclosures in the notes to the financial statements, which represent 78%, 79% and 82%, of the assets and deferred outflows, net position, and revenues of the Trust, respectively. Those schedules were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Schedules of Investments Managed by the Alaska Permanent Fund Corporation, is based solely on the report of the other auditors.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Alaska Mental Health Trust Authority and do not purport to, and do not, present fairly the financial position of the State of Alaska nor the Alaska Permanent Fund Corporation as of June 30, 2025, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Trust's internal control. Accordingly, no such opinion is expressed.



- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedules of the Trust's proportionate share of the net pension and net OPEB liability or asset and the Trust's contributions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 **November XX, 2025** on our consideration of Alaska Mental Health Trust Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Alaska Mental Health Trust Authority's 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 Alaska Mental Health Trust Authority's internal control over financial reporting and compliance.

Anchorage, Alaska
November XX, 2025

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Management's Discussion and Analysis

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Alaska Mental Health Trust Authority

(A Component Unit of the State of Alaska)

Management's Discussion and Analysis

The Alaska Mental Health Trust Authority (the Trust or Authority) management is pleased to offer readers this Management Discussion and Analysis (MD&A) of the financial activities of the Trust for the fiscal years ended June 30, 2025 and June 30, 2024.

The Authority is a state corporation established in 1994 to administer the Alaska Mental Health Trust, a perpetual trust with the purpose of improving the lives of Trust beneficiaries. Beneficiaries are Alaskans with mental illness, developmental disabilities, substance use disorders, Alzheimer's disease and related dementia, and traumatic brain injuries. The Trust operates much like a private foundation, using its resources to ensure that Alaska has a comprehensive integrated mental health program.

The Trust engages in the advocacy for, and planning, implementing, and funding of the State of Alaska's Comprehensive Integrated Mental Health Program. Each year, the Trust provides grants to state agencies and private sector organizations in support of their efforts to improve the lives of current and future beneficiaries. The Trust funds these activities with revenue generated from financial investments and Trust land. Trust lands are managed by the Trust Land Office (TLO), which resides within the State of Alaska's Department of Natural Resources. Revenue generated from Trust land includes land leasing and sales, commercial timber sales, mineral exploration and production, coal, oil and gas exploration and development, and sand, gravel and rock sales. Additional ancillary revenues include interest income from owner-financed land sales, fees and fines related to land use, and forfeitures. In FY2025, the Trust Authority assumed management of the Trust's Commercial Real Estate portfolio which had previously been managed by the TLO. The Trust's financial assets are managed by the Alaska Permanent Fund Corporation (APFC) and the State of Alaska's Department of Revenue, Investments Division (Treasury).

The purpose of this MD&A is to provide management's insights into the Trust's operating results over the past two years. It consists of three sections: financial highlights, discussion regarding use of the financial statements, and an analysis of the financial statements. Management recommends it be read in conjunction with the accompanying financial statements and notes to best contribute to the reader's understanding of the Trust's overall financial report.

The financial information below presents a report on the Trust's financial results in FY2025 and FY2024. Readers who have questions about the Trust or need additional financial information are encouraged to visit www.mhtrust.org or contact the Trust at (907) 269-7960.

Financial Highlights

- The Trust closed the Fiscal Year (FY) ending June 30, 2025 with a net position of \$956.3 million, an increase of \$36.9 million, or 4%, from \$919.4 million in FY2024, primarily due to investment earnings from assets managed by APFC and Treasury adjusted for withdrawals to fund Trustee approved expenses and grantmaking. This contrasts with FY2024's increase in net position of \$40.7 million, or 5%, from FY2023's year-end balance of \$878.8 million.
- The Trust's FY2025 revenues of \$87.5 million were comprised primarily of earnings from investments and Trust lands. This compares with FY2024 revenues of \$75.3 million. The increase in revenue is due to strong investment performance of the Trust's investment assets managed by both APFC and Treasury.
- The Trust assets are managed by: APFC, which manages the majority of Trust assets on a co-mingled basis with the Alaska Permanent Fund; Treasury, which manages the Trust Budget

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Management's Discussion and Analysis

Reserves and cash; The Land Office (TLO), which manages the Trust's land assets; and the Trust Authority which assumed management of the commercial real estate portfolio during FY2025.

- In FY2025, the Trust's combined investments earned 8.1% which is a slight increase from FY2024, despite continued pressure in the office real estate sector.

Investment Assets	Value at June 30th:		Value at June 30th:		Value at June 30th:	
	2025	investment return*	2024	investment return*	2023	investment return*
Trust Investment Fund managed by APFC	757,092,000	9.4%	740,162,000	7.9%	708,257,000	5.2%
Budget Reserves managed by Treasury	73,570,851	12.4%	53,768,000	13.3%	53,960,000	11.6%
Commercial Real Estate	37,425,000	-14.1%	59,846,000	-1.4%	61,378,000	-16.9%
Trust Investment Assets	868,087,851	8.1%	853,776,000	7.6%	823,595,000	3.6%

*Source: Callan

- In FY2024, Trustees authorized the manager of the Trust's commercial real estate investments to proceed with the disposal of the properties. Two properties were sold in FY2025 with proceeds of over \$20 million. Subsequent to year end, one of the properties was sold in November 2025.
- Revenue generated from land managed by the Trust Land Office totaled \$12.7 million in FY2025 which included \$6.2 million in principal and \$5.5 million in rent and royalty income, \$0.85 million in interest income reported as investment earnings and \$0.1 million in fees for services, fines, and forfeitures. In FY2024, the Trust Land Office generated a total of \$15.9 million in revenue which included \$10.5 million in principal and \$5.4 million in income.
- Total FY2025 expenses of the Trust were \$50.6 million, a 46% increase over the \$34.7 million in FY2024. The increase was primarily due to an increase in grant awards and a one-time expense adjustment of \$12.4 million for previously capitalized assets relating to Icy Cape mining exploration costs.
- \$24.4 million in grant funds were disbursed in FY2025, an increase of 9% from the \$22.5 million in grant funds disbursed in FY2024.
- During FY2025, \$8.1 million of Trust land revenue was transferred into the Alaska Mental Health Trust's principal account (or corpus). In FY2024, \$12.4 million in land revenue was transferred to the principal account.
- At the end of FY2025, the Trust's proportionate share of Net Pension Liability totaled \$9.4 million, a 3% decrease from the \$9.7 million pension liability at the end of FY2024. Defined benefit retirement plans have been closed to new participants since FY2007. The Trust's obligation should reduce over time, and year-over-year changes can occur depending on changing actuarial assumptions.

Using the Financial Statements

The following discussion and analysis provide an overview of the financial statements and activities of the Trust for the years ended June 30, 2025 and 2024, and select information for 2023.

The financial statements focus on Trust operating activities during the year, reflected in revenues and expenditures, and the assets and liabilities used to support the operating activities. Assets are items of economic value owned by the Trust. They include cash and investments, and capital assets, such as land and buildings, as well as financial payments due to the Trust that have not yet been received, such as the balances due from individuals who have purchased Trust land. Liabilities are obligations due from the Trust to others, such as a bill received but not paid for services provided

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Management's Discussion and Analysis

to the Trust or payroll due to employees. Assets and liabilities are categorized as current or long-term. Current assets are available to satisfy current liabilities.

The Trust's financial statements have been prepared in accordance with GASB (Government Accounting Standards Board) principles. There are three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. A brief explanation of these statements follows, as is required by the GASB reporting model.

Government-wide Financial Statements: The government-wide financial statements report all assets and liabilities of the Trust. There are two statements:

The ***Statement of Net Position*** helps answer the question: "How is the Trust's financial health at the end of the year?" It presents the Trust's financial position at a snapshot in time, June 30, and includes all assets, liabilities, and the net position, which represents the remaining Trust assets after liabilities are deducted. Over multiple fiscal periods, increases or decreases in net position serve as a useful indicator of whether the financial position of the Trust is improving or deteriorating.

The ***Statement of Activities*** helps answer the question: "Is the Trust as a whole better off or worse off as a result of the year's activities?" Revenue and expenses are reported once the underlying event occurs, regardless of whether the revenue is actually received, or the expense is actually paid. Therefore, items such as personal leave earned but not yet used are reported as an expense in this statement.

Fund Financial Statements: The Trust's fund financial statements demonstrate compliance with legal requirements. These statements focus on the Trust's activities, assets and liabilities from a near-term perspective, and the flow of cash and near-cash items. There are two statements:

The ***Balance Sheet*** helps answer the question: "How is the Trust's financial health at the end of the year?" It includes only current assets and current liabilities. For example, capital assets used for operations (including land, buildings and equipment that are not acquired for financial investment purposes) are not reported in the Balance Sheet, while they are included in the Government-wide Statement of Net Position. Net Position is a measure of financial strength which considers the net of total assets and liabilities, adjusted for deferred inflows and outflows.

The ***Statement of Revenues, Expenditures and Changes in Fund Balance*** helps answer the question: "Did the Trust's cash inflows and outflows from its investment and operational activities make it better or worse off as a whole?" Revenues are included when they become available. Expenditures (not expenses) are included when paid. Capital spending (for items such as buildings or equipment) are reported as expenditures in the Fund Financial Statements, whereas the Government-wide Financial Statements would include them in assets.

The Fund Financial Statements are reconciled with the Government-wide Financial Statements with a "change in net position" within the Government-wide Statement of Net Position.

Notes to the Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements. The notes to the basic financial statements can be found immediately following the Fund Financial Statements.

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Management's Discussion and Analysis

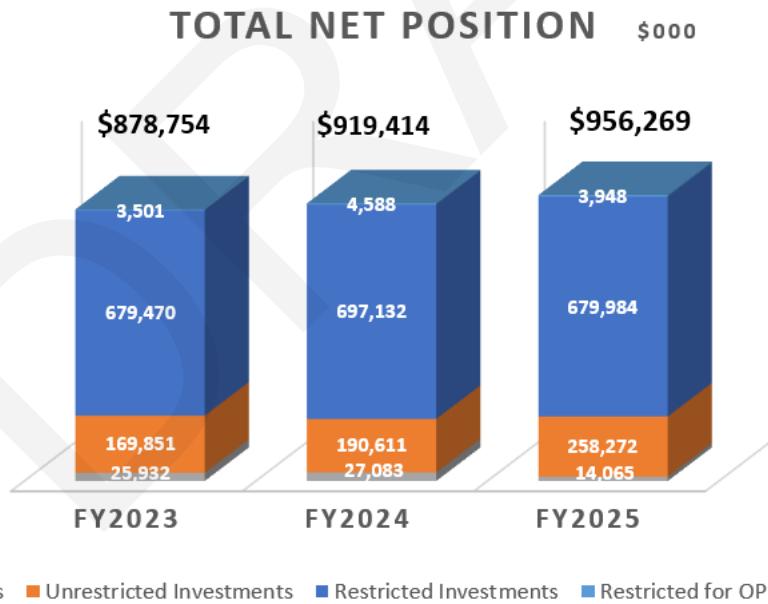
The tables on the following pages contain condensed financial information derived from the Trust's Government-wide Financial Statements and reflects the Trust's change in net position.

Financial Analysis

The Trust ended FY2025 with \$1.0 billion in total financially measurable assets, an increase of \$38.6 million, or 4% from FY2024's \$983.8 million in total assets.

In FY2025, the Lease Receivable was \$9.0 million, a decline of \$0.1 million from the Lease Receivable for FY2024.

The FY2025 increase in assets reflects continued positive investment earnings and the resulting increases in asset values. APFC manages 87% of Trust investment assets, which are invested with the same asset allocation as the Alaska Permanent Fund. Treasury manages a balanced portfolio of index funds representing 8% of Trust investment assets, and the Trust Authority manages a commercial real estate portfolio representing the remaining 4% of the Trust's investment assets. Consequently, the performance of the Trust's portfolio is intrinsically tied to that of the Alaska Permanent Fund and the overall financial markets. APFC managed funds posted returns of 9.4%, 7.9%, and 5.2%, in FY2025, FY2024 and FY2023, respectively. APFC returns were strong during those years, however Trust asset growth has been influenced by the declining values of the Trust's commercial real estate portfolio following the COVID pandemic.



The Net Position of the Trust ended the year at \$956.3 million, an increase of 4% over FY2024, and an increase of 9% from FY2023.

At year-end FY2025, the Trust had \$680 million in restricted investments and unrestricted investments of \$258.3 million. The year-over-year changes in these amounts were largely due to an adjustment related to the accounting for the Trust's commercial real estate investments.

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Management's Discussion and Analysis

The following table contains condensed financial information derived from the Trust's government-wide financial statements. It reflects the Trust's change in net position during FY2023 through FY2025.

June 30,	2025	Percent Change	2024	Percent Change	2023
Assets					
Current & other assets & investments	\$ 1,008,348,000	5%	956,693,000	6%	\$ 902,383,000
Capital assets	14,065,000	-48%	27,083,000	4%	25,932,000
Total Assets	1,022,413,000	4%	983,776,000	6%	928,315,000
Total Deferred Outflows of Resources	1,364,000	-8%	1,483,000	12%	1,319,000
Liabilities					
Current and other liabilities	49,632,000	5%	47,295,000	45%	32,666,000
Long-term liabilities - OPEB	9,386,000	-3%	9,717,000	11%	8,764,000
Total Liabilities	59,018,000	4%	57,012,000	38%	41,430,000
Total Deferred Inflows of Resources	8,490,000	-4%	8,833,000	-7%	9,450,000
Net Position					
Net invested in capital assets	14,065,000	-48%	27,083,000	4%	25,932,000
Restricted for investments	679,984,000	-2%	697,132,000	3%	679,470,000
Restricted for OPEB	3,948,000	-14%	4,588,000	31%	3,501,000
Unrestricted	258,272,000	35%	190,611,000	12%	169,851,000
Total Net Position	956,269,000	4%	919,414,000	5%	\$ 878,754,000

The Trust's liabilities are primarily due to APFC's obligations due, but not yet settled, on securities purchases. The Total Deferred Inflow of Resources primarily reflects the inclusion of the value of future expected Trust land lease revenue.

The table below contains condensed financial information derived from the Trust's government-wide financial statements related to revenues and expenses during FY2023 through FY2025, and the resulting change in year-end net position for those years.

June 30,	2025	Percent Change	2024	Percent Change	2023
Total revenues					
	\$ 87,445,000	16%	75,341,000	43%	52,664,000
Total expenses	50,590,000	46%	34,681,000	8%	32,103,000
Increase (decrease) in net position					
	36,855,000	-9%	40,660,000	98%	20,561,000
Net position - beginning of year	919,414,000		878,754,000		858,193,000
Net position - end of year	956,269,000	4%	919,414,000	5%	878,754,000

As shown in the table above, in FY2025 the Trust posted an increase in net position of \$36.9 million, compared to an increase of \$40.7 million and \$20.6 million in FY2024 and FY2023, respectively.

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Management's Discussion and Analysis

These changes are primarily driven by investment gains or losses in each year. In most years, the performance of Trust investments at APFC and Treasury have much more impact than revenues from the Trust's land and other investments.

Expenditures for FY2025 totaled \$50.6 million, 46% higher than FY2024 levels primarily due to the one-time adjustment for previously capitalized Icy Cape exploration costs and an increase in grant awards in FY2025.

Other Facts, Decisions or Conditions

Asset valuation: *The Trust applies fair market values to determine asset value for liquid investments and investment properties. The approximately one million acres in land assets transferred to the Trust through the 1994 mental health trust settlement are maintained at the original value of \$1 per acre.*

GASB 87: *The Governmental Accounting Standards Board implemented a new requirement, effective July 1, 2021, where the Trust reports the expected economic value to be generated from leases managed by the Trust Land Office.*

Capital Assets: *The Trust has expended funds for mining exploration that were previously capitalized. Guidance in GASB 51, Accounting and Financial Reporting for Intangible Assets, provides that internally developed intangible assets are not eligible for capitalization until, among other requirements, feasibility has been completed. As a result, capital assets were reduced by \$12.4 million and future expenditures will be expensed until feasibility is complete.*

Legal and other contingencies: *The fiduciary responsibility of the Trust Land Office is to maximize value of the land transferred to the Trust through the 1994 mental health trust settlement. Activities to monetize Trust land may involve development, resource extraction, sale and/or exchange for other land. If persons or entities oppose a proposed TLO activity, they could potentially initiate action to stop or delay the proposed TLO activity, and if successful, the expected revenue from that land parcel could be adversely affected.*

State of Alaska Legislative Audit: *On August 30, 2023, the Legislative Budget and Audit Committee approved a follow-up audit of the Trust relating to the commercial real estate investments and Trust policies and procedures; work on this audit is currently underway.*

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Basic Financial Statements

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Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Statement of Net Position

June 30, 2025

Assets and Deferred Outflows of Resources

Cash and investments	\$ 943,954,000
Accounts receivable, net of allowance	6,109,000
Prepaid items	420,000
Securities lending collateral invested	35,610,000
Notes receivable, net of allowance	9,276,000
Net OPEB asset	3,948,000
Leases receivable	9,031,000
Capital assets, net of accumulated depreciation	14,065,000

Total Assets 1,022,413,000

Deferred Outflows of Resources

Related to pension	1,127,000
Related to OPEB	237,000

Total Deferred Outflows of Resources 1,364,000

Total Assets and Deferred Outflows of Resources \$ 1,023,777,000

Liabilities, Deferred Inflows of Resources and Net Position

Liabilities

Accounts payable and accrued liabilities	\$ 11,157,000
Due from (to) State of Alaska	665,000
Securities lending collateral	35,610,000
Unearned revenue	1,332,000
Accrued leave	868,000
Net pension liability	9,386,000

Total Liabilities 59,018,000

Deferred Inflows of Resources

Related to OPEB	91,000
Related to leases receivable	8,399,000

Total Deferred Inflows of Resources 8,490,000

Net Position

Net investment in capital assets	14,065,000
Restricted for investments	679,984,000
Restricted for other postemployment benefits	3,948,000
Unrestricted	258,272,000

Total Net Position 956,269,000

Total Liabilities, Deferred Inflows of Resources and Net Position \$ 1,023,777,000

See accompanying notes to basic financial statements.

Alaska Mental Health Trust Authority
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Statement of Activities

Year Ended June 30, 2025

Expenses

Personnel services	\$ 3,951,000
Travel	66,000
Services	2,462,000
Supplies	59,000
Trust land office and land management	19,222,000
Grant awards	24,389,000
Depreciation	441,000
Total Expenses	50,590,000

Revenues

Program revenues:	
Nonexpendable rents, royalties and exchanges	6,150,000
Rents and royalties	5,531,000
Nonexpendable investment income	16,680,000
Investment income	58,134,000
Charges for services, fines and forfeitures	150,000
 PERS On-behalf revenue	 135,000
Other revenues	665,000
 Total Revenues	 87,445,000
Change in net position	36,855,000
 Net Position, beginning of year	 919,414,000
 Net Position, end of year	 \$ 956,269,000

See accompanying notes to basic financial statements.

Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Balance Sheet

June 30, 2025

Assets

Cash and investments	\$ 943,954,000
Accounts receivable, net of allowance	6,109,000
Prepaid items	420,000
Securities lending collateral invested	35,610,000
Notes receivable, net of allowance	9,276,000
Leases receivable	9,031,000
Total Assets	\$ 1,004,400,000

Liabilities, Deferred Inflows of Resources and Fund Balance

Liabilities

Accounts payable and accrued liabilities	\$ 11,157,000
Due to State of Alaska	665,000
Securities lending collateral	35,610,000
Unearned revenue	1,332,000
Total Liabilities	48,764,000

Deferred Inflows of Resources

Land sales - unavailable	9,533,000
Leases receivable - unavailable	8,399,000
Total deferred inflows of resources	17,932,000

Total Liabilities and Deferred Inflows of Resources

Fund Balance

Nonspendable:	
Nonexpendable corpus	670,451,000
Prepaid items	420,000
Assigned	266,833,000
Total Fund Balance	937,704,000

Total Liabilities, Deferred Inflows of Resources and Fund Balance \$ 1,004,400,000

See accompanying notes to basic financial statements.

Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Reconciliation of Governmental Fund Balance Sheet to Statement of Net Position

June 30, 2025

Total fund balance	\$ 937,704,000
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.	14,065,000
Long-term assets are not receivable in the current period and therefore are not reported as fund assets. This is the amount of net OPEB asset.	3,948,000
Long-term liabilities are not due and payable in the current period and therefore are not reported as fund liabilities.	
Long-term liabilities reported in these statements consist of:	
Accrued leave	(868,000)
Net pension liability	<u>(9,386,000)</u>
Total long-term liabilities	<u>(10,254,000)</u>
Certain changes in net pension liabilities are deferred rather than recognized immediately. These are amortized over time.	
Deferred outflows of resources related to pension	1,127,000
Deferred outflows of resources related to OPEB	237,000
Deferred inflows of resources related to OPEB	<u>(91,000)</u>
Total deferred pension items	<u>1,273,000</u>
Land sales contract receivables are not available to pay current period expenditures, and therefore are deferred in the governmental funds.	<u>9,533,000</u>
Total Net Position	\$ 956,269,000

See accompanying notes to basic financial statements.

Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Statement of Revenues, Expenditures and Changes in Fund Balance

Year Ended June 30, 2025

Revenues

Investment income	\$ 58,134,000
Nonexpendable investment income	16,680,000
Nonexpendable rents, royalties and exchanges	6,406,000
Rents and royalties	5,531,000
Charges for services, fines and forfeitures	150,000
PERS on-behalf revenue	135,000
Other revenues	665,000

Total Revenues 87,701,000

Expenditures

Personnel services	3,818,000
Travel	66,000
Services	2,462,000
Supplies	59,000
Trust land office and land management	6,576,000
Grant awards	24,380,000

Total Expenditures 37,361,000

Net change in fund balance 50,340,000

Fund Balance, beginning of year 887,364,000

Fund Balance, end of year \$ 937,704,000

See accompanying notes to basic financial statements.

**Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)**

**Reconciliation of Statement of Revenues, Expenditures and Changes
in Fund Balance of Governmental Fund to the Statement of Activities**

Year Ended June 30, 2025

Net change in fund balance	\$ 50,340,000
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	181,000
Effect of disposal of capital assets	(12,758,000)
Depreciation	(441,000)
Net change in capital assets	(13,018,000)
Some expenses do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the amount of change in accrued leave.	
	35,000
Changes in net pension liability and related accounts can increase or decrease net position. This is the net increase in net position due to changes in net pension liability and the related deferred outflows and inflows of resources.	248,000
Changes in net OPEB assets and related accounts can increase or decrease net position. This is the net increase in net position due to changes in net OPEB assets and the related deferred outflows and inflows of resources.	(494,000)
Some revenues in the statement of activities that do not provide current financial resources are not reported in the statement of revenues, expenditures, and changes in fund balance. This is the change in unavailable land sales revenue.	(256,000)
Change in Net Position	\$ 36,855,000

See accompanying notes to basic financial statements.

Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Notes to Basic Financial Statements
Year Ended June 30, 2025

1. Summary of Significant Accounting Policies

Reporting Entity

The accompanying financial statements include only the accounts of the Alaska Mental Health Trust Authority (the Trust), a component unit of the State of Alaska (the State), created by an act of the State of Alaska legislature as the result of the settlement of mental health land trust litigation (Weiss v. State). The act authorized the Trust to use income from the Alaska Mental Health Trust Fund to assist it in fulfilling its purpose and ensuring an integrated comprehensive mental health program for the State. The Trust is governed by a Board of Trustees appointed by the governor. These financial statements are not intended to present the complete financial activity of the State as a whole. The complete financial activity of the State is shown in the Annual Comprehensive Financial Report available from the Division of Finance in the Department of Administration.

The 1994 settlement reconstituted the Trust, and the related legislation transferred nearly one million acres of land to the Trust. As required by the settlement and legislation, the Trust contracts with the Alaska Permanent Fund Corporation to manage the cash corpus of the Trust and with the Department of Natural Resources (DNR) to manage the land corpus of the Trust. The TLO was established within DNR for this purpose and manages about one million acres of Trust land throughout the State on behalf of the Trust. The Trust Land Office (TLO) manages Trust land to generate income, which is used by the Trust to improve the lives and circumstance of Trust beneficiaries.

By statute and memorandum of agreement, a portion of the assets of the Trust are to be held and invested by the Alaska Permanent Fund Corporation (APFC) under the same investment authority as the Alaska Permanent Fund (the Fund) is managed. The APFC is a component unit of the State and is administered by a Board of Trustees (the APFC Trustees). By statute, net income from the Trust is distributed to the Mental Health Trust Income Account and is not included in the computation of Fund dividends, which are distributed to eligible State residents annually. These financial statements are not intended to present the complete financial activity of the APFC as a whole.

Basis of Presentation

The accounts of the Trust are organized as a Permanent Fund. Accordingly, the financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Measurement Focus and Basis of Accounting - Government-wide Statements

The Government-wide Financial Statements include the Statement of Net Position and the Statement of Activities and report information about the Trust as a whole.

The Government-wide Financial Statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred.

Alaska Mental Health Trust Authority
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Notes to Basic Financial Statements

Measurement Focus and Basis of Accounting - Fund Statements

The Fund Financial Statements have been prepared using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Under the modified accrual basis, revenues are recognized when they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the current period. The Trust considers receivables collected within the fiscal year to be available and recognizes them as revenues of the current year. Expenditures are recorded at the time fund liabilities are incurred, as under accrual accounting. However, expenditures related to accrued leave are recorded only to the extent they have matured.

Cash and Temporary Investments

Included in the amounts shown on the Statement of Net Position as cash and investments is amounts with the State of Alaska, Department of Revenue, Treasury Division (Treasury) and the APFC. The amounts shown as cash and temporary investments include cash on deposit at the custodian bank, cash swept to overnight investment funds, cash collateral held at derivative brokers, U.S. Treasury bills, commercial paper, and the net fair value of foreign exchange forward contracts. The APFC's asset allocation includes approximately 1% in cash. APFC's investment policy specifies that funds dedicated to this portion of the asset allocation will be invested in money market funds or fixed income securities with weighted average maturities of no greater than 24 months.

Cash, Investments, and Related Policies

The Department of Revenue, Treasury Division (Treasury) has created a pooled environment by which it manages the investments the Commissioner has fiduciary responsibility for. Actual investing is performed by investment officers in Treasury or by contracted external investment managers. The Fund invests in the State's internally managed General Fund and Other Nonsegregated Investments Pool (GeFONSI). The GeFONSI consists of investments in the State's internally managed Short-term Fixed Income Pool, Short-term Liquidity Fixed Income Pool and the Intermediate-term Fixed Income Pool. The complete financial activity of the Fund is shown in the Annual Comprehensive Financial Report (ACFR) available from the Department of Administration, Division of Finance.

Assets in the pools are reported at fair value. Investment purchases and sales are recorded on a trade-date basis. Securities are valued each business day using prices obtained from a pricing service.

The accrual basis of accounting is used for the investment income and GeFONSI investment income is distributed to pool participants monthly if prescribed by statute or if appropriated by state legislature. Income in the Short-term, Short-term Liquidity, and Intermediate-term Fixed Income Pools is allocated to the pool participants daily on a pro-rata basis.

For additional information on interest rate risk, credit risk, foreign exchange, derivatives, fair value, and counterparty credit risk see the separately issued report on the Invested Assets of the Commissioner of Revenue at: <http://treasury.dor.alaska.gov/Investments/Annual-Investment-Reports.aspx>

Alaska Mental Health Trust Authority

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Notes to Basic Financial Statements

State of Alaska Department of Revenue Managed Funds

The Department of Revenue, Treasury Division (Treasury) has created a pooled environment by which it manages the investments the Commissioner has fiduciary responsibility for. Actual investing is performed by investment officers in Treasury or by contracted external investment managers. The Fund invests in the State's internally managed Short-term Fixed Income Pool, the Broad Market Fixed Income Pool, as well as the State's externally managed Domestic Equity and International Equity pools. The complete financial activity of the Fund is shown in the Annual Comprehensive Financial Report (ACFR) available from the Department of Administration, Division of Finance.

Assets in the pools are reported at fair value. Investment purchases and sales are recorded on a trade-date basis. Fixed income and equity securities are valued each business day. Securities expressed in terms of foreign currencies are translated into U.S. dollars at the prevailing exchange rates.

The accrual basis of accounting is used for investment income. Income in the Short-term and Broad Market Fixed Income Pools is allocated to pool participants daily on a pro-rata basis.

APFC Managed Funds

The Trust's investments managed by the APFC have been commingled with the assets of the Fund for investment purposes. The investments have been credited with unit shares and fractions of unit shares, which represent an undivided beneficial interest in the commingled assets managed by the APFC equal to the proportion those shares bear to the total unit shares outstanding. The Trust has received unit shares and fractions of unit shares based directly upon the dollar amount per share of funds contributed; the Trust will be charged with unit shares and fractions of unit shares based directly upon the dollar amount per share of funds withdrawn.

Investment Income

Earnings are allocated from the commingled invested assets monthly as a credit to the Trust on the basis of total unit shares outstanding at the end of the month. All earnings are subject to allocation, which includes interest, dividends, and realized and unrealized gains and losses on total investments managed by the APFC.

Carrying Value of Investments

The investments managed by the APFC are reported at fair value in the schedules. Investments without a readily determinable fair value are generally reported by using the net asset value per share (or its equivalent) of the investment. Securities transactions are recorded on the trade date that securities are purchased or sold. Unrealized gains and losses are reported as components of net change in fund balance.

Alaska Mental Health Trust Authority
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Notes to Basic Financial Statements

State Investment Regulations

In accordance with Alaska Statute 37.13.120(a), the Trustees have adopted regulations designating the types of eligible investments for Fund assets. The regulations follow the prudent investor rule, requiring the exercise of judgment and care under the circumstances then prevailing that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the designation and management of large investments entrusted to it, not in regard to speculation, but in regard to the permanent disposition of funds, considering preservation of the purchasing power of the assets over time while maximizing the expected total return from both income and the appreciation of capital.

Investment Policy - Asset Allocation

The APFC Trustees have established a long-term goal of achieving a five percent real rate of return over time on the investment portfolio. To help achieve this goal, the Trustees of the Alaska Permanent Fund allocate the investments among various asset classes. At June 30, 2025, the APFC's strategic asset allocation targets were as follows:

Asset Class	Asset Class Target
Public equity	32%
Fixed income	20%
Private equity & special opportunities	18%
Real estate	11%
Infrastructure & private income	10%
Absolute return	7%
Tactical opportunities	1%
Cash	1%

To allow for market fluctuations and to minimize transaction costs, the APFC Trustees have adopted ranges that permit percentage deviations from the strategic asset allocation targets in accordance with specified reporting requirements and other procedures. Generally, for each asset class, the APFC's Chief Investment Officer has discretionary authority to permit target deviations within one specified range (referred to as the "green zone" in the investment policy), the APFC's Executive Director can approve target deviations for up to 90 days within a broader range (the "yellow zone"), and the Board can approve operating for longer than 30 days within a third range (the "red zone"). For example, the target dollar allocation for the public equities class is 32 percent, with the green zone range set at plus or minus five percent, the yellow zone range set at zero to five percent beyond the green zone, and red zone range set at greater than five percent beyond the green zone. In a similar manner, the APFC investment policy also requires the APFC to monitor relative risk (the expected investment portfolio's risk and return relative to the risk benchmark using standard industry risk measures), active budget risk (risk due to active management decisions made by managers), and limits on private investments and future commitments.

Alaska Mental Health Trust Authority

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Notes to Basic Financial Statements

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The APFC manages the Trust's exposure to interest rate risk in part through tracking error guidelines set forth in the APFC investment policy. Duration is an indicator of a portfolio's market sensitivity to changes in interest rates. In general, the major factors affecting duration are, in order of importance, maturity, prepayment frequency, level of market interest rates, size of coupon, and frequency of coupon payments. Rising interest rates generally translate into the value of fixed income investments declining, while falling interest rates are generally associated with increasing value. Effective duration attempts to account for the price sensitivity of a bond to changes in prevailing interest rates, including the effect of embedded options. As an example, for a bond portfolio with a duration of five years, a one percentage point parallel decline in interest rates would result in an approximate price increase on that bond portfolio of five percent.

At June 30, 2025, the Trust held fixed income investments with floating, step, and variable interest rates, valued at \$14.9 million. The annual interest rates ranged from 0 to 9.0%.

Unit Shares

Unit Shares represent an undivided beneficial interest in the commingled assets managed by the APFC and are computed on the next calendar day following the valuation date.

Valuation Data

The last calendar day of each month is designated as the valuation date.

Deposits to Investment Fund

Contributions from the Authority, State appropriations, and other sources are recorded when they are received.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to a marketable debt investment will not fulfill its obligations. The APFC requires that its investment grade fixed income managers invest in domestic and non-domestic bonds that have an explicit or implied investment grade rating. Should the required ratings on an existing fixed income security fall below the minimum standards, the security must be sold within seven months. Certain high yield investment managers are allowed to invest a specified amount of funds in bonds rated below investment grade.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure the Trust's deposits may not be returned. The APFC generally requires that all investment securities at custodian banks be held in the name of the Fund or the APFC (on behalf of the Trust). For the Trust's nondomestic securities held by most sub-custodians, the APFC's primary custodian provides contractual indemnities against sub-custodial credit risk. Excess cash in custodial accounts is swept daily to a money market fund. Late deposits of cash which miss the money market sweep deadline are deposited to an interest-bearing account at the custodian. These deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, balances in individual accounts exceed this limit.

Alaska Mental Health Trust Authority
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Notes to Basic Financial Statements

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to holding investments from a single issuer. The APFC manages the Trust's concentration of credit risk by following its strategic asset allocation policy, diversifying investments among managers with varying investment styles and mandates, and monitoring tracking error. Tracking error is a measure of how closely a portfolio follows the index to which it is benchmarked. The APFC's policy for mitigating this risk of loss for fixed income and equity investments is to ensure compliance with APFC investment policy and investment manager contracts. There is no single-issuer exposure within the APFC portfolio that comprises five percent or more of the overall portfolio. Therefore, no concentration of credit risk is reported in the notes to the schedules.

Foreign Currency Risk

Foreign currency risk is the risk of loss from adverse changes in foreign currency exchange rates. Foreign currency risk is managed through foreign currency forward contracts, and by diversifying assets into various countries and currencies.

Forward Exchange Contracts

The APFC's investment managers enter into a variety of forward currency contracts in their trading activities and management of foreign currency exchange rate risk exposure. These contracts are typically intended to neutralize the effect of foreign currency fluctuations, and the contract amounts do not appear on the balance sheet. Realized gains and losses are included in the net increase/decrease in the fair value of investments at the time the contract is settled and determined based on the difference between the contract rate and the market rate at the time of maturity or closing. Unrealized gains and losses are also included in the net increase/decrease in the fair value of investments and are calculated based on the difference between the contract rate and a forward market rate determined as of the balance sheet date.

A portion of the investment in forward exchange contracts is intended to manage, rather than neutralize, foreign currency fluctuations. Certain managers seek to control the effect of fluctuations in foreign exchange rates within their overall portfolio strategy rather than on a security-by-security basis. They attempt to optimize their foreign currency exposure in a market rather than accept the natural geographical exposure to the market's currency.

Futures

Certain equity and fixed income managers at APFC for the Fund are permitted to buy and sell equity and interest rate index futures. The gross contract and fair value of futures does not appear in the balance sheets. The net unrealized gain or loss on open futures trades is included in investments on the balance sheets, based on the difference between the future's purchase price and the current value of such index futures. Realized gains and losses on futures are included in the net increase in the fair value of investments at the time the futures contract expires. The net change in unrealized gains and losses is included in the net increase/decrease in the fair value of investments.

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Notes to Basic Financial Statements

Real Estate

Trust assets are invested in a variety of real estate interests, including directly owned real estate, real estate investment trusts, a multi-family and industrial real estate operating companies, private real estate funds and other entities in which the assets consist primarily of real property. The APFC invests Trust assets in real estate directly through ownership of interests in corporations, limited liability companies, and partnerships that hold title to the real estate. Real estate is included in investments and is reported at fair value in accordance with GASB 52, Land and Other Real Estate Held as Investments by Endowments.

The net change in unrealized gains and losses is included in investment income. The Trust's directly owned real estate investments are managed by either (1) external institutional real estate management firms (for all directly owned real estate commingled with the Fund), or (2) by the Trust CEO (for all other directly owned real estate not under fiduciary care of APFC). APFC initiated an internal real estate management program during FY2021, and two existing direct holdings were moved into this program. APFC also holds a portfolio of real estate loans collateralized by income-producing, institutional real estate in the United States; these are administered by an external institutional real estate management firm.

The APFC periodically reviews real estate investments for other than temporary impairment. During FY2025, it was determined that three real estate holdings were impaired because it was more likely than not that the carrying cost would be recovered over the remaining estimated holding period of the assets. In order to reflect the impairment in statutory net income, \$1.4 million of unrealized losses were realized through a write down of cost to fair value.

Alternative Investments

Alternative investments include the Trust's investments in or through absolute return strategies, private equity, infrastructure, and private credit.

Absolute return strategies are investments in specialized funds that seek to deliver returns that are largely uncorrelated with traditional market driven asset classes. The Trust is invested in two existing limited partnerships, in which the Trust is the only limited partner ("fund-of-one"); both are currently in liquidation. The Trust also holds direct hedge fund investments, in which the Trust is one of many limited partners. External investment management services are provided by institutional investment managers who have acknowledged their status as fiduciaries to the Trust. Because of the off-exchange and private nature of many absolute return strategies, investments may have no readily determinable fair value, and the estimated fair values could differ significantly from values that would be obtained in a market transaction for the assets. Each manager provides the APFC with fair value estimates of partnership interests and undergoes an annual independent audit.

The Trust invests in private credit through limited partnerships that invest either directly in distressed or mezzanine debt, or in commingled limited liability funds with a distressed debt or credit opportunity focus. These investments are funded over time as opportunities arise. The limited partnership and funds undergo annual independent audits. Private credit investments by their nature generally have no readily determinable fair value, and the estimated fair value may differ significantly from values that would be obtained in a market transaction for the assets.

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Notes to Basic Financial Statements

The Trust holds private equity through investments in limited liability companies and limited partnerships that typically invest in unlisted, illiquid common and preferred stock and, to a lesser degree, subordinated and senior debt of companies that are in most instances privately held. The APFC has hired external advisors to select private equity holdings diversified by geography and strategy. Private equity is funded slowly over time as opportunities are identified by the APFC staff, the external advisors, and the underlying fund managers. The underlying private equity funds provide the APFC with fair value estimates of the investments utilizing the most current information available. In addition, the external advisors review the fair value estimates, and the underlying private equity funds undergo annual independent audits. Private equity investments by their nature generally have no readily determinable fair value, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets.

Infrastructure investments involve ownership or operating agreements in essential long-term service assets with high barriers to entry. Examples of infrastructure assets include: toll roads; airports; deep water ports; communication towers; and energy generation, storage and transmission facilities. Investments in this asset class are expected to have inflation protection attributes and exhibit low correlations with other major asset classes in the APFC's investment strategy. The Trust holds infrastructure investments through commingled funds organized as limited partnerships whose investment managers provide periodic fair value estimates and undergo annual independent audits. Infrastructure investments by their nature generally have no readily determinable fair value, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets.

Fair Value Measurement

Various inputs are used in valuing the investments held by the Trust. Accounting principles generally accepted in the United States of America (GAAP) establishes a hierarchy of inputs used to value investments emphasizing observable inputs and minimizing unobservable inputs. These inputs are summarized as follows:

Level 1 - Quoted prices for identical assets in an active market.

Level 2 - Inputs, other than quoted prices, that are observable for the asset, either directly or indirectly.

Level 3 - Unobservable inputs. Unobservable inputs should only be used to the extent that observable inputs are not available for a particular asset.

Investments measured using net asset value (NAV) per share as a practical expedient to fair value are not categorized into input levels.

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Notes to Basic Financial Statements

Accounts and Notes Receivables

Accounts receivable have been established and offset with proper provisions for estimated uncollectible accounts where applicable. Practically all accounts receivable of the Trust are due from interest income related to resource management and investments with the State and APFC.

Notes receivable are secured through land sale contracts. Notes are generally repaid over terms ranging from two to twenty years, with annual scheduled principal and interest payments. Interest rates are fixed at the time the loan agreement is signed.

Factors used by management to determine the allowance include individual loan delinquencies, economic conditions and other factors.

Capital Assets

Capital assets, which include land, buildings, infrastructure, and other equipment, are reported in the Statement of Net Position. Capital assets are defined by the Alaska Mental Health Trust as assets with an initial, individual cost of more than \$100,000 and an estimated useful life of at least five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Corpus land is received from the State of Alaska and recorded at \$1 per acre when it is conveyed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Equipment	3-10
Buildings and infrastructure	10-40

Deposits

It is the Trust's policy to receive advance payment deposits prior to the usage of land, for any reason. The Trust may apply the deposit to pay for the performance of the default obligation incurred as a result of the lessee or the deposit is returned when the lessee has fully satisfied the terms of the agreement.

Accrued Leave

It is the Trust's policy to permit employees to accumulate earned but unused personal leave. All personal leave pay is accrued when incurred in the Statement of Net Position. A liability for these amounts is reported on the fund statements only if they have matured (e.g., the employee has terminated employment).

Alaska Mental Health Trust Authority
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Notes to Basic Financial Statements

Due to/from State of Alaska

The Trust uses the State of Alaska's central treasury for payments of current obligations. The obligations are settled daily from the Trust's cash or investment accounts with the central treasury.

Deferred Inflow and Deferred Outflow of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Generally, the Trust reports pension related items as deferred outflows of resources. These items are amortized to expense over time.

In addition to the liabilities, the financial statements may also present deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until later. The Trust reports certain pension related items as deferred inflows of resources. These items are amortized as a reduction of expense over varying periods of time based on their nature. Deferred inflows of resources are also related to lease receivables. Initially, the deferred inflows are recognized in the amount of the initial measurement of lease receivable plus lease payments received from lessees at or before the commencement of the lease term that relate to future periods. Subsequently the Trust recognizes the deferred inflow of resources as inflows of resources in a systematic manner over the term of the lease.

Deferred inflows in the governmental fund financial statements include those items that are measurable, but not yet available for revenue recognition under the modified accrual basis of accounting rules. Specifically, this includes receivables for amounts not collected for land sales contracts that are not considered to be available to liquidate liabilities of the current period.

Fund Balance

The 1994 State legislature authorized the appropriation of \$200,000,000 and approximately 957,170 acres nominally valued at \$1 per acre to the principal of the Trust. The corpus of the Trust is to be retained perpetually for investment and is included in nonspendable fund balance - nonexpendable corpus. Additionally, the Board of Trustees of the Trust has approved additional reservations of Trust income, as authorized by State law.

By statute, earnings of the Trust may be used to offset the effect of inflation on the value of the corpus of the Trust. Increases to the nonspendable fund balance consist of land sales, resource and royalty revenues, special appropriations, and inflation-proofing transfers to the Trust corpus, as well as recorded unrealized appreciation or depreciation of invested assets. Assigned fund balances consist of the spendable earnings of the Trust, which have not yet been allocated for expenditure.

Alaska Mental Health Trust Authority

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Notes to Basic Financial Statements

Net Position

In the government-wide financial statements, net position is reported in three categories: net investment in capital assets (net of debt, when applicable); restricted net position, which includes the nonspendable balance and deferred inflows not made available for spending; and unrestricted net position. Net position is reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

The Trust had funded outlays for a purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Trust's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Program Revenues and Expenses

Program revenues and expenses generally result from providing services in connection with the Trust's principal ongoing programs. Revenues received from the management of Trust land is allocated between principal and income as follows: to principal, 100 percent of (a) land sale revenue, (b) royalties on coal, oil, gas, materials, and minerals, (c) revenues for perpetual easements, and (d) 85 percent of timber sales; to income, 100 percent of (a) interest from land sale contracts, (b) bonus bids, (c) rents, and (d) 15 percent of timber sales. Program expenses include operating costs, Trust Land Office and funding of comprehensive mental health programs for Alaskans who experience mental illness, developmental disabilities, chronic alcohol or drug addiction, Alzheimer's disease and related dementia, or traumatic brain injury.

Revenue generated by the TLO from Trust land is characterized as Distributable Income (proceeds from no disposal actions on Trust land) and Principal (proceeds from the disposal of nonrenewable Trust land assets). Distributable Income is transmitted to the Trust and expended in accordance with Trust policies and procedures. Trust land principal is deposited in the Principal Fund (cash corpus) of the Trust or, with the Trust's approval, used to purchase substitute Trust lands. Trust land principal continues to generate income in the Principal Fund, with that income making up a significant portion of annual Trust income distributions.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Alaska Mental Health Trust Authority
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Notes to Basic Financial Statements

Management's Use of Estimates

Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows/inflows of resources, and liabilities and the disclosure of contingent assets, deferred outflows/inflows of resources, and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

Leases

The Trust has leased to third-parties multiple nonfinancial assets. The Trust recognizes a lease receivable and a deferred inflow of resources in both the government-wide and governmental fund financial statements where applicable.

At the commencement of the lease, the Trust initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments receivable. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Trust determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The Trust uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee. The Trust monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Income Taxes

The Internal Revenue Code provides that gross income for tax purposes does not include income accruing to a state, territory or any political subdivision thereof which is derived from the exercise of any essential governmental function or any public utility. The Trust is a political subdivision of the State of Alaska and is therefore exempt from state and federal taxes.

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Alaska Mental Health Trust Authority
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Notes to Basic Financial Statements

2. Cash and Investments

At June 30, 2025, the fund's share of pooled investments and APFC investments was as follows:

	Alaska Mental Health Trust Reserve AY70	GeFONSI 3320	GeFONSI 1092	GeFONSI 3322	Commercial Real Estate managed by the Trust	Alaska Permanent Fund Corp	Total
Investment Type							
Cash and temporary investments	\$ 637,000	\$ -	\$ -	\$ -	\$ 34,652,000	\$ 35,289,000	
Corporate bonds	-	-	-	-	60,273,000	60,273,000	
Mortgage-backed securities	-	-	-	-	23,747,000	23,747,000	
Commingled and exchange traded funds	-	-	-	-	-	1,213,000	1,213,000
Commercial mortgage/ asset-backed securities	-	-	-	-	-	5,774,000	5,774,000
Non-U.S. treasury and government bonds	-	-	-	-	-	20,707,000	20,707,000
Non-U.S. corporate bonds	-	-	-	-	-	10,568,000	10,568,000
Preferred and common stock	-	-	-	-	-	251,319,000	251,319,000
Real estate	-	-	-	-	37,425,000	82,254,000	119,679,000
Alternative investments:							
Absolute return	-	-	-	-	-	50,552,000	50,552,000
Private credit	-	-	-	-	-	24,694,000	24,694,000
Private equity	-	-	-	-	-	129,188,000	129,188,000
Infrastructure	-	-	-	-	-	38,467,000	38,467,000
U.S. Treasury bills, notes, bonds, and TIPS	-	-	-	-	-	23,684,000	23,684,000
Fixed Income Securities							
Broad-term Internally Managed	23,443,000	-	-	-	-	-	23,443,000
Fidelity Tactical Bond	5,960,000	-	-	-	-	-	5,960,000
Broad Domestic Equity							
Ssga Russell 3000	24,380,000	-	-	-	-	-	24,380,000
Global Equity Ex-U.S.							
SOA International Equity Pool	19,149,000	-	-	-	-	-	19,149,000
Investment Managed by							
Department of Revenue	-	91,000	67,670,000	8,099,000	-	-	75,860,000
Cash in transit	-	2,000	3,000	-	-	-	5,000
Other pool ownership	3,000	-	-	-	-	-	3,000
Net Cash and Investments	\$ 73,572,000	\$ 93,000	\$ 67,673,000	\$ 8,099,000	\$ 37,425,000	\$ 757,092,000	\$ 943,954,000

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Uninvested cash was held at the custodian, sub-custodian, or derivatives broker banks, primarily in interest-bearing accounts. All pooled funds were invested in a money market fund. U.S. Treasury bills are explicitly guaranteed by the U.S. government.

Fair Value Measurement

The Trust's asset managers measure the value of investments using standard input levels. The Trust's investments and derivative instruments at June 30, 2025, managed by APFC, are summarized as follows:

2025	Measured using input levels			Measured	
	Level 1	Level 2	Level 3	Using NAV	Total
APFC:					
Marketable debt securities	\$ 24,900,000	\$ 121,062,000	4,000	\$ -	\$ 145,966,000
Preferred and common stock	249,923,000	152,000	-	1,244,000	251,319,000
Real estate	7,142,000	-	-	75,112,000	82,254,000
Absolute return	-	-	-	50,552,000	50,552,000
Private credit	-	-	-	24,694,000	24,694,000
Private equity	-	-	-	129,188,000	129,188,000
Infrastructure	-	-	-	38,467,000	38,467,000
 Total Investments	 \$ 281,965,000	 \$ 121,214,000	 \$ 4,000	 \$ 319,257,000	 \$ 722,440,000

Marketable debt securities are preferred and common stock classified as level 1 as valued using prices quoted in active markets for those securities. Marketable debt securities classified as level 2 are valued using matrix pricing and those at level 3 are term loans. Commingled funds reported at NAV use the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions made prior to the balance sheet date.

Publicly traded real estate investment trusts are valued using prices quoted in active markets and are reported as level 1. Directly held real estate, real estate debt investments, and private real estate funds are reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Directly owned real estate investments are subject to annual appraisals and audits.

Absolute return investments are reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions made prior to the balance sheet date. Absolute return investments undergo annual independent financial statement audits. The redemption notice period is from 2-100 days and the frequency of redemption is monthly to semiannually.

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Private credit investments are reported at NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions made prior to the balance sheet date. Private credit investments undergo annual independent financial statement audits. Redemptions are not allowed, and the usual life of these investments is 5-7 years.

Private equity investments are reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions made prior to the balance sheet date. Private equity investments undergo annual independent financial statement audits. Redemptions are not allowed, and the usual life of these investments is 10-12 years.

Marketable Debt Duration

To manage its interest rate risk on marketable debt securities, the APFC and Treasury portfolio managers monitor fair values daily and routinely review portfolio effective duration in comparison to established benchmarks. At June 30, 2025, the effective duration by investment type, based on fair value, for marketable debt securities managed by APFC are as follows:

	Percent of Bond Holdings	Duration (in years)
Domestic Bonds		
Treasury and government notes/bonds	20.72%	5.62
Mortgage-backed securities	20.78%	5.55
Corporate bonds	52.74%	6.57
Commercial mortgage and asset backed securities	4.90%	1.79
Commingled and exchange traded funds	0.86%	-
Total Domestic Bonds	100.00%	5.87
Nondomestic Bonds		
Treasury and government bonds	65.36%	7.43
Corporate bonds	33.36%	6.42
Commercial mortgage and asset backed securities	0.55%	0.99
Commingled and exchange traded funds	0.73%	-
Total Nondomestic Bonds	100.00%	7.00

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Notes to Basic Financial Statements

Credit Risk

Marketable debt credit rating

To manage credit risk for marketable debt securities, the APFC monitors fair values of all securities daily and routinely reviews its investment holdings' credit ratings. For accounts with an investment grade mandate, issues falling below the minimum standards are required to be sold within seven months of the downgrade date. Minimum standards are a Standard & Poor's Corporation rating of BBB or better, or Moody's Investors Service, Inc. rating of Baa or better, or a comparable rating by another Nationally Recognized Statistical Rating Organizations (NRSRO) or by a recognized rating service in the jurisdiction of the issuer. Accounts with high yield mandates are allowed to hold positions in assets with below investment grade ratings (high yield bonds). For purposes of this note, if credit ratings differ among the NRSROs used, the rating with the highest degree of risk (the lowest rating) is reported.

At June 30, 2025, the Trust's credit ratings for its marketable debt securities are as follows:

NRSRO Quality rating	Domestic	Non-domestic	Total fair value	Percent of holdings
AAA	\$ 4,758,000	\$ 2,379,000	\$ 7,137,000	4.89%
AA	3,650,000	4,835,000	8,485,000	5.81%
A	17,826,000	3,922,000	21,748,000	14.90%
BBB	25,564,000	7,855,000	33,419,000	22.90%
BB	10,188,000	2,443,000	12,631,000	8.65%
B	3,316,000	815,000	4,131,000	2.83%
CCC	-	7,000	7,000	0.01%
D	-	633,000	633,000	0.43%
 Total fair value of rated debt securities	65,302,000	22,889,000	88,191,000	60.42%
Exchange traded funds	983,000	231,000	1,214,000	0.83%
Not rated	704,000	8,562,000	9,266,000	6.35%
U.S. government explicitly backed by the U.S. government (AA)	29,325,000	-	29,325,000	20.09%
U.S. government implicitly backed by the U.S. government (AA)	17,970,000	-	17,970,000	12.31%
 Total Fair Value Debt Securities	\$ 114,284,000	\$ 31,682,000	\$ 145,966,000	100.00%

Preferred and Common Stock

Direct investments in preferred and common stock are held by the APFC's custodian bank on behalf of the Trust. The Trust also invests in commingled stock funds, which are held by the custodian bank of the fund manager on behalf of fund investors, and equity index futures, which are held at the prime broker.

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Preferred and common stocks and commingled stock funds at June 30 are summarized as follows, and include the net fair value of equity index futures of \$(20,000) as of June 30, 2025:

	Cost	Fair Value	Unrealized Holding Gains (Losses)
Direct investments:			
Domestic	\$ 115,406,000	\$ 143,034,000	\$ 27,628,000
Nondomestic	90,556,000	106,176,000	15,620,000
Commingled funds	1,640,000	2,109,000	469,000
Total Preferred and Common Stock	\$ 207,602,000	\$ 251,319,000	\$ 43,717,000

Marketable Debt Securities

Marketable debt securities held by APFC on behalf of the Trust at June 30, 2025 are summarized as follows, categorized by debt instrument type and by country of registration:

	Amortized Cost	Fair Value	Unrealized Holding Gains (Losses)
Mortgage-backed securities			
U.S. Treasury and government notes/bonds	\$ 24,388,000	\$ 23,747,000	\$ (641,000)
U.S. corporate bonds	23,628,000	23,684,000	56,000
U.S. commercial mortgage and asset-backed securities	61,596,000	60,273,000	(1,323,000)
U.S. exchange traded funds	5,693,000	5,598,000	(95,000)
Non-U.S. government bonds	949,000	982,000	33,000
Non-U.S. corporate bonds	20,065,000	20,707,000	642,000
Non-U.S. commercial mortgage and asset-backed securities	10,641,000	10,568,000	(73,000)
Non-U.S. exchange traded funds	177,000	176,000	(1,000)
Total Marketable Debt Securities	\$ 147,360,000	\$ 145,966,000	\$ (1,394,000)

Foreign Currency Exposure

Alaska Permanent Fund Corporation

Foreign currency risk arises when a loss could result from adverse changes in foreign currency exchange rates. Foreign currency risk is managed by the international investment managers in part through their decisions to enter into foreign currency forward contracts. Foreign currency risk is also managed through the diversification of assets into various countries and currencies.

Cash amounts in the schedule below include receivables, payables, certificates of deposits, and cash balances in each related currency. If payables exceed receivables and cash balances in a currency, then the total cash balance for that currency will appear as a negative value. The remaining Trust assets are invested in U.S. cash, equities, and debt, as well as in direct real estate properties, absolute return and similar funds, and infrastructure, all of which are denominated in U.S. dollars, and are not included in the schedule below.

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At June 30, 2025, the Trust's cash holdings, foreign currency forward contracts, nondomestic public and private equity, and debt securities had exposure to foreign currency risk as follows (shown in U.S. dollar equivalent at fair value and based on the currency in which the securities are held and traded):

Foreign Currency	Cash and Cash Equivalents	Foreign Exchange Forward Contracts	Equity, private debt, real estate, infrastructure	Debt	Total Foreign Currency Exposure
Australian Dollar	\$ 41,000	\$ (453,000)	\$ 3,083,000	\$ 253,000	\$ 2,924,000
Brazilian Real	9,000	—	941,000	—	950,000
Canadian Dollar	21,000	(552,000)	6,358,000	468,000	6,295,000
Chilean Peso	1,000	—	61,000	—	62,000
Chinese Yuan Renminbi	60,000	(2,877,000)	2,461,000	2,817,000	2,461,000
Columbian Peso	2,000	—	18,000	—	20,000
Czech Koruna	3,000	(100,000)	16,000	94,000	13,000
Danish Krone	3,000	(98,000)	1,368,000	96,000	1,369,000
Egyptian Pound	—	—	10,000	—	10,000
Euro Currency	602,000	(8,345,000)	38,892,000	6,732,000	37,881,000
Hong Kong Dollar	48,000	(210,000)	8,221,000	—	8,059,000
Hungarian Forint	3,000	(29,000)	99,000	26,000	99,000
Indian Rupee	15,000	(3,000)	3,586,000	—	3,598,000
Indonesian Rupiah	4,000	(235,000)	534,000	229,000	532,000
Israeli Shekel	10,000	(125,000)	563,000	122,000	570,000
Japanese Yen	233,000	(4,644,000)	11,950,000	4,463,000	12,002,000
Kuwaiti Dinar	3,000	(2,000)	91,000	—	92,000
Malaysian Ringgit	6,000	(227,000)	253,000	224,000	256,000
Mexican Peso	1,000	(147,000)	593,000	146,000	593,000
New Taiwan Dollar	11,000	—	4,966,000	—	4,977,000
New Zealand Dollar	(3,000)	(194,000)	146,000	159,000	108,000
Norwegian Krone	4,000	(31,000)	463,000	30,000	466,000
Pakistan Rupee	—	—	43,000	—	43,000
Peruvian Sol	5,000	(157,000)	—	148,000	(4,000)
Philippine Peso	2,000	—	128,000	—	130,000
Polish Zloty	5,000	(1,000)	497,000	—	501,000
Pound Sterling	179,000	(2,655,000)	11,798,000	1,790,000	11,112,000
Qatari Riyal	(3,000)	4,000	147,000	—	148,000
Romanian Leu	7,000	(100,000)	—	87,000	(6,000)
Russian Ruble	—	—	1,000	—	1,000
Saudi Arabian Riyal	(1,000)	—	691,000	—	690,000
Singapore Dollar	(2,000)	(71,000)	899,000	78,000	904,000
South African Rand	(3,000)	5,000	715,000	—	717,000
South Korean Won	28,000	(554,000)	3,645,000	548,000	3,667,000
Swedish Krona	10,000	(10,000)	1,534,000	—	1,534,000
Swiss Franc	12,000	(99,000)	3,722,000	—	3,635,000
Thai Baht	5,000	(183,000)	179,000	178,000	179,000
Turkish Lira	2,000	—	126,000	—	128,000
UAE Dirham	4,000	—	525,000	—	529,000
Total	\$ 1,327,000	\$ (22,093,000)	\$ 109,323,000	\$ 18,688,000	\$ 107,245,000

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Foreign Exchange Contracts, Futures, Derivative Exposure, and Off-Balance Sheet Risk

Alaska Permanent Fund Corporation

Certain external investment managers enter into foreign currency forward exchange contracts (FX forward contracts) to buy and sell specified amounts of foreign currencies at specified rates and future dates for the purpose of managing or optimizing foreign currency exposure. The maturity periods for outstanding contracts at June 30, 2025 ranged between one and 100 days.

The counterparties to the FX forward contracts consisted of a diversified group of financial institutions. The Trust is exposed to credit risk to the extent of nonperformance by these counterparties. The market risk as of June 30, 2025 is limited to the difference between contractual rates and forward market rates determined at the end of the fiscal year.

Activity and balances related to FX forward contracts are summarized as follows:

Balance at June 30, 2025

Fair value of FX forward contracts, beginning of year	\$ 212,000
Net change in fair value of FX forward contracts	(508,000)
<hr/>	
Fair Value of FX Forward Contracts, end of year	\$ (296,000)
<hr/>	
Notional amount of FX Forward Contracts, end of year	\$ 53,108,000

Certain APFC equity and fixed income investment managers are permitted to trade equity and U.S. Treasury index futures. Equity index futures are traded in both domestic and nondomestic markets based on an underlying stock exchange value. Equity index futures are settled with cash for the net difference between the trade price and the settle price.

Activity and balances related to equity index futures are summarized as follows:

Balance at June 30, 2025

Fair value of equity index futures, beginning of year	\$ (6,000)
Net change in fair value of equity index futures	(14,000)
<hr/>	
Fair Value of equity index futures, end of year	\$ (20,000)
<hr/>	
Notional amount of equity index futures, end of year	\$ 44,000

Activity and balances related to fixed income accounts are summarized as follows:

Balance at June 30, 2025

Fair value of U.S. Treasury index futures, beginning of year	\$ 1,000
Net change in fair value of U.S. Treasury index futures	(28,000)
<hr/>	
Fair Value of U.S. Treasury index futures, end of year	\$ (27,000)
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Notional amount of U.S. Treasury index futures, end of year	\$ 3,500,000

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Real Estate

Real estate investments at June 30, 2025 are summarized as follows:

	Cost	Fair Value	Unrealized Holding Gains
Real estate investment trusts	\$ 6,477,000	\$ 7,142,000	\$ 665,000
Real estate funds and notes	25,051,000	26,997,000	1,946,000
American Homes 4 Rent II	753,000	937,000	184,000
Directly owned real estate:			
Retail	7,190,000	12,301,000	5,111,000
Hotel	535,000	578,000	43,000
Office	61,117,000	52,856,000	(8,261,000)
Industrial	3,295,000	8,278,000	4,983,000
Multifamily	3,145,000	4,086,000	941,000
Development	5,827,000	6,504,000	677,000
Total Real Estate	\$ 113,390,000	119,679,000	6,289,000

As of June 30, 2025, the APFC, on behalf of the Trust, had outstanding future funding commitments of \$2.7 million for real estate fund investments.

Alternative Investments

Alternative investments at June 30, 2025 are summarized as follows:

	Cost	Fair Value	Unrealized Holding Gains
Absolute return	\$ 34,689,000	\$ 50,552,000	\$ 15,863,000
Private credit	21,873,000	24,694,000	2,821,000
Private equity	90,890,000	129,188,000	38,298,000
Infrastructure	27,120,000	38,467,000	11,347,000
Total Alternative Investments	\$ 174,572,000	\$ 242,901,000	\$ 68,329,000

The APFC periodically reviews alternative investments for other than temporary impairment. During FY2025, it was determined that five private credit funds, 27 private equity funds, and two infrastructure funds were impaired because it was more likely than not that the carrying cost would not be recovered over the remaining estimated holding period of the assets. In order to reflect the impairment in statutory net income, \$3.8 million of unrealized losses were realized through a write down of cost to fair value. These impairments have no impact on the carrying value of investments or on the net increase in the fair value of investments.

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As of June 30, 2025, the APFC, on behalf of the Trust, had outstanding future funding commitments of \$182,000 for absolute return, \$13.6 million for private credit, \$36.7 million for private equity, and \$11.1 million for infrastructure investments. Many alternative investments have liquidity constraints and may not be available for cash withdrawal until a specified period of time has elapsed.

3. Securities Lending

State regulations at 15 AAC 137.510 and the APFC investment policy authorize the APFC to enter into securities lending transactions on behalf of the Trust. Through a contract with the Bank of New York Mellon (the Bank), the Trust lends marketable debt and equity securities to borrowers who are banks and broker-dealers. The loans are collateralized with cash or marketable securities guaranteed by the U.S. government or a U.S. government agency. Under the APFC's contract with the Bank, the Bank must mark the loaned securities and collateral to the market daily, and the loan agreements require the borrowers to maintain the collateral at not less than 102 percent of the fair value of domestic loaned securities (and nondomestic loaned securities denominated in U.S. dollars) and not less than 105 percent of the fair value for other nondomestic loaned securities. The APFC can sell securities that are on loan. If a borrower fails to return the loaned securities (borrower default), the Bank can use cash collateral (and the proceeds on the sale of any noncash collateral) to purchase replacement securities. Generally, the Trust is protected from credit risk associated with the lending transactions through indemnification by the Bank against losses resulting from counterparty failure, reinvestment of cash collateral, default on collateral investments, or a borrower's failure to return loaned securities.

Cash collateral received for loaned securities is reported on the Trust's Statement of Net Position and invested by the Bank on behalf of the Trust. As of June 30, 2025, such investments were in overnight repurchase agreements that had a weighted average maturity of one day. The average term of the loans was also one day.

At June 30, 2025, the value of securities on loan is as follows:

Fair Value of Securities on Loan, Secured by Cash Collateral	\$ 34,847,000
Cash Collateral	\$ 35,610,000
Fair Value of Securities on Loan, Secured by Noncash Collateral	\$ 62,911,000
Noncash Collateral	\$ 68,342,000

The Trust receives 80 percent of earnings derived from securities lending transaction and the Bank retains 20 percent. During the years ended June 30, 2025, the Trust incurred no losses from securities lending transactions. The Trust received \$218,000 in earnings from securities lending for the years ended June 30, 2025.

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Notes to Basic Financial Statements

4. Accounts Receivable

Accounts receivable at June 30, 2025 are as follows:

Interest and dividends receivable	\$ 5,906,000
Other receivables	<u>215,000</u>
Total accounts receivables	6,121,000
Allowance for uncollectible accounts	(12,000)
Total Accounts Receivable, net of allowance	\$ 6,109,000

5. Notes Receivable

Notes receivable at June 30, 2025 are as follows:

Land sale notes receivable	\$ 10,440,000
Allowance for uncollectible accounts	(1,164,000)
Total Notes Receivable, net of allowance	\$ 9,276,000

6. Capital Assets

The Trust owns and accounts for all land and buildings. Contributed assets are recorded at fair value at date of receipt. Capital asset activity for the year ended June 30, 2025 follows:

	Balance July 1, 2024	Adjustments	Additions	Deletions	Balance June 30, 2025
<i>Nondepreciable Assets:</i>					
Land:					
Corpus	\$ 999,000	\$ -	\$ 1,000	\$ (8,000)	\$ 992,000
Land and land improvements	19,373,000	(12,624,000)	-	-	6,749,000
Total nondepreciable assets	20,372,000	(12,624,000)	1,000	(8,000)	7,741,000
<i>Depreciable Assets:</i>					
Buildings and infrastructure	12,522,000	-	-	-	12,522,000
Land Improvements	-	181,000	-	-	181,000
Total depreciable assets	12,522,000	181,000	-	-	12,703,000
Accumulated depreciation	(5,811,000)	(127,000)	(441,000)	-	(6,379,000)
Total Capital Assets, Net of Accumulated Depreciation	\$ 27,083,000	\$ (12,570,000)	\$ (440,000)	\$ (8,000)	\$ 14,065,000

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Depreciation expense for the year ended June 30, 2025 was \$441,000.

In 2023, the entity transitioned from a Geographic Information System (GIS)-based acreage reporting methodology to using legal title documentation.

The Trust's estate titles include the Fee Simple (surface and subsurface), Land (surface only), and Mineral and Hydrocarbon Estates (subsurface only). Each of these estates is counted as one acre. The surface portion of the fee simple estate may be conveyed, but the subsurface is retained and the total acreage reported for capital assets results in no change.

The schedule below provides a visual representation, intentionally left unrounded, of the acreage changes between the surface estate and the subsurface estate:

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
Fee Simple Estate	\$ 549,000	\$ -	\$ (6,000)	543,000
Land	1,000	-	-	1,000
Mineral & Hydrocarbon	449,000	1,000	(2,000)	448,000
Total	\$ 999,000	\$ 1,000	\$ (8,000)	992,000

7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2025 are summarized as follows:

Accounts payable	\$ 10,718,000
Accrued payroll and benefits	439,000
Total	\$ 11,157,000

8. Accrued Leave Liability

The following is a summary of the accrued leave liability for the year ended June 30, 2025:

Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025	Due Within One Year
\$ 903,000	\$ 633,000	\$ (668,000)	\$ 868,000	\$ 594,000

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Notes to Basic Financial Statements

9. Pension and Other Postemployment Benefits Plans

(a) Defined Benefit (DB) Pension Plan

General Information About the Plan

The Trust participates in the State of Alaska Public Employees' Retirement System (PERS). PERS is a cost-sharing multiple-employer plan which covers eligible State and local government employees, other than teachers. The Plan was established and is administered by the State of Alaska Department of Administration. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

The Plan is included in an annual comprehensive financial report that includes financial statements and other required supplemental information. That report is available via the internet at <https://drb.alaska.gov/docs/reports/#pers>. Actuarial valuation reports, audited financial statements, and other detailed plan information are also available on this website.

The Plan provides for retirement, death and disability, and postemployment healthcare benefits. There are three tiers of employees, based on entry date. For all tiers within the Defined Benefit (DB) plan, full retirement benefits are generally calculated using a formula comprised of a multiplier times the average monthly salary (AMS) times the number of years of service. The multiplier is increased at longevity milestone markers for most employees. Peace officers and firefighters accrue benefits at an accelerated rate. The tiers within the Plan establish differing criteria regarding normal retirement age, early retirement age, and the criteria for calculation of AMS, COLA adjustments, and other postemployment benefits (OPEB). A complete benefit comparison chart is available at the website noted above.

The PERS DB Plan was closed to new entrants effective July 1, 2006. New employees hired after that date participate in the PERS Defined Contribution (DC) Plan described later in these notes.

Historical Context and Special Funding Situation

In April 2008, the Alaska Legislature passed legislation converting the previously existing PERS plan from a DB agent-multiple-employer plan to a DB cost-sharing plan with an effective date of July 1, 2008. In connection with this conversion, the State of Alaska passed additional legislation which statutorily capped the employer contribution rate, established a state funded "on-behalf" contribution (subject to funding availability), and required that employer contributions be calculated against all PERS eligible wages, including wages paid to participants of the PERS Tier IV defined contribution plan described later in these notes. The Alaska Legislature has the power and authority to change the aforementioned statute through the legislative process.

Alaska Statute 39.35.280 requires the State of Alaska to contribute to the Plan an amount such that, when combined with the employer contribution, is sufficient to pay the Plan's past service liability contribution rate as adopted by the Alaska Retirement Management Board (ARM Board). As such, the Plan is considered to be in a special funding situation as defined by GASB, and management has recorded all pension related liabilities, deferred inflows/outflows of resources, and disclosures on this basis.

The Trust recorded the related on-behalf contributions as revenue and expense or expenditures as prescribed by GAAP, pursuant to the relevant basis of accounting based on fund type.

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In accordance with Senate Bill 55 (SB55), during the year ended June 30, 2023, the Trust contributed to PERS at a rate adopted by Alaska Retirement Management Board (ARMB). The rate tends to vary from year to year and for the year ended June 30, 2025, the Trust contributed 26.76% of covered payroll based on the ARMB adopted rate for fiscal year 2025.

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary. Peace officers and firefighters are required to contribute 7.50% of their annual covered salary.

Employer and Other Contribution Rates

There are several contribution rates associated with the pension contributions and related liabilities. These amounts are calculated on an annual basis.

Employer Effective Rate: This is the contractual employer pay-in rate. Under current legislation, the amount calculated for the statutory employer effective contribution rate is 22% on eligible wages. This 22% rate is calculated on all PERS participating wages, including those wages attributable to employees in the DC plan. Contributions derived from the DC employee payroll is referred to as the Defined Benefit Unfunded Liability or DBUL contribution.

ARM Board Adopted Rate: This is the rate formally adopted by the ARM Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25-year term which ends in 2039. This change results in a lower ARM Board Rates than previously adopted.

State Contribution Rate: This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. In the proprietary funds and government-wide financial statements, the on-behalf amounts reflect revenue and expense only during the measurement period in which the Plan recognizes the payments, resulting in a significant timing difference between the cash transfers and revenue and expense recognition.

Contribution rates for the year ended June 30, 2025 were determined in the June 30, 2023 actuarial valuations. The Trust's contribution rates for the 2025 fiscal year were as follows:

	ARM Board Adopted Rate	State Contribution Rate
Defined benefit plans:		
Pension	20.03%	4.76%
Postemployment healthcare (ARHCT)	-%	-%
Defined contribution - Pension	6.73%	-%
Total Contribution Rates	26.76%	4.76%

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Alaska Statute 39.35.255(a) capped the employer rate at 22% with the State of Alaska making a nonemployer contribution for the difference between actuarially required contribution and the cap. For the fiscal year the employer rate is 22.00% for pension and 0.00% for ARHCT. The contribution requirements for the Trust are established and may be amended by the ARM Board. Additionally, there is a Defined Benefit Unfunded Liability (DBUL) amount levied against the DC Plan payroll. The DBUL amount is computed as the difference between (a) amount calculated for the statutory employer contribution rate of 22.00% on eligible salary less (b) total of the employer contribution for (1) defined contribution employer matching amount, (2) major medical, (3) occupational death and disability, and (4) health reimbursement arrangement. The difference is deposited based on an actuarial allocation into the defined benefit plan's pension and healthcare funds.

In 2025, the Trust was credited with the following contributions to the pension plan:

	Measurement Period	Trust Fiscal Year	
	July 1, 2023	July 1, 2024	
	to	to	
	June 30, 2024	June 30, 2025	
Employer contributions (including DBUL)	\$ 743,000	\$ 864,000	
Nonemployer contributions (on-behalf)	135,000	238,000	
Total Contributions	\$ 878,000	\$ 1,102,000	

In addition, employee contributions to the Plan totaled \$98,000 during the Trust's fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2025, the Trust reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to the Trust. The amount recognized by the Trust for its proportional share, the related State proportion, and the total portion of the net pension liability that was associated with the Trust were as follows:

<u>Total proportionate share of NPL associated with the Trust</u>	<u>\$ 9,386,000</u>
<u>Total Net Pension Liability</u>	<u>\$ 9,386,000</u>

The total pension liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 and adjusted to reflect updated assumptions to calculate the net pension liability as of that date. The Trust's proportion of the net pension liability was based on a projection of the Trust's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At the June 30, 2024 measurement date, the Trust's proportion was 0.17113 percent, which was a decrease of 0.00016 from its proportion measured as of June 30, 2023.

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For the year ended June 30, 2025, the Trust recognized pension expense of \$1,598,000 and on-behalf revenue of \$0 for support provided by the State. At June 30, 2025, the Trust reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 263,000	\$ -
Trust contributions subsequent to the measurement date	864,000	-
Total Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions	\$ 1,127,000	\$ -

The \$864,000 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,

2026	\$ (252,000)
2027	469,000
2028	(69,000)
2029	115,000
Total Amortization	\$ 263,000

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Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2023, using the actuarial assumptions listed below, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024:

Actuarial cost method	Entry Age Normal
Amortization method	Unfunded Accrued Actuarial Liability, level percent of pay basis
Inflation	2.50% per year
Salary increases	For peace officer/firefighter, increases range from 8.50% to 3.85% based on service. For all others, increases range from 6.75% to 2.85% based on service.
Allocation methodology	Amounts for the June 30, 2024 measurement date were allocated to employers based on the ratio of the present value of projected future contributions for each employer to the total present value of projected future contributions for the Plan for the fiscal years 2025 to 2039. The liability is expected to go to zero at 2039.
Investment rate of return	7.25%, net of pension plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.75%.
Mortality	
Peace officer/firefighter	Pre-commencement mortality rates were based on the Pub-2010 Safety Employee table, amount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 70% of the time. Post-commencement mortality rates for healthy retirees were based on the Pub-2010 Safety Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.
All others	Pre-commencement mortality rates were based on the Pub-2010 General Employee table, amount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 35% of the time. Post-commencement mortality rates for healthy retirees were based on 98% of male and 106% of female rates of the Pub-2010 General Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled

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retirees were based on the Pub-2010 Non-Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on 102% of male and 108% of female rates of the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.

The total pension liability was determined by an actuarial valuation as of June 30, 2023, rolled forward to the measurement date of June 30, 2024. The actuarial assumptions used in the June 30, 2023 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021, resulting in changes in actuarial assumptions effective for the June 30, 2022 actuarial valuation, which were adopted by the Board to better reflect expected future experience.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return, excluding the inflation component of 2.39%, for each major asset class included in the pension plan's target asset allocation as of June 30, 2024 are summarized in the following table:

Asset Class	Target Allocation	Range	Long-Term Expected Real Rate of Return
Domestic equity	26%	+/- 6%	5.48%
Global equity (non-U.S.)	17%	+/- 4%	7.14%
Aggregate bonds	-%	-%	5.79%
Multi-asset	21%	+/- 10%	2.10%
Real assets	8%	+/- 4%	-%
Private equity	14%	+/- 7%	4.63%
Cash equivalents	14%	+/- 7%	8.84%

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Trust's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Trust's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

Proportional Share	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Trust's proportionate share of the net pension liability	0.17113% \$ 12,503,000	\$ 9,386,000	\$ 6,748,000

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

(b) Defined Contribution (DC) Pension Plan

Employees hired after July 1, 2006 participate in PERS Tier IV, a DC plan. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the DB plan noted above. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The ARM Board may also amend contribution requirements. Included in the Plan are individual pension accounts, a retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. This Plan is included in the annual comprehensive financial report for PERS, and at the following website, as noted above. <https://drb.alaska.gov/docs/reports/#pers>.

Contributions to the DC plan consist solely of employer and employee contributions with no special funding or other nonemployer contributions. In addition, actual remittances to the PERS system require that the Trust contribute at 22%. After deducting the DC plan contributions (and related OPEB contributions), the remaining remittance (the DBUL) is deposited into the DB plan as noted earlier.

Benefit Terms

Employees are immediately vested in their own contributions and vest 25% with two years of service, plus an additional 25% per year thereafter for full vesting at five years of service. Nonvested employer contributions are forfeited upon termination of employment from the Plan. Such forfeitures were applied in the year ended June 30, 2025 to cover a portion of the Trust's employer match contributions. For the year ended June 30, 2025, forfeitures reduced pension expense by \$0.

Employee Contribution Rate

Employees are required to contribute 8% of their annual covered salary. This amount goes directly to the individual's account.

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Employer Contribution Rate

For the year ended June 30, 2025, the Trust was required to contribute 5% of covered salary into the Plan.

The Trust and employee contributions to PERS for pensions for the year ended June 30, 2025 were \$178,000 and \$284,000, respectively. The Trust contribution amount was recognized as pension expense/expenditures.

(c) Defined Benefit OPEB Plans

As part of its participation in PERS, the Trust participates in the following cost-sharing multiple-employer defined benefit OPEB plans: Alaska Retiree Healthcare Trust (ARHCT), Retiree Medical Plan (RMP) and Occupational Death and Disability Plan (ODD).

The ARHCT, a healthcare trust fund, provides major medical coverage to retirees of the DB plan. The ARHCT is self-funded and self-insured. The ARHCT was closed to all new members effective July 1, 2006. Benefits vary by Tier level. The RMP provides major medical coverage to retirees of the PERS DC Plan (Tier IV). The RMP is self-insured. Members are not eligible to use the Plan until they have at least 10 years of service and are Medicare age eligible. The ODD provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within PERS. The Plans are administered by the State of Alaska, Department of Administration. The OPEB plans are included in the annual comprehensive financial report for PERS, at the following website, <https://drb.alaska.gov/docs/reports/#pers>.

Employer Contribution Rates

Employer contribution rates are actuarially determined and adopted by and may be amended by the Board. Employees do not contribute.

Employer contribution rates for the year ended June 30, 2025 were as follows:

	Other	Peace/Fire
Alaska Retiree Healthcare Trust	-%	-%
Retiree Medical Plan	0.83%	0.83%
Occupational Death and Disability	0.24%	0.69%
Total Contribution Rates	1.07%	1.52%

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In 2025, the Trust was credited with the following contributions to the OPEB plans:

	Measurement Period	Trust Fiscal Year	
	July 1, 2023 to June 30, 2024	July 1, 2024 to June 30, 2025	
Employer contributions - ARHCT	\$ 161,000	\$ 187,000	
Employer contributions - RMP	10,000	29,000	
Employer contributions - ODD	19,000	8,000	
Total Contributions	\$ 190,000	\$ 224,000	

OPEB Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plans

At June 30, 2025, the Trust reported an asset for its proportionate share of the net OPEB asset (NOA) that reflected a reduction for State OPEB support provided to the Trust. The amount recognized by the Trust for its proportional share, the related State proportion, and the total were as follows:

Trust's proportionate share of NOA - ARHCT	\$ 3,769,000
Trust's proportionate share of NOA - RMP	78,000
Trust's proportionate share of NOA - ODD	101,000
Total Net OPEB Asset	\$ 3,948,000

The total OPEB liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 and adjusted to reflect updated assumptions to calculate the net OPEB assets as of that date. The Trust's proportion of the net OPEB assets was based on a projection of the Trust's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating entities, actuarially determined.

	June 30, 2023	June 30, 2024	
	Measurement Date	Measurement Date	
	Employer Proportion	Employer Proportion	
Trust's proportionate share of the net OPEB assets:			
ARHCT	0.18743%	0.17092%	(0.01650)%
RMP	0.18275%	0.16604%	(0.01671)%
ODD	0.18648%	0.16986%	(0.01662)%

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For the year ended June 30, 2025, the Trust recognized OPEB expense (benefit) of \$128,000. Of this amount, \$0 was recorded for on-behalf revenue and expense for support provided by the ARHCT plan. OPEB expense (benefit) and on-behalf revenue is listed by plan in the table below:

<i>Plan</i>	OPEB expense (benefit)	On-behalf revenue
ARHCT	\$ 122,000	\$ -
RMP	9,000	-
ODD	(3,000)	-
Total	\$ 128,000	\$ -

At June 30, 2025, the Trust reported deferred outflows of resources and deferred inflows of resources related to OPEB plans from the following sources:

<i>Deferred Outflows of Resources</i>	ARHCT	RMP	ODD	Total
Difference between expected and actual experience	\$ 2,000	\$ 2,000	\$ -	\$ 4,000
Changes in assumptions	101,000	26,000	-	127,000
Net difference between projected and actual investment earnings	(116,000)	(2,000)	-	(118,000)
Trust contributions subsequent to the measurement date	\$ 187,000	\$ 29,000	\$ 8,000	\$ 224,000
Total Deferred Outflows of Resources Related to OPEB Plans	\$ 174,000	\$ 55,000	\$ 8,000	\$ 237,000
<i>Deferred Inflows of Resources</i>	ARHCT	RMP	ODD	Total
Difference between expected and actual experience	\$ -	\$ (8,000)	\$ (24,000)	\$ (32,000)
Changes in assumptions	-	(52,000)	-	(52,000)
Changes in proportion and differences between Trust contributions and proportionate share of contributions	(6,000)	-	(1,000)	(7,000)
Total Deferred Inflows of Resources Related to OPEB Plans	\$ (6,000)	\$ (60,000)	\$ (25,000)	\$ (91,000)

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Amounts reported as deferred outflows of resources related to OPEB plans resulting from Trust contributions subsequent to the measurement date will be recognized as an increase in the net OPEB assets in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<i>Year Ending June 30,</i>	ARHCT	RMP	ODD	Total
2026	\$ (114,000)	\$ (11,000)	\$ (7,000)	\$ (132,000)
2027	380,000	-	(4,000)	376,000
2028	(61,000)	(11,000)	(5,000)	(77,000)
2029	(223,000)	(11,000)	(5,000)	(239,000)
2030	-	(4,000)	(3,000)	(7,000)
Thereafter	-	3,000	(2,000)	1,000
Total Amortization	\$ (18,000)	\$ (34,000)	\$ (26,000)	\$ (78,000)

Actuarial Assumptions

The total OPEB liability for each plan was determined by actuarial valuations as of June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2024:

Actuarial cost method	Entry Age Normal
Amortization method	Unfunded Accrued Actuarial Liability, level percent of pay basis
Inflation	2.50% per year
Salary increases	For peace officer/firefighter, increases range from 8.50% to 3.85% based on service. For all others, increases range from 6.75% to 2.85% based on service.
Allocation methodology	Amounts for the June 30, 2024 measurement date were allocated to employers based on the ratio of the present value of projected future contributions for each employer to the total present value of projected future contributions to the Plan for fiscal years 2025 to 2039.
Investment rate of return	7.25%, net of postemployment healthcare plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.75%.
Healthcare cost trend rates (ARHCT and RMP Plans)	Pre-65 medical: 6.4% grading down to 4.5% Post-65 medical: 5.4% grading down to 4.5% Rx/EGWP: 6.9% grading down to 4.5% Initial trend rates are from FY 2025 Ultimate trend rates reached in FY 2050

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Mortality Peace officer/firefighter (ARHCT and RMP Plans)	Pre-commencement mortality rates were based on the Pub-2010 Safety Employee table, headcount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupation causes 70% of the time. Post-commencement mortality rates for healthy retirees were based on the Pub-2010 Safety Retiree table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Safety Disabled Retiree table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on the Pub-2010 Contingent Survivor table, headcount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.
(ODD Plan)	Pre-commencement mortality rates were based on the Pub-2010 Safety Employee table, amount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 70% of the time. Post-commencement mortality rates for healthy retirees were based on the Pub-2010 Safety Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.
All others (ARHCT and RMP Plans)	Pre-commencement mortality rates were based on the Pub-2010 General Employee table, headcount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 35% of the time. Post-commencement mortality rates for healthy retirees were based on 101% of male and 110% of female rates of the Pub-2010 General Retiree table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on 101% of male and 108% of female rates of the Pub-2010 Contingent Survivor table, headcount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.
(ODD Plan)	Pre-commencement mortality rates were based on the Pub-2010 General Employee table, amount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 35% of the time. Post-commencement

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mortality rates for healthy retirees were based on 98% of male and 106% of female rates of the Pub-2010 General Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on 102% of male and 108% of female rates of the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.

Participation (ARHCT)	100% system paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.
Peace officer/firefighter	20% of nonsystem paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.
All others	25% of nonsystem paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.

The total OPEB liability for each plan was determined by actuarial valuations as of June 30, 2023, rolled forward to the measurement date of June 30, 2024. The actuarial assumptions used in the June 30, 2023 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021, resulting in changes in actuarial assumptions effective for the June 30, 2022 actuarial valuation, which were adopted by the Board to better reflect the expected future experience. For the ARHCT and RMP plans, the per capita claims costs were updated to reflect recent experience for the June 30, 2023 actuarial valuation.

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments for each plan was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic rates of return, excluding the inflation component of 2.39%, for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2024 are summarized in the following table:

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Asset Class	Target Allocation	Range	Long-Term Expected Real Rate of Return
Domestic equity	26%	+/- 6%	5.48%
Global equity (non-U.S.)	17%	+/- 4%	7.14%
Global equity	-%	-%	5.79%
Aggregate bonds	21%	+/- 10%	2.10%
Multi-asset	8%	+/- 4%	- %
Real assets	14%	+/- 7%	4.63%
Private equity	14%	+/- 7%	8.84
Cash equivalents	-%	-%	0.77%

Discount Rate

The discount rate used to measure the total OPEB liability for each plan as of June 30, 2024 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy which meets State statutes. Based on those assumptions, the fiduciary net position of each plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability for each plan.

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the Trust's proportionate share of the net OPEB asset calculated using the discount rate of 7.25%, as well as what the Trust's proportionate share of the respective plan's net OPEB asset (liability) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Proportional Share	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Trust's proportionate share of the net OPEB asset (liability):				
ARHCT	0.17092%	\$ 2,383,000	\$ 3,769,000	\$ 4,926,000
RMP	0.16604%	\$ (13,000)	\$ 78,000	\$ 147,000
ODD	0.16986%	\$ 95,000	\$ 101,000	\$ 106,000

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Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rates

The following presents the Trust's proportionate share of the net OPEB asset calculated using the healthcare cost trend rates as summarized in the 2023 actuarial valuation reports as well as what the Trust's proportionate share of the respective plan's net OPEB asset (liability) would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

Proportional Share	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Trust's proportionate share of the net OPEB asset (liability):			
ARHCT	0.17092%	\$ 5,059,000	\$ 3,769,000
RMP	0.16604%	\$ 156,000	\$ 78,000
ODD	0.16986%	\$ n/a	\$ n/a

OPEB Plan Fiduciary Net Position

Detailed information about each OPEB plan's fiduciary net position is available in the separately issued PERS financial report.

(d) Defined Contribution OPEB Plans

PERS DC Pension Plan participants (PERS Tier IV) also participate in the Health Reimbursement Arrangement Plan (HRA Plan). The HRA Plan allows for medical care expense to be reimbursed from individual savings accounts established for eligible persons. The HRA Plan became effective July 1, 2006 at which time contributions by employers began.

Contribution Rate

AS 39.30.370 establishes this contribution amount as "three percent of the average annual employee compensation of *all employees of all employers* in the plan". As of July 1, 2024, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates \$2,387 per year for each full-time employee, and \$1.53 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In fiscal year 2025, the Trust contributed \$72,000 in DC OPEB costs. This amount has been recognized as expense/expenditures.

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10. Rental Income under Operating Leases

The Trust's program revenues, rents and royalties include the leasing of land, which is not in-scope of GASB 87, leases, illustrated in Note 15. The following is a schedule of minimum future rental income payments under noncancelable operating leases for the next five years:

<i>Year Ending June 30:</i>	Land	Minerals, Oil & Gas	Total
2026	\$ 1,253,000	\$ 884,000	\$ 2,137,000
2027	1,151,000	894,000	2,045,000
2028	1,092,000	909,000	2,001,000
2029	1,079,000	909,000	1,998,000
2030	1,051,000	915,000	1,966,000
	<hr/>	<hr/>	<hr/>
	\$ 5,626,000	\$ 4,511,000	\$ 10,137,000

11. Statutory Income

By Alaska law, statutory net income is computed in accordance with accounting principles generally accepted in the United States of America (GAAP), excluding any unrealized gains or losses attributed to Trust principal. However, the income from investments is required by GAAP to include unrealized gains and losses and income, regardless of source. Consequently, GAAP income from investments and statutory net income differ.

The APFC periodically reviews investments for other than temporary impairment of value. Investments with fair values significantly less than costs over multiple reporting periods may be considered impaired if the cost basis will not be recovered over the investment's remaining estimated holding period. If an other-than-temporary impairment is determined to exist for an investment, a realized loss will be recorded which will replace the previously recorded unrealized loss. Carrying value will not be affected, but the reclassification of the loss from unrealized to realized will affect the statutory net income of the Trust. During FY 2025, approximately \$5.2 million of impairments were recorded.

Statutory net income for the year ended June 30, 2025 is calculated as follows:

Gain from investments managed by APFC	\$ 70,445,000
Unrealized holding gains	(16,680,000)
Statutory Net Income	\$ 53,765,000

Alaska Mental Health Trust Authority
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Notes to Basic Financial Statements

12. Nonspendable Trust Assets Managed by APFC

The legislature determines amounts to be contributed to, or distributed from, nonspendable Trust assets. The 1994 State legislature authorized the appropriation of \$200,000,000 to the principal of the Trust, transferring the funds on July 3, 1995 to the APFC. Additionally, the Board of Directors of the Trust has approved additional reservations of Trust income, as authorized by State law. By statute, earnings of the Trust may be used to offset the effect of inflation on the value of the contributions to the Trust.

On June 16, 2009 the APFC received a State of Alaska Attorney General's Opinion clarifying the accounting treatment of unrealized gains and losses. Based on the opinion, nonspendable fund balance and assigned fund balance should be allocated proportionate values of the unrealized appreciation or depreciation on invested assets. Previously unrealized gains and losses had been allocated in full to the nonspendable fund balance.

Based on the Opinion, the recorded unrealized earnings of the Trust assets were reclassified from assigned Trust fund balance to nonspendable Trust fund balance. The Opinion had no effect on previously reported gains or losses from investments managed by the APFC. See 2003 Attorney General Opinion (June 18; 663-03-0153).

Nonspendable funds under management at APFC for the year ended June 30, 2025 is calculated as follows:

Contributions and appropriations to principal	\$ 559,320,000
Unrealized gains on principal	111,130,000
Nonspendable Fund Balance	\$ 670,450,000

13. Spendable Trust Assets Managed by APFC

The Trust has established an account to ensure sufficient reserves are available to meet the disbursement requirements of the Trust's existing payout policy. Earnings are allocated monthly to the Trust on the basis of its total unit shares and fractional unit shares outstanding on the valuation date. The earnings of the Trust are to be used to assist the Trust in fulfilling its purpose of ensuring an integrated comprehensive mental health program for the State. As stated in Note 12, the unrealized gains and losses of the Trust assets are allocated proportionately between the nonspendable Trust assets and spendable Trust assets.

14. Risk Management

With regards to workers' compensation insurance, the Trust participates in the State of Alaska Risk Management Pool. The risks are transferred to the Pool, and the premium is charged to the Trust based on payroll expenditures. The State is an authorized self-insurer under AS 23.30.090. Casualty and property insurance coverage is provided under endorsement to the State of Alaska Aviation and Airports program of insurance. For directly owned real estate holdings located outside of Alaska, commercial insurance policies are purchased from the marketplace in the state the property is located to indemnify the title holding entity and to mitigate the risk of loss that the Trust is exposed to.

Alaska Mental Health Trust Authority
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Notes to Basic Financial Statements

15. Leases

Governmental Accounting Standards Board (GASB) Statement Number 87, *Leases* (GASB 87) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities.

The Trust has leased to third-parties multiple nonfinancial assets, primarily land and office real estate. Lease terms vary and can include from one year to more than fifty years. The Trust recognizes a lease receivable and a deferred inflow of resources in both the government-wide and governmental fund financial statements where applicable.

At the commencement of the lease, the Trust initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments receivable. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Trust determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The Trust uses rates stated in agreements to determine discount rates. If the rate is not stated in the agreement, management of the Trust estimates the interest rate implicit in the lease. The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee. The Trust monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Lease revenues recognized from the leases in scope of GASB 87 were \$767,000 and related interest income recognized was \$682,000 for the year ended June 30, 2025.

Schedule of future payments that are included in the measurement of the lease receivable is as following:

<i>Fiscal Year Ending June 30:</i>	<i>Principal</i>	<i>Interest</i>	<i>Total Payment</i>
2026	\$ 329,000	\$ 666,000	\$ 995,000
2027	135,000	654,000	789,000
2028	147,000	644,000	791,000
2029	158,000	632,000	790,000
2030	169,000	620,000	789,000
2031 - 2035	641,000	2,934,000	3,575,000
2036 - 2040	546,000	2,768,000	3,314,000
2041 - 2045	607,000	2,590,000	3,197,000
2046 - 2050	605,000	2,383,000	2,988,000
2051 - 2055	752,000	2,129,000	2,881,000
Thereafter	4,942,000	5,260,000	10,202,000
	\$ 9,031,000	\$ 21,280,000	\$ 30,311,000

Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Notes to Basic Financial Statements

16. Contingencies and Commitments

Environmental Contingencies and Commitments.

As prescribed by the Governmental Accounting Standards Board (GASB) under Statement 49, the Trust is required to estimate pollution remediation outlays and determine whether outlays should be accrued as a liability when the government is compelled to take pollution remediation action because of an eminent endangerment or when the government commences or legally obligates itself to commence pollution remediation.

There are several sites used by previous parties that may require environmental review, feasibility study and remediation and restoration of the sites, as applicable. The Trust intends to seek reimbursement of pollution remediation costs from responsible parties and any remaining costs will be recognized by the Trust. While an obligating event, as defined by Statement 49 has occurred, no liability has been recognized by the Trust either because the amounts are not material to the financial statements and/or the risk is such that the Trust is under no obligation to address the site.

Legal Contingencies and Commitments

No Name Bay. In 1989, *No Name Bay* parcel was selected by Department of Natural Resources (DNR) as a national forest community grant selection. In 1994, the Alaska legislature passed HB 201, which included *No Name Bay* on an “other state lands” list, meaning this parcel would not be Mental Health Trust lands. However, in 2009, under the authority of the Alaska Land Transfer Acceleration Act, DNR, the Trust, and the U.S. Department of the Interior entered into an agreement to close out the remaining Alaska Mental Health Enabling Act (AMHEA) entitlement (Closeout Agreement). The federal government conveyed *No Name Bay* to Alaska. Southeast Alaska Conservation Council (SEACC) sued DNR and the Trust, claiming that the State's acceptance of the federal patent to the *No Name Bay* parcel under the AMHEA and the Closeout Agreement 1) violated HB 201, 2) violated the 1994 settlement agreement, and 3) the state had not provided adequate constitutional notice of the Closeout Agreement.

This breach of contract case seeking to have the court void the state's conveyance of the *No Name Bay* parcel to the Trust was decided in favor of DNR and the Trust. An appeal by SEACC to the Alaska Supreme Court was decided in FY2021. The Supreme Court agreed with SEACC's arguments that the Trust's holding of *No Name Bay* violated HB 201 and that the state had provided inadequate notice of the land exchange. The case was remanded back to the Superior Court to fashion a remedy. On remand, SEACC and the Superior Court supported the parcel being conveyed to the United States Forest Service (USFS) pursuant to the Alaska Mental Health Land Exchange Act of 2017. The conveyance of *No Name Bay* parcel to the USFS was completed August 30, 2021, with the exception of a 54-acre island, Lot 10. The state of Alaska has agreed to purchase Lot 10 from the Trust at the appraised fair market value. The sale of Lot 10 is complete and the TLO received \$76,000 for the sale. Legal fees in the amount of \$68,950 plus \$4,165 in other costs were awarded to SEACC and will be split by AMHTA, TLO, and DNR. All legal fees have been paid and the issue is closed.

Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Notes to Basic Financial Statements

17. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several new accounting standards with upcoming implementation dates. The following new accounting standards were implemented by the Trust for 2025 reporting:

GASB Statement No. 101 - Compensated Absences - Effective for year-end June 30, 2025. Earlier application is encouraged. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The implementation of this standard did not have a significant impact on the Trust's financial statements.

GASB Statement No. 102 - Certain Risk Disclosures - Effective for year-end June 30, 2025. Earlier application is encouraged. The objective of this Statement is to provide users of the government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. The implementation of this standard did not have a significant impact on the Trust's financial statements.

The GASB has issued new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements, and actual impacts have not yet been determined. The statements are as follows:

GASB Statement No. 103 - Financial Reporting Model Improvements - Effective for year-end June 30, 2026. Earlier application is encouraged. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

GASB Statement No. 104 - Disclosure of Certain Capital Assets - Effective for year-end June 30, 2026. Earlier application is encouraged. The objective of this Statement is to provide users of governmental financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. The disclosure requirements will improve consistency and comparability between governments.

18. Subsequent Events

The Trust has evaluated subsequent events through December XX, 2025, the date on which the financial statements were available to be issued. In November 2025, the trust sold one of the real estate properties managed by the Trust.

Required Supplementary Information

DRAG

Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Public Employees' Retirement System Pension Plan
Schedule of the Trust's Proportionate Share of the Net Pension Liability - Pension Plan

<i>Years Ended June 30,</i>	Trust's Proportion of the Net Pension Liability	Trust's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	Trust's Covered Payroll	Trust's Proportionate Share of the Net Pension Liability as a Percentage of Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2025	0.17113%	\$ 9,386,000	\$ -	\$ 9,386,000	\$ 4,346,000	215.96%	67.81%
2024	0.18739%	\$ 9,717,000	\$ -	\$ 9,717,000	\$ 4,281,000	226.97%	68.23%
2023	0.17196%	\$ 8,764,000	\$ -	\$ 8,764,000	\$ 4,117,000	212.87%	67.97%
2022	0.19683%	\$ 7,220,000	\$ -	\$ 7,220,000	\$ 4,181,000	172.69%	76.46%
2021	0.14250%	\$ 8,409,000	\$ 3,480,000	\$ 11,889,000	\$ 3,272,000	257.00%	61.61%
2020	0.13295%	\$ 7,278,000	\$ 2,890,000	\$ 10,168,000	\$ 3,786,000	192.23%	63.42%
2019	0.13190%	\$ 6,554,000	\$ 1,899,000	\$ 8,453,000	\$ 3,272,000	200.31%	65.19%
2018	0.10445%	\$ 5,399,000	\$ 2,012,000	\$ 7,411,000	\$ 3,507,000	153.95%	63.37%
2017	0.14636%	\$ 8,181,000	\$ 1,031,000	\$ 9,212,000	\$ 3,761,000	217.52%	59.55%
2016	0.13338%	\$ 6,387,000	\$ 1,662,000	\$ 8,049,000	\$ 3,834,000	166.59%	63.96%

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Public Employees' Retirement System Pension Plan
Schedule of the Trust's Contributions - Pension Plan

<i>Years Ended June 30,</i>	Contributions Relative to the Contractually Required Contribution			Contribution Deficiency (Excess)	Trust's Covered Payroll	Contributions as a Percentage of Covered Payroll
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)			
2025	\$ 864,000	\$ 864,000	\$ -	\$ 5,000,000		17.280%
2024	\$ 743,000	\$ 743,000	\$ -	\$ 4,346,000		17.096%
2023	\$ 729,000	\$ 729,000	\$ -	\$ 4,281,000		17.029%
2022	\$ 532,000	\$ 532,000	\$ -	\$ 4,117,000		12.922%
2021	\$ 473,000	\$ 473,000	\$ -	\$ 4,181,000		11.313%
2020	\$ 451,000	\$ 451,000	\$ -	\$ 3,272,000		13.784%
2019	\$ 483,000	\$ 483,000	\$ -	\$ 3,786,000		12.758%
2018	\$ 442,000	\$ 442,000	\$ -	\$ 3,272,000		13.509%
2017	\$ 376,000	\$ 376,000	\$ -	\$ 3,507,000		10.721%
2016	\$ 398,000	\$ 398,000	\$ -	\$ 3,761,000		10.582%

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Public Employees' Retirement System OPEB Plan
Schedule of the Trust's Proportionate Share of the Net OPEB Liability (Asset) - ARHCT

Years Ended June 30,	Trust's Proportion of the Net OPEB Liability	Trust's Proportionate Share of the Net OPEB Liability	State of Alaska Proportionate Share of the Net OPEB Liability	Total Net OPEB Liability (Asset)	Trust's Trust's Covered Payroll	Trust's Proportionate Share of the Net OPEB Liability	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
	(Asset)	(Asset)	(Asset)			(Asset)	(Asset)
2025	0.17092%	\$ (3,769,000)	-	\$ (3,769,000)	\$ 1,467,000	-256.94%	130.59%
2024	0.18743%	\$ (4,313,000)	-	\$ (4,313,000)	\$ 1,450,000	-297.42%	133.96%
2023	0.17200%	\$ (3,384,000)	-	\$ (3,384,000)	\$ 1,695,000	-199.66%	128.51%
2022	0.19677%	\$ (5,048,000)	-	\$ (5,048,000)	\$ 1,859,000	-271.54%	135.54%
2021	0.14244%	\$ (645,000)	(189,000)	\$ (834,000)	\$ 1,515,000	-42.58%	106.15%
2020	0.13294%	\$ 198,000	56,000	\$ 254,000	\$ 1,751,000	11.31%	98.13%
2019	0.13188%	\$ 1,353,000	393,000	\$ 1,746,000	\$ 1,515,000	89.31%	88.12%
2018	0.10446%	\$ 882,000	329,000	\$ 1,211,000	\$ 1,809,000	48.76%	89.91%
2017	*	*	*	*	*	*	*
2016	*	*	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Public Employees' Retirement System OPEB Plan
Schedule of the Trust's Contributions - ARHCT

<i>Years Ended June 30,</i>	Contributions Relative to the			Contribution Deficiency (Excess)	Trust's Covered Payroll	Contributions as a Percentage of Covered Payroll
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)			
2025	\$ 187,000	\$ 187,000	\$ -	\$ 1,446,000		12.93%
2024	\$ 161,000	\$ 161,000	\$ -	\$ 1,467,000		10.97%
2023	\$ 92,000	\$ 92,000	\$ -	\$ 1,450,000		6.34%
2022	\$ 499,000	\$ 499,000	\$ -	\$ 1,695,000		29.44%
2021	\$ 241,000	\$ 241,000	\$ -	\$ 1,859,000		12.96%
2020	\$ 162,000	\$ 162,000	\$ -	\$ 1,515,000		10.69%
2019	\$ 175,000	\$ 175,000	\$ -	\$ 1,751,000		9.99%
2018	\$ 126,000	\$ 126,000	\$ -	\$ 1,515,000		8.32%
2017	*	*	*	*	*	*
2016	*	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Public Employees' Retirement System OPEB Plan

Schedule of the Trust's Proportionate Share of the Net OPEB Liability (Asset) - RMP

<i>Years Ended June 30,</i>	Trust's Proportion of the Net OPEB Liability	Trust's Proportion Share of the Net OPEB Liability	State of Alaska Proportionate Share of the Net OPEB Liability	Total Net OPEB Liability	Trust's Covered Payroll	Trust's Proportionate Share of the Net OPEB Liability	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2025	0.16604%	\$ (78,000)	\$ -	\$ (78,000)	\$ 2,879,000	-2.71%	119.87%
2024	0.48340%	\$ (87,000)	\$ -	\$ (87,000)	\$ 2,832,000	-3.07%	124.29%
2023	0.16612%	\$ (58,000)	\$ -	\$ (58,000)	\$ 2,422,000	-2.39%	120.08%
2022	0.32100%	\$ (86,000)	\$ -	\$ (86,000)	\$ 2,322,000	-3.70%	115.10%
2021	0.19698%	\$ 14,000	\$ -	\$ 14,000	\$ 1,757,000	0.80%	95.23%
2020	0.18045%	\$ 43,000	\$ -	\$ 43,000	\$ 2,034,000	2.11%	83.17%
2019	0.16615%	\$ 21,000	\$ -	\$ 21,000	\$ 1,757,000	1.20%	88.71%
2018	0.13918%	\$ 7,000	\$ -	\$ 7,000	\$ 1,697,000	0.41%	93.98%
2017	*		*		*		*
2016	*		*		*		*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Public Employees' Retirement System OPEB Plan
Schedule of the Trust's Contributions - RMP

<i>Years Ended June 30,</i>	Contributions Relative to the					Contributions as a Percentage of Covered Payroll
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)	Trust's Covered Payroll		
2025	\$ 29,000	\$ 29,000	\$ -	\$ 3,553,000		0.82%
2024	\$ 11,000	\$ 11,000	\$ -	\$ 2,879,000		0.38%
2023	\$ 31,000	\$ 31,000	\$ -	\$ 2,832,000		1.09%
2022	\$ 26,000	\$ 26,000	\$ -	\$ 2,422,000		1.07%
2021	\$ 29,000	\$ 29,000	\$ -	\$ 2,322,000		1.25%
2020	\$ 18,000	\$ 18,000	\$ -	\$ 1,757,000		1.02%
2019	\$ 19,000	\$ 19,000	\$ -	\$ 2,034,000		0.93%
2018	\$ 7,000	\$ 7,000	\$ -	\$ 1,757,000		0.40%
2017	*	*	*	*	*	*
2016	*	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Public Employees' Retirement System OPEB Plan
Schedule of the Trust's Proportionate Share of the Net OPEB Asset - ODD

Years Ended June 30,	Trust's Proportion of the Net OPEB Asset	Trust's Share of the Net OPEB Asset	State of Alaska Proportionate Share of the Net OPEB Asset	Total Net OPEB Asset	Trust's Covered Payroll	Trust's Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Asset
2025	0.16986%	\$ (101,000)	\$ -	\$ (101,000)	\$ 4,346,000	-2.32%	346.81%
2024	0.49327%	\$ (96,000)	\$ -	\$ (96,000)	\$ 2,832,000	-3.39%	349.24%
2023	0.16889%	\$ (74,000)	\$ -	\$ (74,000)	\$ 2,422,000	-3.06%	348.80%
2022	0.11771%	\$ (52,000)	\$ -	\$ (52,000)	\$ 2,322,000	-2.24%	374.22%
2021	0.20016%	\$ (55,000)	\$ -	\$ (55,000)	\$ 1,757,000	-3.13%	238.80%
2020	0.18363%	\$ (45,000)	\$ -	\$ (45,000)	\$ 2,034,000	-2.21%	297.43%
2019	0.16615%	\$ (32,000)	\$ -	\$ (32,000)	\$ 1,757,000	-1.82%	270.62%
2018	0.13918%	\$ (20,000)	\$ -	\$ (20,000)	\$ 1,697,000	-1.18%	212.97%
2017	*		*		*		*
2016	*		*		*		*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Public Employees' Retirement System OPEB Plan
Schedule of the Trust's Contributions - ODD

Years Ended June 30,	Contributions Relative to the Contractually Required Contribution			Contribution Deficiency (Excess)	Trust's Covered Payroll	Contributions as a Percentage of Covered Payroll
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)			
2025	\$ 8,000	\$ 8,000	\$ -	\$ 5,000,000		0.16%
2024	\$ 19,000	\$ 19,000	\$ -	\$ 2,879,000		0.66%
2023	\$ 8,000	\$ 8,000	\$ -	\$ 2,832,000		0.28%
2022	\$ 8,000	\$ 8,000	\$ -	\$ 2,422,000		0.33%
2021	\$ 7,000	\$ 7,000	\$ -	\$ 2,322,000		0.30%
2020	\$ 3,000	\$ 3,000	\$ -	\$ 1,757,000		0.17%
2019	\$ 5,000	\$ 5,000	\$ -	\$ 2,034,000		0.25%
2018	\$ 3,000	\$ 3,000	\$ -	\$ 1,757,000		0.17%
2017	*	*	*	*	*	*
2016	*	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Notes to Required Supplementary Information
June 30, 2025

1. Public Employees' Retirement System Pension Plan

Schedule of the Trust's Proportionate Share of the Net Pension Liability

Schedule of the Trust's Proportionate Share of the Net Pension Liability

This table is presented based on the Plan measurement date. For June 30, 2025, the Plan measurement date is June 30, 2024.

Changes in Assumptions:

The total pension liability was determined by an actuarial valuation as of June 30, 2023, rolled forward to the measurement date of June 30, 2024. The actuarial assumptions used in the June 30, 2023 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021, resulting in changes in actuarial assumptions effective for the June 30, 2022 actuarial valuation, which were adopted by the Board to better reflect expected future experience.

In 2022, the discount rate was lowered from 7.38% to 7.25%.

Amounts reported reflect a change in assumptions between 2016 and 2017 in the method of allocating the net pension liability from actual contributions to present value of projected future contributions.

Schedule of the Trust's Contributions

This table is based on the Trust's contributions for each fiscal year presented. These contributions have been reported as a deferred outflow of resources on the Statement of Net Position.

Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Notes to Required Supplementary Information, continued
June 30, 2025

2. Public Employees' Retirement System OPEB Plans

Schedule of the Trust's Proportionate Share of the Net OPEB Liability (Asset)

This table is presented based on the Plan measurement date. For June 30, 2025, the Plan measurement date is June 30, 2024.

Changes in Assumptions:

The total OPEB liability for each plan was determined by actuarial valuations as of June 30, 2023, rolled forward to the measurement date of June 30, 2024. The actuarial assumptions used in the June 30, 2023 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021, resulting in changes in actuarial assumptions effective for the June 30, 2022 actuarial valuation, which were adopted by the Board to better reflect the expected future experience. For the ARHCT and RMP plans, the per capita claims costs were updated to reflect recent experience for the June 30, 2023 actuarial valuation.

In 2022, the discount rate was lowered from 7.38% to 7.25%.

In 2019, an Employer Group Waiver Plan (EGWP) was implemented effective January 1, 2019. This arrangement replaced the Retiree Drug Subsidy (RDS) under Medicare Part D and resulted in largest projected subsidies to offset the cost of prescription drug coverage.

GASB requires ten years of information be presented. However, until a full 10 years of information is available, the Trust will present only those years for which information is available.

Schedule of the Trust's Contributions

This table is based on the Trust's contributions for each fiscal year presented. These contributions have been reported as a deferred outflow of resources on the Statement of Net Position.

GASB requires ten years of information be presented. However, until a full ten years of information is available, the Trust will present only those years for which information is available.

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Government Auditing Standards Auditor's Report

DRAFT



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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To The Board of Trustees
Alaska Mental Health Trust Authority
Anchorage, Alaska

We have audited, in accordance with the 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, the financial statements of Alaska Mental Health Trust Authority (the Trust), a component unit of the State of Alaska, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements, and have issued our report thereon dated **November XX, 2025**. Our report includes a reference to other auditors who audited the Schedules of Investments Managed by the Alaska Permanent Fund Corporation as described in our report on the Trust's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are report on separately by those auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Trust's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 that we consider to be a significant deficiency.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Trust's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Trust's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Trust's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anchorage, Alaska
January XX, 2026

Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

yes

no

Significant deficiency(ies) identified?

yes

(none reported)

Noncompliance material to financial statements noted?

yes

no

**Section II - Financial Statement Findings Required to be Reported in Accordance with
*Government Auditing Standards***

<u>Finding 2025-001</u>	Capital Asset Recognition - Significant Deficiency in Internal Control Over Financial Reporting
Criteria	Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP); this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement.
Condition	During our review, we noted that the Authority initially recorded cost associated with mineral exploration for one of its projects as land improvements. During fiscal year 2025, management noted the amount recorded was not properly recorded as capital assets. The associated cost should only be capitalized in accordance with generally accepted accounting principles when the technical or technological feasibility for completing the project for the asset to provide its expected service capacity is met. Management noted that the criteria for capitalization was not met for the amount capitalized resulting in the derecognition of the amount capitalized.
Cause	Review processes in place was not designed to evaluate the capitalization criteria before costs were capitalized for mineral explorations.

Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

<i>Effect or Potential Effect</i>	Capital Assets balance in prior year was overstated by approximately \$12 million.
<i>Recommendation</i>	We recommend that management implement a formal review process to evaluate whether assets meet the criteria for capitalization.
<i>Views of Responsible Officials:</i>	Management concurs with the finding. See corrective action plan. Decision of capitalization of projects will be reviewed by Trust CFO and external accounting resources will be engaged by the Trust for capitalization matters when the Trust does not have the expertise.

**Alaska Mental Health Trust Authority
Audit Responses (Unaudited)**

DRAFT

TO: **Mary Wilson, Chief Executive Officer**
FROM: **Julee Farley, Chief Financial Officer**
DATE: **December 11, 2025**
REGARDING: **FY2025 Financial Audit – Corrective Action Plan**

Audit Finding 2025-001- Capital Asset Recognition

During regular review of financial information by staff, it was determined that approximately \$12.4M of expenditures related to the Icy Cape project had been recorded as a capital asset. After thorough research and analysis, it was determined that US GAAP guidance on the recording of intangible assets did not permit these expenditures to be recorded as a capital asset. Only expenditures made after the feasibility study has been completed may be recorded as a capital asset.

The determination to record Icy Cape expenditures as a capital asset was made starting with the initial stage of Icy Cape exploration activities in Fy2017 and has been occurring annually since then. Upon review of this issue, it was determined that this accounting treatment is not consistent with US GAAP. The correcting entry was made in F2025 and is reflected in the FY2025 financial statements.

Going forward, the capital asset records will be maintained jointly by the Trust Authority CFO and Budget Controller. Expenditures that can be considered for capitalization will be reviewed in conjunction with the TLO, with the final accounting treatment determined by Trust Authority CFO.

External accounting resources may be engaged by the Trust Authority when making the final determination for capital asset accounting treatment in compliance with US GAAP. The Trust Authority will develop an updated Capital Asset Policy that is available for review by Trustees.

To: **Mary Wilson, Chief Executive Officer**
From: **Julee Farley, Chief Financial Officer**
Date: **December 11, 2025**
Re: **FY2025 Financial Audit – Status on Prior Year Findings**

There was one finding reported for the FY2024 financial audit. Below is a summary of the finding and the current year status.

Finding 2024-001: Financial Reporting and Close Process – Significant Deficiency in Internal Control over Financial Reporting. Opening net position did not agree to closing net position by approximately \$8 million.

Current Year Status: The finding related to the opening net position not matching with the prior year ending position. This issue did not occur in FY25. This prior year finding was addressed through coordination with Statewide accounting on adjusting journal entries and regular monitoring throughout the year.