

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY REVOLVING FUND

Combined Financial Statements

June 30, 1992 and 1991

(With Independent Auditors' Report Thereon)

Certified Public Accountants

601 West Fifth Avenue
Suite 700
Anchorage, AK 99501-2258

Independent Auditors' Report

The Board of Directors
Alaska Industrial Development and Export Authority:

We have audited the accompanying combined balance sheets of the Alaska Industrial Development and Export Authority Revolving Fund as of June 30, 1992 and 1991, and the related combined statements of income and retained earnings, and cash flows for the years then ended. These combined financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Alaska Industrial Development and Export Authority Revolving Fund as of June 30, 1992 and 1991, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining information is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, results of operations and cash flows of the individual project groups. The combining information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

KPMG Peat Marwick

August 14, 1992

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY REVOLVING FUND

Combined Balance Sheets

June 30, 1992 and 1991
with combining information at June 30, 1992

<u>Assets</u>	<u>Combining Information</u>		<u>Combined</u>	
	<u>Enterprise Development Activities and Unrestricted Economic Development Projects</u>	<u>Restricted Economic Development Projects (note 3)</u>	<u>1992</u>	<u>1991</u>
Cash and cash equivalents, partially restricted (note 5)	\$ 28,717,834	6,021,732	34,739,566	28,233,501
Investment securities, partially restricted (notes 3 and 5)	320,206,008	86,387,557	406,593,565	384,536,745
Loans (note 6)	208,496,198	59,554,124	268,050,322	288,218,898
Less allowance for loan losses (note 7)	14,496,815	1,981,404	16,478,219	20,947,645
Net loans	<u>193,999,383</u>	<u>57,572,720</u>	<u>251,572,103</u>	<u>267,271,253</u>
Net investment in direct financing leases (notes 3 and 8)	35,643,536	180,943,071	216,586,607	198,253,311
Accrued interest receivable	6,973,599	2,141,769	9,115,368	10,782,124
Prepaid bond insurance, net	-	4,331,903	4,331,903	4,506,929
Investment in development projects (note 3)	-	21,268,368	21,268,368	4,336,108
Other real estate owned	13,254,248	938,912	14,193,160	18,421,419
Venture capital limited partnership investment	5,898,280	-	5,898,280	3,000,000
Other	<u>963,293</u>	<u>61,428</u>	<u>1,024,721</u>	<u>270,149</u>
	<u>\$ 605,656,181</u>	<u>359,667,460</u>	<u>965,323,641</u>	<u>919,611,539</u>
<u>Liabilities and Equity</u>				
Liabilities:				
Bonds payable (note 9)	\$ 155,540,000	101,650,000	257,190,000	260,910,000
Accrued interest payable	3,474,258	1,792,069	5,266,327	5,365,400
Accounts payable	3,831,815	5,855,130	9,686,945	9,533,656
Total liabilities	<u>162,846,073</u>	<u>109,297,199</u>	<u>272,143,272</u>	<u>275,809,056</u>
Equity:				
Contributed capital	197,800,632	177,216,857	375,017,489	368,134,468
Retained earnings	245,009,476	73,153,404	318,162,880	275,668,015
Total equity	<u>442,810,108</u>	<u>250,370,261</u>	<u>693,180,369</u>	<u>643,802,483</u>
Commitments and contingencies (notes 3, 11 and 12)				
	<u>\$ 605,656,181</u>	<u>359,667,460</u>	<u>965,323,641</u>	<u>919,611,539</u>

See accompanying notes to combined financial statements.

**ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY REVOLVING FUND**

Combined Statements of Income and Retained Earnings

Years ended June 30, 1992 and 1991
with combining information for 1992

	<u>Combining Information</u>		<u>Combined</u>	
	<u>Enterprise Development Activities and Unrestricted Economic Development Projects</u>	<u>Restricted Economic Development Projects (note 3)</u>	<u>1992</u>	<u>1991</u>
Revenues:				
Interest income:				
Loans (note 6)	\$ 19,518,532	5,046,954	24,565,486	26,787,716
Investments	23,978,123	6,296,296	30,274,419	30,155,678
Direct financing leases	2,550,646	11,082,542	13,633,188	11,859,969
Total interest income	<u>46,047,301</u>	<u>22,425,792</u>	<u>68,473,093</u>	<u>68,803,363</u>
Other income	452,913	25,099	478,012	381,747
Total revenues	<u>46,500,214</u>	<u>22,450,891</u>	<u>68,951,105</u>	<u>69,185,110</u>
Expenses:				
Interest	14,204,298	7,233,075	21,437,373	21,279,938
General and administrative	2,355,542	581,438	2,936,980	2,477,642
Bond insurance	-	175,026	175,026	175,026
Write-downs and net expense (income) associated with other real estate owned	(103,895)	10,756	(93,139)	301,811
Provision for loan and lease losses	2,000,000	-	2,000,000	-
Total expenses	<u>18,455,945</u>	<u>8,000,295</u>	<u>26,456,240</u>	<u>24,234,417</u>
Net income	28,044,269	14,450,596	42,494,865	44,950,693
Retained earnings at beginning of year	<u>216,965,207</u>	<u>58,702,808</u>	<u>275,668,015</u>	<u>230,717,322</u>
Retained earnings at end of year	\$ <u>245,009,476</u>	<u>73,153,404</u>	<u>318,162,880</u>	<u>275,668,015</u>

See accompanying notes to combined financial statements.

ALASKA INDUSTRIAL DEVELOPMENT
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Combined Statements of Cash Flows

Years ended June 30, 1992 and 1991
with combining information for 1992

	<u>Combining Information</u>		<u>Combined</u>	
	<u>Enterprise Development Activities and Unrestricted Economic Development Projects</u>	<u>Restricted Economic Development Projects (note 3)</u>	<u>1992</u>	<u>1991</u>
Cash flows from operating activities:				
Net income	\$ 28,044,269	14,450,596	42,494,865	44,950,693
Adjustments to reconcile net income to net cash provided by operating activities:				
Net amortization (accretion) of premium and discount on investment securities	1,163,789	311,978	1,475,767	(445,143)
Provision for loan and lease losses	2,000,000	-	2,000,000	-
Amortization of prepaid bond insurance	-	175,026	175,026	175,026
Write-downs and net loss (gain) on sale of other real estate owned	181,038	(73,052)	107,986	287,744
Amortization of unearned income on direct financing leases	(2,550,646)	(11,082,542)	(13,633,188)	(11,859,969)
Decrease in accrued interest receivable and other assets	445,542	466,642	912,184	2,836,071
Increase (decrease) in accrued interest and accounts payable	<u>1,575,503</u>	<u>(1,521,287)</u>	<u>54,216</u>	<u>(2,856,496)</u>
Net cash provided by operating activities	<u>30,859,495</u>	<u>2,727,361</u>	<u>33,586,856</u>	<u>33,087,926</u>
Cash flows from investing activities:				
Proceeds from maturities of securities	158,505,200	66,899,575	225,404,775	231,332,100
Purchases of investment securities	(176,788,814)	(72,148,548)	(248,937,362)	(312,045,039)
Principal collected on loans	17,641,944	9,702,277	27,344,221	32,339,340
Loans originated	(11,052,000)	-	(11,052,000)	(540,000)
Investment in development projects	-	(16,932,260)	(16,932,260)	(4,336,108)
Investment in direct financing leases	(16,369,574)	(6,177,040)	(22,546,614)	(23,727,635)
Direct financing lease receipts	4,232,424	11,614,082	15,846,506	6,881,875
Net proceeds from sales of other real estate owned	3,308,050	219,152	3,527,202	2,528,154
Net investment in venture capital limited partnership	<u>(2,898,280)</u>	<u>-</u>	<u>(2,898,280)</u>	<u>(3,000,000)</u>
Net cash used in investing activities	<u>(23,421,050)</u>	<u>(6,822,762)</u>	<u>(30,243,812)</u>	<u>(70,567,313)</u>
Cash flows from noncapital related financing activities:				
Payments on bonds	(9,120,000)	(1,600,000)	(10,720,000)	(13,430,000)
Issuance of bonds	7,000,000	-	7,000,000	25,000,000
Contributions to capital	-	6,883,021	6,883,021	26,822,536
Net cash provided (used) by financing activities	<u>(2,120,000)</u>	<u>5,283,021</u>	<u>3,163,021</u>	<u>38,392,536</u>
Net increase in cash and cash equivalents	5,318,445	1,187,620	6,506,065	913,149
Cash and cash equivalents at beginning of year	<u>23,399,389</u>	<u>4,834,112</u>	<u>28,233,501</u>	<u>27,320,352</u>
Cash and cash equivalents at end of year	<u>\$ 28,717,834</u>	<u>6,021,732</u>	<u>34,739,566</u>	<u>28,233,501</u>

See accompanying notes to combined financial statements.

ALASKA INDUSTRIAL DEVELOPMENT
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Notes to Combined Financial Statements

June 30, 1992 and 1991

(1) Organization and Operations

The activities of the Alaska Industrial Development and Export Authority (Authority) Revolving Fund are authorized pursuant to legislation passed by the Legislature of Alaska (Legislature) which established within the Revolving Fund the Enterprise Development Account and the Economic Development Account for separate and distinct purposes. The Authority is a public corporation of the State of Alaska (State), constituting a political subdivision within the Department of Commerce and Economic Development but with separate and independent legal existence. The Authority's mission is to promote, develop and advance the general prosperity of the people of Alaska, to relieve problems of unemployment and to create additional employment by providing various means of financing and facilitating the financing of industrial, manufacturing, export and business enterprises and other facilities within the State.

Enterprise Development Account

A summary of programs available under the Enterprise Development Account is as follows:

- a. A loan participation program under which the Authority purchases participations in loans made by financial institutions to their customers. The Authority's participation is limited to the lesser of 80% or \$10,000,000 of the permanent financing for manufacturing facilities, public-use projects and business enterprises. The Authority currently has both tax-exempt and taxable bonds outstanding under this program, each of which is a general obligation of the Authority.
- b. An export assistance program designed to foster and facilitate international trade by offering guarantees to financial institutions which provide exporters with pre-shipment and post-shipment loans.
- c. A business assistance program, providing up to an 80% guarantee of the principal balance to the financial institution making a loan. The maximum guarantee amount is \$1,000,000.
- d. A venture-capital program whereby the Authority has invested in a venture-capital partnership (the Polaris Fund) with the purpose of inducing venture capitalists to take advantage of investment opportunities in Alaska.

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Notes to Combined Financial Statements

Economic Development Account

Through the Economic Development Account, the Authority has the ability to own and operate facilities which will help to accomplish its mission. Current own-and-operate projects undertaken through the Economic Development Account include:

- a. The DeLong Mountain Transportation System (Red Dog Project) which consists of a road and port to serve regional needs and permit transportation of lead and zinc concentrates and other minerals from the Red Dog deposit, one of the largest zinc deposits in the world, located in the DeLong Mountains in northwestern Alaska (note 3).
- b. Acquisition and reconstruction of a public-use, ore terminal port facility in Skagway, Alaska, the Skagway Ore Terminal (Skagway Terminal). The Skagway Terminal was financed by a \$25,000,000 bond issue completed in December 1990.
- c. Construction of improvements to the City of Unalaska Marine Center (Unalaska Project), a public port facility located in the Aleutian Islands. The Unalaska Project was financed by a \$7,000,000 bond issue completed in December 1991.
- d. Acquisition, improvement and leaseback of three aircraft hangars located in Fairbanks, Unalaska and Bethel, Alaska (MarkAir Project). The acquisition and improvements were financed using funds of the Enterprise Development Account.
- e. In fiscal 1991, the Authority received a \$25,000,000 appropriation made by the 1990 Legislature, received a grant authorization from the U.S. Department of Energy and was authorized by the 1990 Legislature to issue up to \$85,000,000 of bonds to assist in the financing of a coal fired power plant near Healy, Alaska, known as the Healy Clean Coal Project (Healy Project) (note 3).
- f. The Authority is authorized to issue up to \$85,000,000 of bonds to finance the acquisition, design and construction of aircraft maintenance air cargo/air transport support facilities to be located at the Anchorage International Airport.

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Notes to Combined Financial Statements

Other

The Authority has a stand-alone revenue bond program under which the Authority acts as a conduit to facilitate a financing transaction between a business enterprise and a purchaser of the bonds. Stand-alone revenue bonds issued by the Authority are not general obligations of the Authority. They are payable only out of revenues derived from the financing of projects or other funds of the business enterprise. Changes in federal tax laws have significantly reduced the Authority's ability to provide tax-exempt financing under this program and to date there has been little or no demand for taxable financing.

Financial Statement Presentation

In the accompanying financial statements, the column entitled Enterprise Development Activities and Unrestricted Economic Development Projects includes the Enterprise Development Account and the Skagway Terminal, Unalaska and MarkAir Projects of the Economic Development Account.

The column entitled Restricted Economic Development Projects includes the Red Dog and Healy Projects of the Economic Development Account (note 3). The amounts reflected in this column are restricted assets of the Revolving Fund and are not available to meet general claims against the Authority.

The combined financial statements include all of the activities of the Enterprise Development and Economic Development Accounts.

(2) Summary of Significant Accounting Policies

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consist of cash and repurchase agreements.

Investments

Investments are recorded at cost, adjusted for the amortization of premium and accretion of discount, which are recognized as adjustments to interest income. Such investments have been classified as investment assets because the Authority has the ability and intent to hold the investments to maturity.

Loans and Interest Income

Loans are primarily secured by first deeds of trust on real estate located in Alaska and are generally carried at amounts advanced less principal payments collected. Interest income is accrued as earned. Accrual of interest is discontinued whenever the payment of interest or principal is more than ninety days past due or when the loan terms are restructured. Future collections of interest on these loans are recorded as interest income when received.

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ALASKA INDUSTRIAL DEVELOPMENT
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Notes to Combined Financial Statements

Allowance for Loan Losses

The allowance for loan losses represents management's judgment as to the amount required to absorb potential losses in the loan portfolio. The factors used by management to determine the allowance required include historical loss experience, individual loan delinquencies, collateral values, economic conditions and other factors. Management's opinion is that the allowance is currently adequate to absorb known losses and inherent risks in the portfolio.

Allowance for Lease Receivables

The allowance for lease receivables represents management's judgment as to the amount required to absorb potential unrealizable direct financing lease receivables. The factors used by management to determine the allowance required include individual lease delinquencies, property values, economic conditions and other factors. Management's opinion is that the allowance is currently adequate to absorb known losses and inherent risks in the lease portfolio.

Prepaid Bond Insurance

Prepaid bond insurance costs are amortized over the life of the related bond issue using the straight-line method.

Other Real Estate Owned

Other real estate owned represents property acquired through foreclosure on loans or received by deed in lieu of foreclosure. Other real estate owned is recorded at the lower of the loan balance or the estimated fair market value of the property at the time of receipt of the property, with any excess of loan balance over fair market value charged to the allowance for loan losses. Upon final disposition or a further decline in the value of the property, gains or losses are charged or credited to operations in the current period.

Venture Capital Limited Partnership Investment

The Authority's venture capital limited partnership investment represents an investment in the Polaris Fund. The investment is accounted for at the lower of cost or market.

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ALASKA INDUSTRIAL DEVELOPMENT
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Notes to Combined Financial Statements

Income Taxes

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

Retirement Plan

All employees of the Authority participate in the State of Alaska Public Employees' Retirement System. The State's policy is to fund pension costs accrued.

Furniture and Equipment

Purchases of furniture and equipment are expensed as such items are the property of the State.

Appropriations and Grants

Appropriations and grants are recorded as additions to contributed capital when received.

Reclassifications

Certain reclassifications have been made to the 1991 financial statements to conform to the 1992 presentation.

(3) Restricted Economic Development Projects

DeLong Mountain Transportation System

In 1984, the Legislature addressed the possibility of lending support to the development of lead and zinc mining in the DeLong Mountain area in northwestern Alaska through the facilities of the Authority by establishing the Economic Development Account. The 1985 Legislature enacted legislation providing authorization to proceed with the Red Dog Project and to issue bonds for financing. The Red Dog Project consists of a road and port to serve regional needs and to permit transportation of lead and zinc concentrates and other minerals from the Red Dog deposit (one of the largest zinc deposits in the world) and other mineral deposits expected to be developed in the area. To assist in providing funding for the Red Dog Project, the Legislature appropriated \$12,000,000 cash and net loans totaling \$131,511,300, previously participated in or made by the State to various borrowers in Alaska under seven economic assistance programs. When moneys are released from the pledge to bond holders of the DeLong Mountain Transportation Project Revenue Bonds, they revert to the State's general fund.

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On June 30, 1986, the Authority entered into a contract with Cominco American Incorporated (Cominco) providing for the financing, construction, use, operation and maintenance of the DeLong Mountain Transportation System. The agreement provides that Cominco pay tolls for the use of the DeLong Mountain Transportation System, consisting of fifty-two miles of road and a port facility on the Chukchi Sea, constructed and operated by the Authority. The annual tolls are the amount necessary to amortize the cost of the Red Dog Project over a fifty-year period at an interest rate of 6.5%. Toll payments began January 1, 1991. Certain payments to be made by Cominco are secured by letters of credit. The agreement with Cominco has been recorded on the Authority's books as a direct financing lease.

On August 7, 1986, the Authority entered into an agreement with NANA Regional Corporation, Inc. providing for a ninety-nine year lease of lands for the proposed port and road. Upon execution of the agreement, \$1,100,000 was paid by the Authority for the entire lease term.

On March 17, 1987, the Authority issued \$103,250,000 of DeLong Mountain Transportation Project Revenue Bonds to finance the portion of the Red Dog Project which is a public port facility. All assets and receipts of the Red Dog Project are restricted for use in the Red Dog Project and are pledged to the repayment of the DeLong Mountain Transportation Project Revenue Bonds.

Healy Clean Coal Project

The 1990 Legislature appropriated \$25,000,000 and authorized the issuance of up to \$85,000,000 of bonds to assist in the financing of a clean-coal burning power plant near Healy, Alaska. The Authority received the appropriation in August 1991. If completed, the Healy Project will also receive up to \$103,000,000 of funding from the U.S. Department of Energy, Clean Coal Technology III Demonstration Grant Program. At June 30, 1992, \$8,705,557 had been received from the U.S. Department of Energy.

In July 1991, the Authority's Board of Directors approved the financing plan for the Healy Project which included designation of \$51,600,000 of investments in the Enterprise Development Account (plus future interest earnings thereon) for construction costs. The money will be repaid from Healy Project revenues and bonds to be issued to provide long-term financing. At June 30, 1992, the amount of investments and repurchase agreements so designated totaled \$53,729,018.

The State appropriation and U.S. Department of Energy grant proceeds are restricted for construction costs of the Healy Project. The Authority's net investment (total expenditures less U.S. Department of Energy grant receipts) in the Healy Project at June 30, 1992 was \$12,562,811.

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ALASKA INDUSTRIAL DEVELOPMENT
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Notes to Combined Financial Statements

Summarized Financial Information

Summarized financial information of the Red Dog and Healy Projects, which constitute the Restricted Economic Development Projects, as of and for the year ended June 30, 1992 follows:

Balance Sheet

June 30, 1992

<u>Assets</u>	<u>Red Dog Project</u>	<u>Healy Project</u>	<u>Combined</u>
Cash, cash equivalents and investment securities	\$ 76,856,804	15,552,485	92,409,289
Loans, net of allowance for loan losses	57,572,720	-	57,572,720
Investment in development projects	-	21,268,368	21,268,368
Net investment in direct financing leases	180,943,071	-	180,943,071
Other	<u>7,208,323</u>	<u>265,689</u>	<u>7,474,012</u>
	<u>\$ 322,580,918</u>	<u>37,086,542</u>	<u>359,667,460</u>
<u>Liabilities and Equity</u>			
Liabilities:			
Bonds payable	\$ 101,650,000	-	101,650,000
Other	7,647,199	-	7,647,199
Total liabilities	<u>109,297,199</u>	<u>-</u>	<u>109,297,199</u>
Equity:			
Contributed capital:			
State of Alaska	143,511,300	25,000,000	168,511,300
U.S. Department of Energy	-	8,705,557	8,705,557
Total contributed capital	<u>143,511,300</u>	<u>33,705,557</u>	<u>177,216,857</u>
Retained earnings	69,772,419	3,380,985	73,153,404
Total equity	<u>213,283,719</u>	<u>37,086,542</u>	<u>250,370,261</u>
	<u>\$ 322,580,918</u>	<u>37,086,542</u>	<u>359,667,460</u>

(Continued)

ALASKA INDUSTRIAL DEVELOPMENT
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Notes to Combined Financial Statements

Statement of Income

Year ended June 30, 1992

	<u>Red Dog Project</u>	<u>Healy Project</u>	<u>Combined</u>
Revenues:			
Interest income:			
Loans	\$ 5,046,954	-	5,046,954
Investments	4,767,683	1,528,613	6,296,296
Direct financing leases	11,082,542	-	11,082,542
Total interest income	<u>20,897,179</u>	<u>1,528,613</u>	<u>22,425,792</u>
Other income	25,099	-	25,099
Total revenues	<u>20,922,278</u>	<u>1,528,613</u>	<u>22,450,891</u>
Expenses:			
Interest	7,233,075	-	7,233,075
Other	767,220	-	767,220
Total expenses	<u>8,000,295</u>	<u>-</u>	<u>8,000,295</u>
Net income	<u>\$ 12,921,983</u>	<u>1,528,613</u>	<u>14,450,596</u>

(Continued)

ALASKA INDUSTRIAL DEVELOPMENT
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Notes to Combined Financial Statements

- (4) Additional Information Regarding Cash Flows and Noncash Activities
Additional information regarding cash flows and noncash activities for the years ended June 30, 1992 and 1991 (with combining information for 1992) follows:

	Enterprise Development Activities and Unrestricted Economic Development Projects	Restricted Economic Development Projects	<u>1992</u>	<u>1991</u>
Cash flows:				
Interest collected on loans and investments	\$ 44,888,525	11,618,136	56,506,661	56,330,375
Interest paid	<u>14,281,771</u>	<u>7,254,675</u>	<u>21,536,446</u>	<u>21,115,824</u>
Noncash activity:				
Other real estate owned acquired through foreclosure	\$ 2,773,496	275,035	3,048,531	6,913,042
Sales of real estate owned	<u>6,742,901</u>	<u>658,113</u>	<u>7,401,014</u>	<u>11,128,682</u>

(Continued)

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Notes to Combined Financial Statements

(5) Investment Securities

Major components of investment securities, the maturity distribution and carrying value at June 30, 1992 and 1991 (with combining information for 1992) follow:

	Enterprise Development Activities and Unrestricted Economic Development Projects	Restricted Economic Development Projects	<u>1992</u>	<u>1991</u>
U.S. Treasury securities maturity:				
Within one year	\$ 109,858,347	28,433,268	138,291,615	174,458,763
After one but within five years	186,799,646	41,735,300	228,534,946	136,269,502
After five but within ten years	9,969,060	-	9,969,060	25,429,756
	<u>306,627,053</u>	<u>70,168,568</u>	<u>376,795,621</u>	<u>336,158,021</u>
U.S. Government agencies maturity:				
Within one year	5,010,070	1,000,755	6,010,825	33,473,177
After one but within five years	8,568,885	15,218,234	23,787,119	6,047,972
	<u>13,578,955</u>	<u>16,218,989</u>	<u>29,797,944</u>	<u>39,521,149</u>
Guaranteed investment contract maturity - March 1992	-	-	-	8,857,575
	<u>\$ 320,206,008</u>	<u>86,387,557</u>	<u>406,593,565</u>	<u>384,536,745</u>

At June 30, 1992, the carrying value of investment securities approximates market value.

All investments and collateral for the repurchase agreements are registered in the Authority's name and are held by the Authority or its custodian. This arrangement results in Category 1 safekeeping risk, the lowest safekeeping risk classification as defined by Governmental Accounting Standards Board Statement No. 3 and Technical Bulletin No. 87-1.

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Certain investment securities, repurchase agreements and cash are restricted by the terms of the Authority's bond resolutions. A summary of restricted amounts at June 30, 1992 and 1991 (with combining information at June 30, 1992) follows:

	<u>Restriction</u>	Enterprise Development Activities and Unrestricted Economic Development Projects	Restricted Economic Development Projects	<u>1992</u>	<u>1991</u>
Capital Reserve Funds	Secure debt service payments - bonds	\$ 15,681,633	8,857,575	24,539,208	24,907,545
Debt Service Funds	Funds held for future debt service - bonds	1,216,164	-	1,216,164	1,265,423
Loan Prepayment Accounts	Funds held for future debt service - bonds	3,652,766	-	3,652,766	3,828,185
Loan Insurance Fund	Guarantee financing of a wastewater treatment facility in Sitka, Alaska	4,785,714	-	4,785,714	6,214,286
Business Assistance Fund	Guarantee business loans	558,199	-	558,199	558,741
Unexpended Bond Proceeds	Construction costs or, if not so used, future mandatory bond redemption	1,296,966	-	1,296,966	18,037,714
Project Funds	Construction costs and/or to secure debt service payments - bonds	-	83,551,714	83,551,714	64,729,137
		<u>\$ 27,191,442</u>	<u>92,409,289</u>	<u>119,600,731</u>	<u>119,541,031</u>

(Continued)

ALASKA INDUSTRIAL DEVELOPMENT
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Notes to Combined Financial Statements

Certain investment securities and repurchase agreements have been designated by the Board of Directors or otherwise for various purposes. A summary of designated amounts at June 30, 1992 and 1991 (with combining information at June 30, 1992) follows:

		Enterprise Development Activities and Unrestricted Economic Development Projects	Restricted Economic Development Projects	1992	1991
<u>Restriction</u>					
Business Assistance Fund	Guarantee business loans	\$ 3,041,801	-	3,041,801	3,041,259
Healy Project Funds	Construction costs	53,729,018	-	53,729,018	51,600,000
Lease Receipts	Funds held for future debt service - bonds	<u>806,180</u>	<u>-</u>	<u>806,180</u>	<u>-</u>
		<u>\$ 57,576,999</u>	<u>-</u>	<u>57,576,999</u>	<u>54,641,259</u>

(6) Loans

Loans outstanding at June 30, 1992 and 1991 (with combining information at June 30, 1992) are classified as follows:

<u>Loan type</u>	Enterprise Development Activities and Unrestricted Economic Development Projects		Restricted Economic Development Projects		1992		1991	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Appropriated	285	\$ 27,286,731	1,330	\$ 59,554,124	1,615	\$ 86,840,855	1,834	\$ 105,666,969
Bond sale	193	118,480,371	-	-	193	118,480,371	197	124,375,966
OREO sale								
financing	57	21,536,991	-	-	57	21,536,991	50	19,078,738
Defeased bond								
sale	56	21,177,206	-	-	56	21,177,206	70	24,986,599
Other	113	<u>20,014,899</u>	-	-	113	<u>20,014,899</u>	132	<u>14,110,626</u>
	<u>704</u>	<u>\$ 208,496,198</u>	<u>1,330</u>	<u>\$ 59,554,124</u>	<u>2,034</u>	<u>\$ 268,050,322</u>	<u>2,283</u>	<u>\$ 288,218,898</u>

(Continued)

ALASKA INDUSTRIAL DEVELOPMENT
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Notes to Combined Financial Statements

The aging of loans at June 30, 1992 and 1991 (with combining information at June 30, 1992) follows:

	Enterprise Development Activities and Unrestricted Economic Development Projects		Restricted Economic Development Projects		1992		1991	
	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount
Current	87.87%	\$ 183,203,862	94.27%	\$ 56,142,078	89.29%	\$ 239,345,940	90.95%	\$ 262,132,068
Past due:								
30-60								
days	3.74	7,795,029	.55	324,028	3.03	8,119,057	2.27	6,547,574
61-90								
days	1.35	2,812,804	1.06	632,642	1.29	3,445,446	.45	1,290,931
Over 90								
days	<u>7.04</u>	<u>14,684,503</u>	<u>4.12</u>	<u>2,455,376</u>	<u>6.39</u>	<u>17,139,879</u>	<u>6.33</u>	<u>18,248,325</u>
	<u>100.00%</u>	<u>\$ 208,496,198</u>	<u>100.00%</u>	<u>\$ 59,554,124</u>	<u>100.00%</u>	<u>\$ 268,050,322</u>	<u>100.00%</u>	<u>\$ 288,218,898</u>

Payments on loans totaling \$28,596,978 are pledged to the repayment of the Economic Development Bonds (note 9).

Loans which are more than ninety days past due, excluding restructured loans, on which the accrual of interest has been discontinued amounted to \$15,845,389 and \$13,022,324 at June 30, 1992 and 1991, respectively. Gross interest income which would have been received on these loans amounted to \$1,348,000 for 1992 and \$1,344,000 for 1991. The amount of interest income collected and included in net income was \$806,184 for 1992 and \$522,810 for 1991.

Loans on which the terms have been restructured amounted to \$44,204,963 and \$46,174,231 at June 30, 1992 and 1991, respectively. Gross interest income which would have been received on these loans amounted to \$4,594,000 for 1992 and \$4,777,000 for 1991. The amount of interest income collected and included in net income was \$3,562,458 for 1992 and \$3,467,134 for 1991.

A member of the Authority's Board of Directors is a general partner in a partnership which in turn is a general partner in another partnership which has an outstanding loan due the Authority in the amount of \$2,132,687 at June 30, 1992. The loan was originated prior to the member's appointment to the Board of Directors and is pending restructuring from its original terms at June 30, 1992.

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ALASKA INDUSTRIAL DEVELOPMENT
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Notes to Combined Financial Statements

The Authority grants secured commercial real estate loans to businesses throughout the State of Alaska. Although the Authority has a diversified loan portfolio, the borrowers' ability to honor their credit agreements is generally contingent upon economic conditions in the State.

(7) Allowance for Loan Losses

An analysis of changes in the allowance for loan losses for the years ended June 30, 1992 and 1991 (with combining information at June 30, 1992) follows:

	Enterprise Development Activities and Unrestricted Economic Development Projects	Restricted Economic Development Projects	<u>1992</u>	<u>1991</u>
Balance at beginning of year	\$ 18,682,541	2,265,104	20,947,645	23,654,780
Recoveries of loans charged off	14,143	2,670	16,813	170,022
Loans charged off	<u>(4,199,869)</u>	<u>(286,370)</u>	<u>(4,486,239)</u>	<u>(2,877,157)</u>
Balance at end of year	\$ <u>14,496,815</u>	<u>1,981,404</u>	<u>16,478,219</u>	<u>20,947,645</u>

(8) Net Investment in Direct Financing Leases

The Authority leases the Skagway Terminal under terms of an agreement, recorded as a direct financing lease, expiring in 2023. Minimum payments under the agreement are the amounts sufficient to amortize the costs of the \$25,000,000 Revolving Fund Bonds issued December 13, 1990 (note 9) in level payments over a fifteen-year period. The annual minimum lease payments are \$2,890,000 plus a throughput fee ranging from \$.38 to \$1.13 per wet metric ton of concentrate shipped in excess of 200,000 tons annually.

(Continued)

ALASKA INDUSTRIAL DEVELOPMENT
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The Authority leases the Unalaska Project under terms of an agreement, recorded as a direct financing lease, which transfers the Unalaska Project to the City of Unalaska after all financial obligations have been met. Minimum payments under the agreement are the amounts required to pay the annual debt service costs of the \$7,000,000 Revolving Fund Bonds issued December 10, 1991 (note 9). The annual minimum lease payments range from \$742,000 to \$807,000.

The Authority leases the MarkAir Project under terms of an agreement, recorded as a direct financing lease, expiring January 1, 2007. Annual minimum lease payments are \$1,000,000. The tenant of the MarkAir Project is operating under U.S. Bankruptcy Court protection at June 30, 1992.

Minimum annual toll fees for usage of the DeLong Mountain Transportation System return the cost of the Red Dog Project to the Authority over fifty years at an interest rate of 6.5%.

The components of the Authority's net investment in direct financing leases at June 30, 1992 and 1991 (with combining information at June 30, 1992) are:

	Enterprise Development Activities and Unrestricted Economic Development Projects	Restricted Economic Development Projects- Red Dog	<u>1992</u>	<u>1991</u>
Minimum lease payments receivable	\$ 67,619,945	566,776,103	634,396,048	611,908,955
Less:				
Unearned income	29,976,409	385,833,032	415,809,441	413,655,644
Allowance for lease receivables	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>	<u>-</u>
Net investment in direct financing leases	\$ <u>35,643,536</u>	<u>180,943,071</u>	<u>216,586,607</u>	<u>198,253,311</u>

(Continued)

ALASKA INDUSTRIAL DEVELOPMENT
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At June 30, 1992, future minimum lease payments receivable for each of the five succeeding fiscal years are:

<u>Year ending June 30</u>	Enterprise Development Activities and Unrestricted Economic Development Projects	Restricted Economic Development Projects	<u>Combined</u>
1993	\$ 4,697,000	11,688,000	16,385,000
1994	4,694,000	11,688,000	16,382,000
1995	4,687,000	11,688,000	16,375,000
1996	4,684,000	11,688,000	16,372,000
1997	<u>4,679,000</u>	<u>11,688,000</u>	<u>16,367,000</u>

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ALASKA INDUSTRIAL DEVELOPMENT
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(9) Bonds Payable

The composition of bonds outstanding at June 30, 1992 and 1991 (with combining information at June 30, 1992) follows:

	Enterprise Development Activities and Unrestricted Economic Development Projects	Restricted Economic Development Projects	<u>1992</u>	<u>1991</u>
Economic Development Bonds:				
10.25% and 10.5%, issued November 1, 1983, maturing through 2009	\$ 5,420,000	-	5,420,000	5,865,000
10% to 10.75%, issued December 1, 1983, maturing through 2009	10,000,000	-	10,000,000	10,465,000
10.75% to 11.4%, issued July 1, 1984, maturing through 2010	6,965,000	-	6,965,000	7,425,000
8.75% to 10%, issued May 1, 1985, maturing through 2004	5,745,000	-	5,745,000	6,185,000
Consolidated Bonds:				
9.5% to 10.25%, issued July 1, 1983, maturing through 2010	12,630,000	-	12,630,000	12,880,000
9.75% to 10.5%, issued November 1, 1983, maturing through 2009	3,600,000	-	3,600,000	3,715,000
10% to 10.75%, issued December 1, 1983, maturing through 2009	1,850,000	-	1,850,000	1,910,000
9.6% to 10.6%, issued November 1, 1984, maturing through 2009	4,855,000	-	4,855,000	6,340,000
Variable Demand/Fixed Rate Bonds - 7.5% and 7.7%, issued October 30, 1984, maturing through 2004	8,460,000	-	8,460,000	8,975,000
Tax-exempt Umbrella Bonds:				
8.25% to 9.3%, issued May 15, 1985, maturing through 2010	12,775,000	-	12,775,000	13,225,000
7.4% to 8.125%, issued October 21, 1985, maturing through 2006	20,530,000	-	20,530,000	21,495,000
7.25% to 8.5%, issued December 19, 1985, maturing through 2006	11,085,000	-	11,085,000	11,580,000
7.4% to 8.875%, issued December 19, 1986, maturing through 2012	11,930,000	-	11,930,000	12,400,000
Taxable Umbrella Bonds - 9.2% to 9.65%, issued August 6, 1987, maturing through 1997	9,260,000	-	9,260,000	10,810,000
Revolving Fund Bonds:				
6.7% to 7.95%, issued December 13, 1990, maturing through 2010	23,745,000	-	23,745,000	24,390,000
5.5% to 7.3%, issued December 10, 1991, maturing through 2006	6,690,000	-	6,690,000	-
Delong Mountain Transportation Project Revenue Bonds - 5.6% to 7.3%, issued March 17, 1987, maturing through 2017	-	101,650,000	101,650,000	103,250,000
	<u>\$ 155,540,000</u>	<u>101,650,000</u>	<u>257,190,000</u>	<u>260,910,000</u>

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ALASKA INDUSTRIAL DEVELOPMENT
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At June 30, 1992, Economic Development, Consolidated, Variable, Demand/Fixed Rate, Umbrella and Revolving Fund Bonds are secured by the general assets and future revenues of the Enterprise Development Account and the Unrestricted Economic Development Account Projects. Various bonds are further secured by loans, loan proceeds and capital reserve funds established pursuant to terms of the bond resolutions (notes 5 and 6). The Taxable Umbrella Bonds are additionally secured by a letter of credit. At June 30, 1992, all assets of the Red Dog Project of the Economic Development Account are restricted for use in the Red Dog Project and are pledged to the repayment of the DeLong Mountain Transportation Project Revenue Bonds, which are additionally secured by bond insurance (note 3).

At June 30, 1992, principal portions of the bonds payable mature as follows:

<u>Year ending June 30</u>	Enterprise Development Activities and Unrestricted Economic Development Projects	Restricted Economic Development Projects	<u>Combined</u>
1993	\$ 7,480,000	1,685,000	9,165,000
1994	8,030,000	1,780,000	9,810,000
1995	8,010,000	1,885,000	9,895,000
1996	8,650,000	2,000,000	10,650,000
1997	11,230,000	2,120,000	13,350,000
1998-2017	<u>112,140,000</u>	<u>92,180,000</u>	<u>204,320,000</u>
	<u>\$ 155,540,000</u>	<u>101,650,000</u>	<u>257,190,000</u>

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Enterprise Development Account bond resolution covenants effective June 30, 1992 preclude the Authority from incurring any general obligation indebtedness unless future estimated net income equals not less than 150% of the general obligation annual debt service requirement in each year or from taking any action to cause its unrestricted surplus to be less than the lesser of \$200,000,000 or the amount of general obligation indebtedness outstanding, and in no event less than \$100,000,000. At June 30, 1992, the lowest projected future coverage for any year is 201%, giving effect only to existing projects at that date and excluding the effect of any proposed projects and future construction expenditures. At June 30, 1992, unrestricted surplus was \$423,700,000.

(10) Defeased Bonds Outstanding

During 1988, the Authority defeased \$78,295,000 of bonds by placing U.S. Treasury securities in the amount of \$91,269,000 into an irrevocable trust to provide for all future debt service payments. Bonds aggregating \$17,620,000 and related interest payable at June 30, 1992 remain outstanding but are excluded from the Authority's balance sheet, as are the investment securities.

(11) Retirement Plan

The Authority and its employees participate in the State of Alaska Public Employees' Retirement System (PERS), which is a multiple-employer retirement system. All full-time employees are required to participate. Employees are required to contribute 6.75% of their salary to the plan. The Authority is required to contribute an amount that is actuarially determined on an annual basis; the contribution rate for 1992 was 15.64%. The combined contribution requirement for the year ended June 30, 1992 was \$255,000. Covered payroll for the year ended June 30, 1992 was approximately \$1,100,000, constituting substantially all of the Authority's payroll.

Employees hired prior to July 1, 1986 with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age fifty-five or early retirement age fifty. For employees hired after June 30, 1986, the normal retirement age is sixty and the early retirement age is fifty-five. The normal annual pension benefit is equal to 2% of the member's highest three-year average monthly compensation for the first ten years of service, 2.25% for the second ten years of service and 2.5% thereafter. All service earned prior to July 1, 1986 is calculated using the 2% multiplier. Employees with thirty or more years of credited service may retire at any age and receive a normal benefit. Major medical benefits are provided without cost to all retirees first hired before July 1, 1986. Members first hired after June 30, 1986 may elect major medical benefits.

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The pension benefit obligation, the actuarial present value of credited projected benefits, is a standardized disclosure measure of the present value of pension benefits adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The following is information related to the State as an employer taken as a whole (000s omitted):

Projected benefit obligation:	
Current retirees and terminated participants	\$ 953,603
Current employees	970,648
	<u>1,924,251</u>
Net assets available for benefits	<u>1,589,753</u>
Unfunded pension benefit obligation	\$ <u>334,498</u>

(12) Commitments and Contingencies

Commitments

At June 30, 1992, the Authority held approximately \$604,000 of borrower and participating lender money which had not yet been remitted or applied. The money and related liability are not reflected in the accompanying financial statements.

Environmental Issues

The Authority has identified certain properties and pledged collateral which may contain contaminated soils, and is currently undergoing environmental site assessments. The Authority's policy is to record a liability when the likelihood of responsibility for clean-up is probable and the costs are reasonably estimable. At June 30, 1992, there were no environmental issues which met both of these criteria and, accordingly, no provision has been made in the accompanying financial statements for any potential liability which may result.

Other Contingencies

The Authority from time to time may be a defendant in legal proceedings and contract disputes related to the conduct of its business. In the normal course of business, it also has various commitments and contingent liabilities, such as commitments for the extension of credit and guarantees, which are not reflected in the accompanying financial statements. At June 30, 1992, the Authority had entered into loan commitment agreements for loans of \$9,410,000. In the opinion of management, the financial position of the Authority will not be affected materially by the final outcome of any present legal proceedings or other contingent liabilities and commitments.